TWSE: 1795

Lotus Pharmaceutical Co., Ltd.

2022
Annual Report

Publication Date: April 30th, 2023

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

In case of any discrepancy between the English and the Chinese version, the Chinese version shall prevail.

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None

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I. Letters to Shareholders

1.1 Operational Results of 2022

1.1.1 Implement Results of Business Plan:

To Lotus Shareholders,

2022 is another remarkable year for Lotus, marked by several notable achievements delivered through our unique two-pronged expansion strategies, turnkey business model, and first-to-market global launches. Lotus has shown four consecutive years of double-digit growth in the top and bottom lines, which made Lotus outperform other peers with record-high financials. For its Export Business, in addition to the successful launches of Lenalidomide for treating multiple myeloma in certain patent-free countries across Europe, it also launched in the US with the highest market share in the world. Furthermore, Gefitinib for the treatment of non-small-cell lung cancer in 20 European markets on the patent expiry date, Enzalutamide for the treatment of prostate cancer, and the first generic Vinorelbine in the form of softgel capsules with a high entry barrier across development and manufacturing, For its Asian Business, Lotus has built solid fundamentals in both Taiwan and Korea markets which serve as stable contributors of cash flows to fund its continuous growth. We then aim to penetrate the fast-growing South East Asian countries further and actively strengthen Vietnam and the Philippines for the next-stage expansion. Major awards, including Asia Pacific Enterprise Awards (AREA), have recognized all these tremendous efforts. We believe this is a strong testimonial and recognition of our strengthened competitiveness for long-term growth.

Lotus's top priorities are providing affordable solutions to patients and maximizing benefits and values for our employees and shareholders. Via out-licensing partnerships with local leaders in each region, we can make our quality products accessible to all patients worldwide. We also keep investing in upgrading facilities in the Nantou factory to develop and manufacture cytotoxic and high-potency products to reinforce our manufacturing ability. As a result, we are confident that we will be one of the most competitive players in the global pharma industry with a strong foundation of all differentiated expertise.

Lotus possesses unparalleled commercial networks in global markets, which enable Lotus to maximize R&D abilities and the value of the intellectual property. Therefore, we can grow firmly and steadily with diversified needs and portfolios while facing a dynamically changing environment in the global generic industry. Looking ahead, we will focus on expanding profit margins and geographical footprint. In addition, we make it a top priority to contribute our professional experiences in the pharmaceutical industry. We encourage young talents to pursue their career life in this sector. Our board members and management team will diligently continue advancing our goals.

1.1.2 Implementation Results of Budget:

For the year of 2022, the Company only set its internal budget targets and did not make financial forecasts guidance to the public. However, the overall implementation results were generally consistent with the range contemplated by the Company.

1.1.3 Financial Income or Expenditure and Profitability Analysis:

For 2022, the Company's main expenditure is R&D investment in generic drugs with high entry barriers. The Company's investment in R&D aims at accumulating the energy of future product launches and growth in operating income.

Unit: NTD in thousands

Item \ Year		2022	2021
Financial Revenue and Expenditure	Operating revenue	14,632,772	12,649,189
	Gross profit	7,806,149	5,640,120
	Profit/loss before tax	3,940,212	1,870,019
Earnings Power	Return on equity (%)	24.22%	14.16%
	Profit before tax to capital ratio (%)	150.05%	71.15%
	Earnings per share (NTD)	$11.59	$5.50

1.1.4 Research and Development Status:

Lotus is now an international corporation with a fully integrated ecosystem of R&D capabilities by combining all the strengths and efforts of the teams in Taiwan, Korea, and India.

Lotus has successfully launched Buprenorphine/Naloxone and Lenalidomide in the US market. It also successfully developed and launched numerous oncology products, including Lenalidomide for treating multiple myeloma, Gefitinib for treating NSCLC, Vinorelbine for treating breast cancer, and Enzalutamide for the treatment of prostate cancer. So far, at least ten license applications are already being reviewed by the regulatory authorities in the US, EU, and other countries worldwide.

1.2 Business Plan Outline of the Current Year

1.2.1 Management Guidelines:

1. A solid foundation

(1) Continued optimization of portfolio:

The Company has chosen to develop medications with a high added value and entry threshold, such as cytotoxic drugs for cancer treatment and hormone medicines for women. As a result, Lotus is the first Taiwanese pharmaceutical firm to export generic cancer drugs to Japan, Korea, and Southeast Asia. Through the strategic partners' global network, Lotus also enters the European market successfully. The Company also commits to expanding its market access through a strategic partnership with regional leaders by leveraging its superior R&D capability and comprehensive business development networks for global launches.

Lotus' subsidiary, Alvogen Korea Co., Ltd., focuses on developing new compound and incrementally modified drugs. In 2015, Alvogen Korea successfully launched the antiplatelet drug, Sarpogrelate. The product soon gained a high percentage of market share. The launch of the lipid-lowering compound drug

Rosuvastatin/Ezetimibe in 2016 also generated significant returns in its first month's launch. The new pharmaceutical product Rosuvastatin/Candesartan was launched in 2017, successfully extending the product's life cycle. Lotus has achieved outstanding performance in recent years by expanding into the market for oral contraceptives and cancer drugs through pipeline acquisitions. In 2019, it had another successful launch of Qysmia, a 2nd generation anti-obesity brand drug licensed from a third party, to further solidify its leading position in the overall Korean anti-obesity market. Another licensed-in product, Mercilon, has also ranked 1st for nine consecutive years among oral contraceptive products and has been recognized as the most preferred OTC oral contraceptive brand in Korea. Alvogen Korea Co., Ltd. has also managed to excel in its area of expertise, taking the lion's share in the local market for anti-obesity drugs and oral contraceptives and breaking the shackles in Korea's competitive generics market, in which the market share of each pharmaceutical firm is usually in the single digit.

(2) Continued to provide outstanding service:

The Company has established a broad range of in-depth services. Regarding market coverage, it has established business teams in major markets like Taiwan, Korea, Thailand, and Vietnam to serve local customers from hospitals, clinics, and pharmacies. The Company also provides global clients with" One Stop Shopping" solutions, including R&D formulation, international regulatory consultation, global licensing partnership, and cost-efficient manufacturing in Taiwan. We wish to grow with all our strategic partners with possible business opportunities in global oncology and high-value generics markets.

(3) Continued quality assurance:

Since passing its first US FDA inspection in 2010, Lotus has never received any warning Letter from the US FDA. In July 2019, the Nantou manufacturing facility passed its 5th regular US FDA inspection. The Company continues to stand by its high-quality standards and thus has built an excellent industry reputation as a company that has passed inspections by the drug regulatory agencies from the US, Europe, Brazil, Japan, China, and Taiwan. Lotus promises the most outstanding quality assurance standards in each aspect to improve customers' and shareholders' benefits.

2. Seizing advantages in niche markets

(1) Target time-to-market in timely fashion:

Lotus has become a vertically integrated company with dedicated teams assigned to every stop across the supply chain, R&D, clinical trials, and pharmacovigilance to downstream distribution. Norwich Clinical Services, our Indian subsidiary based in Bengaluru, is a 72-bed contract research organization that provides professional bioequivalence studies, clinical research, and pharmacovigilance services to internal customers of the group, effectively reducing the cost and testing time of high value drugs such as cancer drugs.

In addition, Lotus has built up strategic partnership with local leaders who have the comprehensive business connections in every region around the world. Countries with niche dynamics or collaborations with local distributors ensure speedy entry of approved products into local markets. Lotus has the greatest global reach among Taiwanese generic pharmaceutical companies with an average post-approval time-to-market of less than six months.

(2) Increased profitability through sustainable pipeline strategy of high value drugs:

The Company incorporates different marketing strategies to cultivate the "global export markets" based on its core competences in oncology. Lotus is the most aggressive non-Indian pharmaceutical company to foster a pipeline with high value drugs, which in the long run will effectively improve the Company's gross margin. The Company's consolidated revenues has been gradually increasing. For better operational margin growth, Lotus will strictly keep control its SGNA to maximize and accelerate operational leverage.

(3) Continuous invest in high quality manufacturing facilities to ensure solid foundation for sustainable growth:

The Company's manufacturing site in Nantou Taiwan has been approved by the regulatory authorities in US, EU, Brazil, Japan, China, and Taiwan and is the core competence for extending its addressable markets around the world. The facilities in Nantou Taiwan will also be the base for its next blockbuster products to be launched in more than 130 markets globally. Therefore, commitment to further upgrade the manufacturing equipment, overall quality management system, supply chain planning, and inventory management is important to the Company for expanding the export business and sustainable growth.

1.2.2 Sales Volume Forecasts of Products and the Forecasting Bases:

The Company will focus on executing its two-pronged strategy covering Asian Business and Export Business with developing complex prescription drugs for domestic, Asian and global markets to create critical mass use of its approved generic products as well as expanding its addressable markets through strategic partnership for its in-house developed pipeline or licensed-in products to further boost its sales momentum. The Company shall also focus on improving legacy business while maximizing operating cash inflow to serve as a strong financial foundation for long-term growth.

The Company shall utilize its own and the strategic partners' global market reach to introduce its generic products or in-license brand name drugs to multiply the commercial potentials across domestic and global markets by securing pipelines. The Company shall continue to integrate into the Asian market through a flexible product strategy and financial structure.

The Company shall screen carefully when building its pipeline to ensure they represent high value, complex opportunities with limited competition. An active and robust R&D project management system can increase R&D hit rate, shorten development time, thus achieving first-to-file or first-wave opportunities for major high-value generic drugs.

1.2.3 Major Production and Sales Policies:

1. Production policies:

(1) Reductions in average production costs through proper planning of production lines and personnel efficiency management.

(2) Follow-up on regulations stipulated by the US Food and Drug Administration (FDA), the European Medicines Agency (EMA), Brazil's ANVISA, and Japan's Pharmaceuticals and Medical Devices Agency (PMDA) to ensure the compliance of Company production procedures and manufacturing facility operations with

these stringent standards. The Company was also one of the first in Taiwan to introduce serialized packaging system in order to meet the ever-tightening quality control standard of the US FDA.

(3) Enhancement of quality control in outsourced production with initiation of 2nd sourcing project to ensure product quality and cost efficiency.

2. Sales policies:

(1) Continued enhancement of strategic collaboration with global business network to ride on the tailwind of existing international marketing channels and increase opportunities for commercial licensing agreements.

(2) Increased investment in sales efficiency training to enhance productivity per sales across new and existing portfolio.

(3) Strategic M&A on generic portfolio or brand products to increase the market awareness and meet unmet medical needs of each market and to maximize product value.

(4) Targeted client base and creation of customer management system to lead marketing strategy.

1.2.4 Impact of External Environment, Regulatory Environment, and Overall Business Environment:

The aggressive market entry efforts of Chinese and Indian pharmaceutical companies with low-cost products have made a reshuffling of the global generics market. Due to Taiwan's National Health Insurance policy, the Group Purchasing Order, and the Ministry of Health and Welfare's successive implementation of policies to upgrade the industry—including the Taiwan Drug Master File (TDMF), Good Clinical Practice (GCP), current Good Manufacturing Practice (cGMP), Pharmaceutical Inspection Co-operation Scheme (PIC/S), Data Exclusivity Protection, and the enforcement of the Patent Linkage System—the industry structure of Taiwanese pharmaceuticals has undergone major changes in the past 2 decades. Taiwanese generic pharmaceutical companies must therefore actively develop global markets and find a niche for their operations.

In recent years, the global pharmaceutical industry went through its most volatile transformation term. This was primarily caused by changes in the political environment in the US, which is the largest market place for generic drugs. Immediate obstacles such as increased bargaining power in regard to drug prices on the part of insurance institutions, medical institutions, and pharmacy benefit managers (PBM) due to M&As; and long-term complications such as earnings shrinkages (including those experienced by leading pharmaceutical companies in Israel and India) caused by the entry of technology companies into the pharmaceutical and drug distribution market have hurt the industry. These changes sent impacts rippling across the entire pharmaceutical industry and have forced pharmaceutical companies to implement austerity and liquidation measures such as laying off employees or non-core business divestments. However, the general trend toward encouraging the use of low-cost generics by many governments has not changed. FDA has promised to increase the efficiency of the review and approval process for generic drugs in order to ensure a fair game between generic pharmaceutical companies and originators. Meanwhile, demand of generics in China is rising due to the National Healthcare Security Administration's implementation of its volume-based procurement program upon its establishment in 2018, creating new market opportunities for manufacturers of high quality generics.

In addition, the expiration of patents owned by original manufacturers will gradually extend from small molecule drugs to large molecule drugs, i.e., biologic drugs. This shall boost the demand for biosimilars and may spark a new wave of business growth in the pharmaceutical industry. The global biologic drug market is estimated US$40 billion in 2027 with a growth rate of 20% from US$2.5 billion in 2014. Humira, the world's best-selling drug for several years, will also lose its critical patent protection in Europe and the US. Given the complexity and difficulty to manufacture large molecule antibodies, many brand name pharmaceutical companies have been seeking shortcuts to the biosimilars market by forming alliances or conducting proprietary R&D.

In the face of international competition and regulatory policies, Lotus shall efficiently implement the growth strategies by utilizing its proprietary R&D and external licensing-in portfolio to aim for complex generic markets with high entry barriers. Through the deft use of commercial strategies, the Company will establish itself in the APAC region and acquire a global reach in the foreseeable future to reward its shareholders.

Chairman: Vilhelm Róbert Wessman

CEO: Petar 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 EROriginal 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 (Quotiapine) 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.

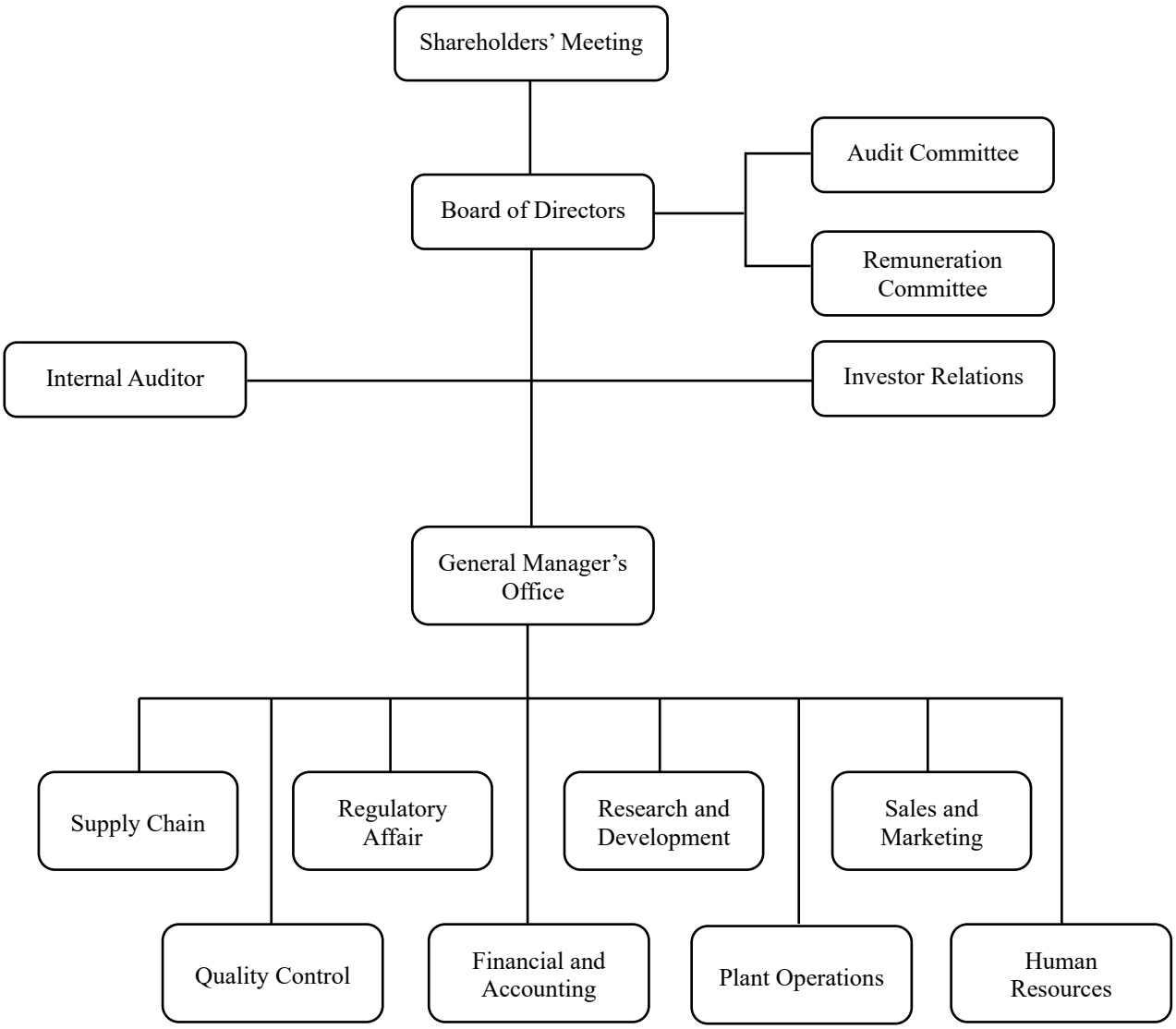
Aug, 2017	CDMO generic drug Norethisterone/Ethinylestradiol (1mg/0.035mg) obtains the official approval of Japan's PMDA Sep, 2017 Application for drug licenses for generic drug TS-1 (20mg and 25mg) is officially approved by Korea's Ministry of Food and Drug Safety (MFDS).
Sep, 2017	In March of 2017, 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 sublinqual 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

III. Corporate Governance

3.1 Organization:

3.1.1 Organization Chart:



3.1.2 Business Responsibilities of Major Departments:

Department	Roles and Responsibilities
Chairman's Office 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. Development of external communication strategies (e.g., public relations, investor relations); announcement of major news; execution of business related to stock affairs.
Internal Auditor	Evaluation and follow-up of the Company's internal control system and the soundness, legitimacy, and effectiveness of its administrative systems.
Sales and Marketing	Product sales; Achieving commerical performance in line with the Company's business growth targets. Client development; knowing clients' needs and providing solutions.
Legal Affairs	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.
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.
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.
Plant Operations	Planning and administration of manufacturing affairs; production of products whose quality and specifications comply with US FDA, EMA, PMDA, and cGMP standards.
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.
Supply Chain	All planning activities, including demand planning, supply planning, export delivery planning , B2B and CMO planning and all procurement activities in key markets of operation from direct materials, indirect and Capex items procurement.

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

3.2.1 Information of Directors and Supervisors

1. Information of Directors and Independent Directors

April 30th, 2023; 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.	-	2020.06.30	3	2014.09.29	151,100,000	62.15	134,064,369	51.05	-	-	-	-	University of Iceland Founder of Alvotech ehf. CEO of 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
	Iceland	Róbert Wessman (Note 2)	M 51~55	2020.06.30	3	2015.04.23	-	-	-	-	-	-	-	-						
Director	Bulgaria	Petar Vazharov (Note 2)	M 46~50	2020.06.30	3	2016.08.22	-	-	93,000	0.04	-	-	-	-	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 Private Limited	N/A	N/A	N/A	N/A
Director	Iceland	Thor Kristjansson (Note 2)	M 56~60	2020.06.30	3	2014.09.29	-	-	-	-	-	-	-	-	Bachelor's degree in Business Administration and Management, University of Iceland Deputy CEO, Actavis Generics	Director, Alvogen Korea Co., Ltd.	N/A	N/A	N/A	N/A
Director	Iceland	Árni Hardarson (Note 2, 3)	M 56~60	2020.06.30	3	2014.09.29	-	-	-	-	-	-	-	-	University of Iceland Iceland Partner, Deloitte Iceland (responsible for heading the Tax and Legal departments) Vice President of Tax and Structure, Actavis Generics	Deputy CEO, Alvogen Group Supervisor, Alvogen Korea Holdings Ltd. Supervisor, Alvogen Korea Co., Ltd.	N/A	N/A	N/A	N/A
Director	USA	Joel Morales	M 46~50	2020.06.30	3	2019.03.11	-	-	-	-	-	-	-	-	Accountant, Society of Rutgers University	CFO, Alvogen Group.	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	
		(Note 2, 3)													licensed certified public accountant in the State of New Jersey KPMG LLP Endo International plc SVP of the Generics Business Segment and Global Finance Operations					
Director	Thailand	Amporn Charoensomsak (Note 2, 4)	F 56~60	2021.04.22	3	2021.04.22	-	-	-	-	-	-	-	-	MBA, Thammasat University of Thailand Managing Director, Innobic (Asia) Co., Ltd.	Managing Director, Innobic (Asia) Co., Ltd.	N/A	N/A	N/A	N/A
Director	Thailand	Krisana Winitthumkul (Note 2, 4)	F 61~65	2022.11.23	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	2022.06.30	1	2022.06.30	-	-	-	-	-	-	-	-	MBA, Thammasat University, Thailand CFO, PTT Public Company Limited Director, PTTEP Energy Holding (Thailand) Company Limited	CFO, PTT Public Company Limited Director/ Member of the Risk Management Committee, Thai Oil Public Company Limited	N/A	N/A	N/A	N/A
Director	USA	Oranee Tangphao (Note 2)	F 56~60	2022.06.30	1	2022.06.30	-	-	-	-	-	-	-	-	Master of Science (Cardiovascular Pharmacology), Mc Master University CMO, Antiva Bioscience Pty VP, Clinical Pharm & Exp Medicine, Theravance	CMO, Antiva Bioscience Pty Director, Antiva Bioscience Pty Director, Soroptimist International of San Francisco	N/A	N/A	N/A	N/A
Director	Switzerland	Yves Hermes (Note 2)	M 56~60	2022.06.30	1	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 Int'l Services	Managing Director, Yves Hermes Healthcare Consultancy Director, Yves Hermes Healthcare Consultancy LLC Director, Jaloux SA	N/A	N/A	N/A	N/A
Director	Japan	Hirofumi Iami (Note 5)	M 56~60	2020.06.30	3	2019.06.24	-	-	-	-	-	-	-	-	Reitaku University of Japan	Chariman, Fuji Pharma Co., Ltd.	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Benjamin Ku	M 51~55	2020.06.30	3	2014.09.29	-	-	-	-	-	-	-	-	Master of Laws in Intellectual Property, Franklin Pierce Law Center	Partner, Cheng & Ku Law Firm Independent Director, Crystalwise technology Inc.	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	
															Bachelor of Laws, Department of Law, National Cheng Chi University Partner, Cheng & Ku Law Firm Head of Legal Affairs, Teco Electric & Machinery Co., Ltd. Associate, Winkler Partners - Attorneys at Law of Taiwan and Foreign Legal Affairs Intern, Massachusetts Institute of Technology Associate, Dong & Chiu Law Offices	Representative of Director, Creative Sensor Inc.				
Independent Director	Iceland	Hjorleifur Palsson	M 56~60	2020.06.30	3	2015.04.23	-	-	-	-	-	-	-	-	Cand Oecon Finance and Accounting, University of Iceland Chairman of the Board of Directors/Chairman of the Board of Trustees, Reykjavik University Chairman of the Board, Vodafone Iceland VP/CFO Össur hf. a global listed Orthotic and Prosthetic company State Authorized Public Accountant, The Institute of State Authorized Public Accountants in Iceland Partner and Director, Deloitte & Touche Iceland "	Member, Investment Committee, Akur fjarfestingar slhf. Director, Ankra ehf. Director, Brunnur ventures slhf. Member, Audit Committee, Landsbankinn hf. Chairman, Nomination Committee, Icelandair Group hf. Member, Audit Committee, Harpa Concert Hall and Conference c. Director, UNICEF Iceland Director, Festi hf.	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Han-Fei Lin	M 56~60	2020.06.30	3	2016.06.27	7,000	0.003	7,000	0.003	-	-	-	-	Bachelor of Science in Chemical Engineering, National Taiwan University Master of Business Administration, Wharton School of Business, University of Pennsylvania Director of Investments, Foxconn (San Jose) Vice President, Salomon Smith Barney, Citigroup (New York) Partner, CID Group	Partner, CID Group Chairman, Easywell Biomedicals, Inc. Representative of Director, Tai-Ling Biotech., Inc. Independent Director, P-Two Industries Inc. Independent Director, Elitegroup Computer Systems Co., Ltd. Independent Director, eCloudvalley digital technology 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).

Note 2: Representative of Alvogen Emerging Markets Holdings Ltd.

Note 3: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on January 27th, 2022.

Note 4: Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on November 23rd, 2022.

Note 5:Resign on June 30th, 2022.

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
Róbert Wessman (Note 1)	Róbert Wessman is known for his clear focus and his ability to successfully combine operational efficiency and external growth through strategic acquisitions. 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, 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. Róbert Wessman was CEO of Actavis Group, which became one of the largest generic pharmaceutical companies in the world for nine years.	No conditions defined in Article 30 of the Company Law apply to Róbert Wessman. Róbert, his spouse, or children are not employees of Lotus.	N/A
Petar Vazharov (Note 1)	Petar 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 during 2013 to 2015. Petar graduated with a medical doctor's degree from Sofia University of Medicine in 1999 and has an MBA degree from University of Sofia "Kliment Ohridski" in October 2007.	No conditions defined in Article 30 of the Company Law apply to Petar Vazharov. Petar, his spouse and children do not hold shares of Lotus.	N/A
Thor Kristjansson (Note 1)	Thor Kristjansson is EVP of Corporate Finance and M&A of Alvogen's global operation. He has over 25 years experience through various positions, specializing in finance, project management and general management. Thor served as Deputy CEO of Actavis from 2001 till 2004. His key focus was generating external growth through M&A. Prior to joining Alvogen in 2010, Thor worked for several private equity firms specializing in different sectors and he also served as BOD members of several international companies in multiple regions from 2005 prior to joining Alvogen.	No conditions defined in Article 30 of the Company Law apply to Thor Kristjansson. Thor, his spouse and children do not hold shares, and are not employees of Lotus.	N/A
Árni Hardarson (Note 1, 2)	Árni Hardarson is a director on Alvogen's Board of Directors and serves as Deputy to the CEO. 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 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

Criteria / Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Independent Director
Joel Morales (Note 1, 2)	Joel Morales became Chief Financial Officer at Alvogen in September 2017. Before joining Alvogen, he worked for Endo International plc, where he was SVP of the Generics Business Segment and Global Finance Operations. He was also responsible for a number of enterprise-wide strategic initiatives in direct support of the CEO and Executive Leadership Team. Prior to joining Endo, he worked for Merck & Co. and Schering-Plough, where he spent 10 years in various leadership roles, including the Corporate Strategy Office, Business Development and International Finance. Joel began his career with KPMG LLP, and is a licensed certified public accountant in the State of New Jersey. He obtained his Bachelor of Science degree in accounting from Rutgers University.	No conditions defined in Article 30 of the Company Law apply to Joel Morales. Joel, his spouse and children do not hold shares, and are not employees of Lotus.	N/A
Amporn Charoensomsak (Note 1, 3)	Ms. Amporn Charoensomsak currently is Managing Director at Innobic (Asia) responsible for PTT Group's life science business in Thailand and also a member of Medical Governance Foundation and Pharmaceutical Association of Thailand under Royal Patronage. Ms. Amporn has more than 30 years experience in pharmaceutical industry. Before joining Innobic (Asia), she was Country Manager of Abbott Laboratories Ltd (Thailand) and worked at other big pharma, including Pfizer and Novartis Thailand. Ms. Amporn obtained her MBA degree from Thammasat University and Bachelor of Pharmaceutical Science from Chulalongkorn University.	No conditions defined in Article 30 of the Company Law apply to Ms. Amporn Charoensomsak. Amporn, her spouse and children do not hold shares, and are not employees of Lotus.	N/A
Krisana Winitthumkul (Note 1, 3)	Ms. Krisana Winitthumkul is Director at Innobic (Asia) and, working closely with Thai Health Authorities and associations to drive the change in regulatory requirements, actively participate in ASEAN Harmonization for Pharmaceutical Registration. She also involves in monitoring the external environment, which impacts the healthcare industry, and strengthens collaboration and regulatory reform activities in the Thai Health System. 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 Ltd 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.	No conditions defined in Article 30 of the Company Law apply to Ms. Krisana Winitthumkul. Krisana, her spouse and children do not hold shares, and are not employees of Lotus.	N/A
Phannalin Mahawongtikul (Note 1)	Ms. Phannalin Mahawongtikul joined Lotus' Board of Directors on June 30th, 2022. She is the Chief Financial Officer of PTT Public Company Ltd. and is also a member of the Risk Management Committee at Thai Oil Public Company Ltd. Ms. Phannalin obtained both her MBA and Bachelor of Accounting from Thammasat University.	No conditions defined in Article 30 of the Company Law apply to Ms. Phannalin Mahawongtikul. Phannalin, her spouse and children do not hold shares, and are not employees of Lotus.	N/A
Oranee Tangphao (Note 1)	Ms. Oranee Tangphao 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 is now the Chief Medical Officer at Antiva Biosciences, a novel topical therapies development company focusing on pre-cancerous lesions caused by HPV. Ms. Oranee holds a Master's degree in Cardiovascular Pharmacology from Mc Master University and graduated from Chulalongkorn University with a Bachelor of Medicine (Internal Medicine). She was a Post-Dec then Research Associate at Standford University from 1994 to 2000.	No conditions defined in Article 30 of the Company Law apply to Ms. Oranee Tangphao. Oranee, her spouse and children do not hold shares, and are not employees of Lotus.	N/A
Yves Hermes (Note 1)	Mr. Yves Hermes joined Lotus' Board of Directors on June 30th, 2022. 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, Thailand, and serving as Area Director for Southeast Asia at Zuellig Pharma International Services before he founded his own company – Yves Hermes Healthcare Consultancy, in 2021. Mr. Hermes graduated from the University of Geneva, Switzerland, and obtained a Bachelor of Economics and Finance.	No conditions defined in Article 30 of the Company Law apply to Mr. Yves Hermes. Yves, his spouse and children do not hold shares, and are not employees of Lotus.	N/A
Hirofumi Imai (Note 4)	Mr. Hirofumi Imai was the CEO of Fuji Pharma, a company based in Japan, for 18 years since 1998. Under his leadership, the company established itself as a market leader in the women's health market as	Mr Hirofumi Imai wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of	N/A

Criteria / Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Independent Director
	well as in the diagnostic imaging market, and its EBITDA and market capitalization increased seven times and ten times, respectively. In 2012, the company got listed on the first section of the Tokyo Stock Exchange. Mr. Imai currently serves as the Chairman of Fuji Pharma.	the Company Law. No conditions defined in Article 30 of the Company Law apply to Mr Hirofumi Imai. Mr. Hirofumi Imai, his spouse and children do not hold shares, and are not employees of Lotus.	
Hjorleifur Palsson	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.	Mr. Palsson wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of the Company Law. No conditions defined in Article 30 of the Company Law apply to Mr. Palsson. Mr. Palsson, his spouse and children do not hold shares of Lotus and no conditions of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies apply to Mr. Palsson.	N/A
Benjamin Ku	Mr. Ku is Attorney at Law in Cheng & Ku Law Firm and serves as independent director of Lotus. He has 15 years experience as a professional lawyer in various law firms in Taiwan and in-house counsel for Taiwan corporations. Mr. Ku passed his bar exam in 1999 and patent agent certification in Taiwan in 2001. He is a member of Taipei Bar, Keelung Bar, Taoyuan Bar and Taichung Bar Associations in Taiwan.	Mr. Ku wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of the Company Law. No conditions defined in Article 30 of the Company Law apply to Mr. Ku. Mr. Ku, his spouse and children do not hold shares of Lotus and no conditions of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies apply to Mr. Ku.	1
Han-Fei Lin	Mr. Lin was the Chief Finance Officer of MStar Semiconductor, Inc., a leading IC design firm with a broad range of technologies serving the world's top consumer electronics and communications companies. During his tenure, he successfully brought the company public with introducing Temasek and GIC as anchor investors, and the deal is still one of the largest IPO in Taiwan's history. He also played a critical role in negotiating and executing MStar's merger with Mediatek, which created one of the largest fabless IC design houses in the world. Prior to CID and MStar, Han-Fei served as Director of Investments at Foxconn, and founded and served as CEO of Asia Bioinnovations, a biotech firm located in the Bay Area of California.	Mr. Lin wasn't elected as a governmental or juridical person or its representative as defined in Article 27 of the Company Law. No conditions defined in Article 30 of the Company Law apply to Mr. Lin. Mr. Lin holds 7,000 shares of Lotus but no conditions of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies apply to Mr. Lin.	3

Note 1: Representative of Alvogen Emerging Markets Holdings Ltd.

Note 2: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on January 27th, 2022.

Note 3: Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on November 23rd, 2022.

Note 4: Resign on June 30th, 2022.

4. Diversity and iIndependence of the Board of Directors:

(1) Diversity:

(A) To strengthen corporate governance and improve the sound development of the composition of the Board of Directors, the Company invites Directors that have multiple and complementary capabilities. Accordingly, candidates are across industries with fundamental requirements and values (e.g., gender, age, nationality, and culture), professional backgrounds (e.g., management, financial, taxation and law), professional skills and industry experience, and capability of making an operational judgment, conducting active management, crisis management, and leading ability.

The Company has 8 Directors and 3 Independent Directors of the Board of Directors; the members have relevant backgrounds and great experience in management, taxation, law, etc. The Company focuses on the financial expertise of members of the Board of Directors with a target Director ratio of 40%. The current Director Róbert Wessman, Director Thor Kristjansson, Director Phannalin Mahawongtikul, Director Yves Hermes, Independent Director Hjorleifur Palsson, and Independent Director Hanfei Lin have a financial background, account for a ratio of 54%. The implementation of diversity for 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
Róbert Wessman	M	Iceland	Founder of Alvotech ehf. CEO of Actavis Generics Group	V	V	V	V	V	V	V	V
Petar Vazharov	M	Bulgaria	Medical Doctorate, Sofia University of Medicine	V		V	V	V	V	V	V
Thor Kristjansson	M	Iceland	Management, University of Iceland	V	V	V		V	V	V	V
Árni Hardarson	M	USA	University of Iceland	V		V	V	V	V	V	V
Krisana Winitthumkul	F	Thailand	Chiang Mai University, Thailand	V		V		V	V	V	V
Phannalin Mahawongtikul	F	Thailand	MBA, Thammasat University, Thailand	V	V	V	V	V	V		V
Oranee Tangphao	F	USA	Master of Science (Cardiovascular Pharmacology), Mc Master University	V		V	V	V	V	V	V
Yves Hermes	M	Switzerland	Bachelor of Economics and Finance, University of Geneva, Switzerland	V	V	V	V		V	V	V
Benjamin Ku	M	R.O.C.	Master of Laws in Intellectual Property, Franklin Pierce Law Center	V		V	V		V	V	V
Hjorleifur Palsson	M	Iceland	Master of Economics, University of Iceland	V	V	V		V	V	V	V
Han-Fei Lin	M	R.O.C.	Master of Business Administration, Wharton School of Business, University of Pennsylvania	V	V	V	V		V	V	V

(2) Independence:

The Company currently has 3 Independent Directors, the official term has not exceeded nine years, and account for 27% of Directors. Director Petar Vazharov serves as an employee of the Company; however, it would not impact Director Petar Vazharov's objective and independent judgment of the Company's operation. In addition, all Directors do not have a marital relationship or 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 range includes but is not limited to whether the Directors continue to provide operational advice, keep objective and independent judgment and whether their actions inside and outside the Board of Directors are appropriate. All Directors of the Company have qualified characteristics above under proper circumstances.

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

April 30th, 2023

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 (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	Bulgaria	Petar Vazharov	M	2018.01.16	93,000	0.04	-	-	-	-	Medical Doctorate, Sofia University of Medicine MBA, University of Sofia "St. Kliment Ohridski" Senior Manager of Global Business Development, Actavis Generics	General Manager, 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 Private Limited	N/A	N/A	N/A	N/A
Country Manager	R.O.C.	Stanley Gu	M	2018.01.16	8,500	0.003	-	-	-	-	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	4,000	0.002	-	-	-	-	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	7,500	0.003	-	-	-	-	Bachelor of Commerce, University of Otago, New Zealand Master of Business Systems Monash University, Australia Manager, KPMG Taiwan Corporate Controller, SemiLEDs	Supervisor, Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd.	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 (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Corporation Regional controller, Alvogen Asia Pacific					
CIO	R.O.C.	Gwen Hsieh	F	2021.08.02	-	-	-	-	-	-	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	Australia	Zenon Zdunek (Note 2)	M	2018.11.13	-	-	-	-	-	-	MBA, Duke University	N/A	N/A	N/A	N/A	N/A
Vice President of Operations and Supply Chain	USA	Yingming Yue (Note 3)	M	2022.12.01	-	-	-	-	-	-	MBA, University of Chicago Vice President (Site head), Prinston Laboratories, Charlotte NC	N/A	N/A	N/A	N/A	N/A
Vice President of Research and Development	India	Manish Chawla	M	2019.07.08	5,000	0.002	-	-	-	-	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	Singapore	Dennis Tan	M	2022.01.01	-	-	-	-	-	-	Bachelor Degree in Chemistry with Merit from National University of Singapore Quality Head, Supplier Quality Operations, GlaxoSmithKline	Director, Lotus International Ptd. Ltd. Director, Meishi Pharma Service Pte. Ltd.	N/A	N/A	N/A	N/A
Vice President of Legal and Compliance	Bosnia and Herzegovina	Edin Buljubasic (Note 3)	M	2022.12.01							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

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).

Note 2: Retire on November 30th, 2022.

Note 3: On board on December 1st, 2022.

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

1. Compensation for Directors and Independent Directors

Record Date: 2022; Unit: NTD in thousands

Title	Name	Directors' Compensation								A+B+C+D totaled and percentage of net income after tax		Compensation from concurrent position as employee								A+B+C+D+E+F+G totaled 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	Lotus		From All Consolidated Entities		Lotus	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Alvogen Emerging Markets Holdings Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Róbert Wessman (Note 4)	1,050	1,050	-	-	-	-	80	80	1,130, 0.04%	1,130, 0.04%	-	-	-	-	-	-	-	-	1,130, 0.04%	1,130, 0.04%	-
Director	Petar Vazharov (Note 4)	525	525	-	-	-	-	80	80	605, 0.02%	605, 0.02%	50,481	50,481	-	-	1,822	-	1,822	-	52,907, 1.75%	52,907, 1.75%	-
Director	Thor Kristjansson (Note 4)	525	525	-	-	-	-	80	80	605, 0.02%	605, 0.02%	-	-	-	-	-	-	-	-	605, 0.02%	605, 0.02%	-
Director	Árni Hardarson (Note 4, 5)	525	525	-	-	-	-	60	60	585, 0.02%	585, 0.02%	-	-	-	-	-	-	-	-	585, 0.02%	585, 0.02%	-
Director	Joel Morales (Note 4, 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Amporn Charoensomsak (Note 4, 6)	414	414	-	-	-	-	80	80	494, 0.02%	494, 0.02%	-	-	-	-	-	-	-	-	494, 0.02%	494, 0.02%	-
Director	Krisana Winitthumkul (Note 4, 6)	111	111	-	-	-	-	20	20	131, 0.004 %	131, 0.004%	-	-	-	-	-	-	-	-	131, 0.004%	131, 0.004%	-
Director	Phannalin Mahawongtikul (Note 4)	525	525	-	-	-	-	100	100	625, 0.02%	625, 0.02%	-	-	-	-	-	-	-	-	625, 0.02%	625, 0.02%	-
Director	Oranee Tangphao (Note 4)	525	525	-	-	-	-	100	100	625, 0.02%	625, 0.02%	-	-	-	-	-	-	-	-	625, 0.02%	625, 0.02%	-

Title	Name	Directors' Compensation								A+B+C+D totaled and percentage of net income after tax		Compensation from concurrent position as employee								A+B+C+D+E+F+G totaled 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	Lotus		From All Consolidated Entities		Lotus	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Director	Yves Hermes (Note 4)	525	525	-	-	-	-	100	100	625, 0.02%	625, 0.02%	-	-	-	-	-	-	-	-	625, 0.02%	625, 0.02%	-
Director	Hirofumi Imai (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Hjorleifur Palsson	1,080	1,080	-	-	-	-	330	330	1,503, 0.05%	1,503, 0.05%	-	-	-	-	-	-	-	-	1,503, 0.05%	1,503, 0.05%	-
Independent Director	Benjamin Ku	990	990	-	-	-	-	340	340	1,330, 0.04%	1,330, 0.04%	-	-	-	-	-	-	-	-	1,330, 0.04%	1,330, 0.04%	-
Independent Director	Han-Fei Lin	735	735	-	-	-	-	330	330	1,065, 0.04%	1,065, 0.04%	-	-	-	-	-	-	-	-	1,065, 0.04%	1,065, 0.04%	-

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: As of the date of this Annual Report, the remuneration has not yet been distributed to directors by the Company.

Note 4: Representative of Alvogen Emerging Markets Holdings Ltd.

Note 5: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on January 27th, 2022.

Note 6: Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on November 23rd, 2022.

Note 7: Resign on June 30th, 2022.

2. Compensation for Supervisors

The Company established the Audit Committee to replace Supervisors on April 23, 2015. The committee is composed entirely of Independent Directors.

3. Compensation for General Manager and Vice Presidents

Record Date: 2022; 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 Vazharov	91,634	91,634	-	-	44,085	44,085	6,555	-	6,555	-	142,274, 4.71%	142,274, 4.71%	-
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	Zenon Zdunek (Note 2)													
Vice President of Operations and Supply Chain	Yingming Yue (Note 3)													
Vice President of Research and Development	Manish Chawla													
Vice President of Quality	Dennis Tan													
Vice President of Legal and Compliance	Edin Buljubasic (Note 3)													

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

Note 2: Retire on November 30th, 2022.

Note 3: On board on December 1st, 2022.

4. The Top 5 managers among the Company's compensation:

Record Date: 2022; 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 Vazharov	27,056	27,056	-	-	23,425	23,425	1,822	-	1,822	-	52,303, 1.73%	52,303, 1.73%	-
Deputy General Manager of Strategy and Finance	Bjartur Shen	14,738	14,738	-	-	12,790	12,790	1,183	-	1,183	-	28,711 0.95%	28,711, 0.95%	-
Vice President of Operations and Supply Chain	Zenon Zdunek (Note 2)	11,925	11,925	-	-	864	864	1,015	-	1,015	-	13,804 ,0.46%	13,804 ,0.46%	-
Vice President of Research and Development	Manish Chawla	11,200	11,200	-	-	1,782	1,782	625	-	625	-	13,607 ,0.45%	13,607 ,0.45%	-
CIO	Gwen Hsieh	7,196	7,196	-	-	956	956	349	-	349	-	8,501 ,0.28%	8,501 ,0.28%	-

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

Note 2: Retire on November 30th, 2022.

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	Edin Buljubasic	Edin Buljubasic
NT$1,000,000 (incl.) - NT$2,000,000 (excl.)	-	-
NT$2,000,000 (incl.) - NT$3,500,000 (excl.)	Yingming Yue	Yingming Yue
NT$3,500,000 (incl.) - NT$5,000,000 (excl.)	-	-
NT$5,000,000 (incl.) - NT$10,000,000 (excl.)	Dennis Tan, Stanley Gu, Eeling Chan, Gwen Hsieh	Dennis Tan, Stanley Gu, Eeling Chan, Gwen Hsieh
NT$10,000,000 (incl.) - NT$15,000,000 (excl.)	Manish Chawla, Zenon Zdunek	Manish Chawla, Zenon Zdunek
NT$15,000,000 (incl.) - NT$30,000,000 (excl.)	Bjartur Shen	Bjartur Shen
NT$30,000,000 (incl.) - NT$50,000,000 (excl.)	-	-
NT$50,000,000 (incl.) - NT$100,000,000 (excl.)	Petar Vazharov	Petar 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.

5. Employees' compensation paid to officers:

Record Date: 2022; Unit: NTD in thousands

	Title	Name	Stock	Cash	Total	Totaled of Net Income After tax (%)
Manager Officers	CEO	Petar Vazharov	-	6,555	6,555	0.22
	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	Zenon Zdunek				
	Vice President of Operations and Supply Chain	Yingming Yue				
	Vice President of Research and Development	Manish Chawla				
	Vice President of Quality	Dennis Tan				
	Vice President of Legal and Compliance	Edin Buljubasic				
	Corporate Governance Officer	Angela Luan				

3.2.4 Comparative Analysis of the Percentage of Compensation Paid to Directors, Supervisors, 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, Supervisors, general manager, and vice presidents of the Company

Unit: NTD in thousands

Year	Compensation for the Directors, Supervisors, General Manager, and Vice Presidents of Lotus	Percentage of Compensation to Net Profit Income After Tax
2022	151,597	5.02%
2021	123,944	8.83%

2. The principles of remuneration for Directors and Supervisors are detailed in *VI. Dividend Policies and Implementation* on page 67 The compensation for general managers and vice presidents is based on industry standards. Bonuses are paid in accordance with Company earnings, personal business performance, future risk, and industry standards.

3.3 Implementation of Corporate Governance:

3.3.1 Board of Directors

A total of 10 Board of Director Meetings were held in 2022. The attendance of the Directors and Independent Directors is tabulated below:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance	Remarks
Chairman	Róbert Wessman	7	2	70.00%	Representative of Alvogen Emerging Markets Holdings Ltd.
Director	Petar Vazharov	9	1	90.00%	Representative of Alvogen Emerging Markets Holdings Ltd.
Director	Thor Kristjansson	6	4	60.00%	Representative of Alvogen Emerging Markets Holdings Ltd.
Director	Árni Hardarson	8	1	80.00%	Representative of Alvogen Emerging Markets Holdings Ltd.; Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on January 27, 2022.
Director	Amporn Charoensomsak	9	0	100.00%	Representative of Alvogen Emerging Markets Holdings Ltd.; Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on November 23rd, 2022.
Director	Krisana Winitthumkul	1	0	100.00%	Representative of Alvogen Emerging Markets Holdings Ltd.; Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on November 23rd, 2022.
Director	Phannalin Mahawongtikul	5	0	100.00%	Representative of Alvogen Emerging Markets Holdings Ltd.
Director	Oranee Tangphao	5	0	100.00%	Representative of Alvogen Emerging Markets Holdings Ltd.
Director	Yves Hermes	5	0	100.00%	Representative of Alvogen Emerging Markets Holdings Ltd.
Director	Hirofumi Imai	4	1	80.00%	
Independent Director	Hjorleifur Palsson	9	1	90.00%	
Independent Director	Benjamin Ku	10	0	100.00%	
Independent Director	Han-Fei Lin	9	1	90.00%	

Other details:

1. In any of the following circumstances, the meeting date, session, and content; proposals of all Independent Directors; and Company responses shall be detailed:
   (1) Items listed in Paragraph 3, Article 14 of the *Securities and Exchange Act*: Not Applicable since the Company has established the Audit Committee.
   (2) In addition to the preceding matters, written objections or abstentions on the part of Independent Directors: None.

2. To prevent conflicts of interest, the name of the Director, proposal content, reason for recusal, and outcome shall be disclosed:

Board of Directors Meeting Date	Content of Proposal	Reasons for Abstentions by Directors	Results of Voting Counts
Mar 16th, 2022	Proposal for FY2022 annual salary adjustments for managerial officers	Director Petar Antonov Vazharov has conflict of interest in this case.	Note
Apr 12th, 2022	Proposal for in relation to the sale of shares of Alvogen Emerging Markets Holdings Ltd. by Alvogen Lux Holdings S.à r.l., the Company proposes to enter into the Transitional Services Agreement with Alvogen Inc.	Director Árni Hardarson has conflict of interest in this case.	Note
May 13th, 2022	Proposal for FY2021 annual bonus for managerial officers	Director Petar Antonov Vazharov has conflict of interest in this case.	Note
May 13th, 2022	Proposal for FY2021 directors' compensation out of profit-sharing	Independent Director Hjorleifur Palsson, Benjamin Ku and Hanfei Lin have conflict of interest in this case.	Note
Jul 7th, 2022	Proposal to exercise the call option attached to the equity investment in Alvogen Pharma Limited to invest in New Alvogen Group Holdings, Inc., a wholly-owned subsidiary of Alvogen Pharma Limited	Director Róbert Wessman and Árni Hardarson have conflict of interest in this case.	Note
Aug 11th, 2022	Proposal for the Company to enter into the extension of the maturity date of the intercompany loan with ALVOGEN EMERGING MARKETS HOLDINGS LIMITED	Director Róbert Wessman, Árni Hardarson, Thor Kristjansson, Petar Antonov Vazharov, Amporn Charoensomsak, Phannalin Mahawongtikul, Yves Hermes and Oranee Tangphao have conflict of interest in this case.	Note
Nov 10th, 2022	Proposal for the signing of a Consulting Agreement with Aztiq Consulting Ehf, an affiliate company	Director Róbert Wessman and Thor Kristjansson have conflict of interest in this case.	Note
Nov 10th, 2022	Proposal for performance bonus for managerial managers	Director Petar Antonov Vazharov has conflict of interest in this case.	Note

Note: Such Director abstained the voting and discussion of this case in accordance with provisions specified in the Article 206 of the Company Act which applies to the provisions specified in the Article 178.

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	FY2022	Board, Board Members and Functional 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: Familiarity with 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. Functional 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 objectives and implementation of enhancing the functions of the Board of Directors in the current year and most recent years (e.g., establishing an audit committee or enhancing information transparency):

(1) Enhancing Director competency

The Company's Independent Directors were elected in the Annual General Meeting held on September 29, 2014, the 2nd Extraordinary General Meetings held on April 23, 2015, June 27, 2017 and June 30, 2020. There were three Independent Directors after re-election on June 30, 2020. There are no spouses or relatives within two degrees of kinship of the Directors on the Board of Directors. The Rules of the Board of Directors were established in the Annual General Meeting held on June 17, 2010. The operations of the Board of Directors since that time have been regulated by the Rules of the Board of Directors. In addition, members of the Board of Directors have participated in refresher courses related to the subject of corporate governance during their term in institutions as recommended in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.

Three Independent Directors serve on the Board of Directors. They have extensive knowledge of industry, accounting, and financial analysis. They provide professional advice to the Board of Directors regarding internal controls, as well as business and financial proposals. The Company established the first term of the Audit Committee on April 23, 2015. The second term of the Audit Committee was established on June 27, 2017. The third term of the Audit Committee was established on June 30, 2020. The committee is composed of three Independent Directors, and actively aids the Board of Directors in ensuring the quality and integrity of Company management in the execution of 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 on the Company's website and other information websites in a timely manner 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 that major information is immediately disclosed to shareholders and stakeholders.

5. Annual Attendance of Independent Directors in 2022:

(Attendance in person◎ Attendance by proxy● Absent▲)

2022	20-15 Feb 17th, 2022	20-16 Mar 16th, 2022	20-17 Apr 12th, 2022	20-18 May 13th, 2022	20-19 Jun 9th, 2022	20-20 Jul 7th, 2022	20-21 Aug 11th, 2022	20-22 Sep 27nd, 2022	20-23 Nov 19th, 2022	20-24 Dec 13th, 2022
Hjorleifur Palsson	◎	◎	◎	●	◎	◎	◎	◎	◎	◎
Benjamin Ku	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Han-Fei Lin	◎	●	◎	◎	◎	◎	◎	◎	◎	◎

3.3.2 Audit Committee or Supervisor Participation in Board of Directors' Meetings:

The Company held a total of 10 (A) Audit Committee Meetings in 2022; participating Independent Directors are listed below:

Title	Name	Actual Attendance (or non-voting participation) (B)	Attendance by Proxy	Actual Attendance (or non-voting participation) Rate (%) (B/A)	Remarks
Independent Director	Hjorleifur Palsson	10	0	100.00%	Convener
Independent Director	Benjamin Ku	10	0	100.00%	
Independent Director	Han-Fei Lin	10	0	100.00%	

Other details:

1. In any of the following circumstances, including the meeting date, session, and content; objections, reservations or major proposals of Independent Directors, resolutions of Audit Committee; and Company responses, shall all be detailed:

(1) Items listed in Paragraph 5, Article 14 of the Securities and Exchange Act:

Audit Committee Meeting Date	Content of Proposal
3-16 Mar 15th, 2022	Proposals for the the Statements of FY2021 Internal Control System, addition of "General Principles of Internal Control System" and amendments to certain articles of the "Internal Audit Implementation Procedures", FY2021 Business Report and Financial Statements, FY2021 earnings distribution, cash distribution from capital surplus, FY2022 audit fees and the acquisition of Tadalafil 2.5mg, 5mg, 10mg, 20mg under the brand name of Cialis in Taiwan from Eli Lilly.
3-17 Apr 8th, 2022	Proposals for the proposed amendments to certain articles of the Company's "Procedures for Loaning of Funds and Making of Endorsements and Guarantees" and "Procedures for Acquisition or Disposal of Assets".
3-18 May 10th, 2022	Proposal for the listing of private placement shares.
3-20 Jul 7th, 2022	Proposal to exercise the call option attached to the equity investment in Alvogen Pharma Limited to invest in New Alvogen Group Holdings, Inc., a wholly-owned subsidiary of Alvogen Pharma Limited.
3-22 Sep 27th, 2022	Proposals for the capital injection proposal in Lotus International Pte. Ltd. ("**Lotus SG**") and the proposed amendments to the Company's Delegation of Authority.
3-23 Nov 9th, 2022	Proposals for t the appointment of Internal Audit Officer and FY2023 annual audit plan.
3-24 Dec 13th, 2022	Proposal for the acquisition of Pemetrexed under the brand name of Alimta in Taiwan from Eli Lilly.

All the proposals approved by all attending Directors and without objection.

(2) In addition to the preceding matters, matters that were not approved by the Audit Committee, but were approved by two-thirds of the Board of Directors: None

2. To prevent conflicts of interest, the name of the director, proposal content, reason for recusal, and outcome shall be disclosed: None
3. Communication between Independent Directors, internal audit Supervisors, and accountants (including regarding financial or operational matters, methods, and outcomes):
   (1) The Company's internal audit Supervisors regularly submit audit reports to and discuss audit report content with the Independent Directors. They present reports to the Audit Committee and Board of Directors on a quarterly basis. Special circumstances are reported to the Audit Committee immediately. There were no special circumstances in 2022. Communication between the Independent Directors and internal auditors is excellent. The Company also regularly discloses the information on the Company's website.
   (2) The Company's CPA attends the review of the quarterly financial report during quarterly Board of Director's Meetings to report on the outcomes of the report review. Special circumstances or regulatory requirements are also reported to the Audit Committee. There were no special circumstances in 2022. Communication between the Independent Directors and accountants is excellent. The Company also regularly discloses the information on the Company's website.
4. Major achievements:
   Review of all quarterly and annual financial results, independent auditors' auditing fee, independent auditors' independence and performance, internal auditor report and regarding procedure, loaning of funds and making of endorsements guarantees, acquisition or disposal of assets, etc.

3.3.3 Supervisor Participation in Board of Directors' Meetings:

The Company established the Audit Committee to replace Supervisors on April 23, 2015.

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 practices in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has introduced the Corporate Governance Best Practice Principles, appointed three Independent Directors, and established functional committees (e.g., the Audit Committee and Compensation Committee) to improve corporate governance. It has also introduced a variety of corporate governance measures, such as the Rules of Procedure for the Board of Directors' Meetings, Rules of Procedure for Shareholders' Meetings, Internal Control System, Implementation Rules for Internal Audits, Procedures for Asset Acquisition or Disposition, and Procedures for Loaning of Funds and Making of Endorsements and Guarantees. Actual operations are consistent with the spirit of corporate governance.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
2. Shareholding Structure & Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes, and litigation matters? If so, has these procedures been implemented accordingly?	V		The Company has appointed dedicated personnel for handling matters involving shares as well as a Company spokesperson to handle shareholders' suggestions. The Company also seeks legal counsel to provide advice on relevant legal issues.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		The Company exercises control over the declaration and disclosure of changes in the Directors' shareholdings, share pledging, and basic information of major legal shareholders on the Market Observation Post System.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(3) Has the Company established, executed and implemented a risk control system and firewall mechanism between the Company and its affiliates?	V		The Company handles relevant matters in accordance with its Internal Control System to ensure that risk control and firewall mechanisms are in place.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		The Company organizes internal promotions and training courses on both a regular and occasional basis, and strictly forbids insider trading, as is required by the law.	Full compliance with 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	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors established diversity policy and management targets for composition of directors and have been implemented accordingly?	V		The Company's diversity policy for the composition of the Company's Board of Directors is disclosed on its website and on the Market Observation Post System.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(2) Besides the Compensation Committee and Audit Committee which are required by law, has the Company voluntarily established other functional committees?		V	In accordance with operational needs and corporate governance, the Company has currently established a Compensation Committee. It has also adopted an audit committee system. The Company will continue to evaluate its scale 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 a method of evaluating the performance of its Board of Directors, implemented annual performance evaluations, and submitted the evaluation results to the Board of Directors as reference for the compensation and future nomination or reelection of individual Directors?	V		The Company regularly discloses Director's attendance and attendance rates, and has established a method of evaluating the performance of its Board of Directors to serve as a reference for the compensation and future nomination or reelection of individual Directors.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(4) Does the Company regularly evaluate the independence of its CPAs?	V		The Company reviews the competence and independence of the CPAs at least once a year. The CPA's certification operations, interests, practices, honesty and integrity, and independence are evaluated based on AQIs. The review results were reported to the Board of Directors on March 9th, 2023. (Note 1)	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
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 and Supervisors related to business operations, handling legal compliance matters related to Board of Directors' Meetings and Shareholder Meetings, and producing minutes of Board of Directors' meetings and	V		The Company has appointed Bjartur Shen as the corporate governance officer on Nov 10th, 2022. Bjartur Shen has more than three years of financial manage experience at the public companies. He shall provide Directors with information related to Board operations, Board of Directors' Meetings and Shareholders' Meetings. The corporate governance officer also oversees Company registrations and changes in registrations, and prepares meeting minutes in compliance with legal requirements. Corporate	Full compliance with 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	
Shareholder Meetings)?			governance officer's trainings in the current year are shown below. (Note 2)	
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 stakeholders section on the Company's website? Does the Company respond appropriately to stakeholders' questions on major issues of corporate social responsibility?	V		The Company has launched a website (http://www.lotuspharm.com.tw) containing a list of the names, contact numbers, and e-mails of department heads. The Company's financial and operational information are disclosed on the website, which serves as a channel for communication with Company stakeholders, including financial institutions, creditors, employees, and shareholders. The personnel responsible for respondence of various issues and methods of communication and respondence are disclosed as in the following table. (Note 3)	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
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 handle matters related to Shareholders' Meetings.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
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 any and all information. The Company's financial, business, and corporate governance information are also disclosed in the Market Observation Post System.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(2) Has the Company use other information disclosure channels (e.g., maintaining an English website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting institutional investors' conferences)?	V		The Company has appointed a designated person to collect and disclose Company information, serve as a bridge for communication, and fulfill the spokesperson system. The Company has also established an English website. The Company discloses its financial information on the Company website and Market Observation Post System monthly. Investors can also find information of institutional investors' conference on the website.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(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		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	Full compliance with 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	
financial reports and monthly operating reports before their respective deadlines?			statements and the monthly operating reports are disclosed and filed before their respective deadlines.	
8. Has the Company disclosed other information 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, continuing education of Directors and Supervisors, implementation of risk management policies and criteria for risk evaluation, implementation of customer relation policies, and the purchase of liability insurance for Directors and Supervisors)	V		1. Attendance at Board of Directors' Meetings was excellent. The Company has established an Audit Committee and Compensation Committee to assist Directors in strengthening corporate governance. 2. A dedicated person is responsible for the Company's risk management policies and risk measurement standards. 3. The Company maintains a smooth channel of communication with its clients. 4. Company Directors abstain from involvement in matters that constitute a conflict of interest. 5. The Company has purchased liability insurance for all its Directors to the value of US$15 million. 6. Directors' trainings in the current year are shown below. (Note 4)	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
9. Company improvements in corporate governance based on the assessment items stipulated in the Corporate Governance Evaluation Results issued in the most recent year by the Corporate Governance Center of the TWSE, and priority measures for items requiring further improvement.	V		The Company has devised improvement policies based on the outcomes of the corporate governance review of 2022: 1. The Company has ratified and disclosed regulations prohibiting Company Directors and employees from profiting from undisclosed information. 2. English versions of Shareholders' Meeting Annual Reports, meeting handbooks, and Shareholders' Meeting notices are available on the Company website and the Market Observation Post System. 2. Voluntary for functional committee performance evaluation.	Full compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Note 1-1: The Independence of the CPAs

Evaluation Items for the Competence and Independence of the CPAs	Evaluation Results	Whether in compliance
1. Up to the most recent attestation assignment, the CPA has not served as audit partner for the Company for a consecutive period of seven years. 2. The CPA has no material financial interest in the Company and its affiliated companies. 3. The CPA avoids any inappropriate relationship with the Company and its affiliated companies. 4. The CPA should ensure the honesty, integrity and independence of their assistants. 5. The CPA is prohibited from auditing the financial statement of companies where he/she has served within the last two years prior to practicing. 6. The CPA's name shall not be used by others. 7. The CPA holds no shares in the Company or its affiliated companies. 8. The CPA does not have any financial loan with the Company or affiliated companies. 9. The CPA has no relationship of joint investment or profit share with the Company or its affiliated companies. 10. The CPA does not concurrently work for the Company or its affiliated companies and receive fixed return. 11. The CPA does not involve in the decision-making function of the management in the Company or its affiliated companies. 12. The CPA does not concurrently operate other businesses that may lose the independence. 13. There is no spouse or the second-degree relatives serving as the management personnel of the Company. 14. The CPA does not receive any commission revenues from the business. 15. As of the current date, there has been no punishment or violation of the code of independence.	Yes	Yes

Note 1-2: The Competence of the CPAs based on AQIs

Dimension	AQI	Relevance	Competency
Profession	Audit Experience	Whether auditors possess enough audit experience.	Yes
	Training Hours	Whether auditors receive enough training.	
	Attrition Rate	Whether the firm maintains sufficient human resources.	
	Professional Support	Whether the firm is equipped with sufficient experts, including CAAT specialists and financial appraisers.	
Quality Control	Workload	Whether partners are loaded with excessive engagements or work overtime.	
	Involvement	Whether the involvement of audit team in each audit phase is appropriate.	
	EQCR	Whether EQC reviewers spend sufficient time on engagement	
	Quality Supporting Capacity	Whether the firm is equipped with sufficient resources to support audit teams.	
Independence	Non-Audit Service (NAS)	Whether the proportion of NAS affects the firm's independence.	
	Familiarity	Whether audit firm tenure affects the firm's independence.	
Monitoring	External Inspection Results and Enforcement	Whether the firm's compliance with quality control system and engagement is satisfactory.	
	Number of Official Improvement Letters Issued by Authority	Whether the firm's compliance with quality control system and engagement is satisfactory.	
Innovation	Innovative Planning or Initiatives	Whether the firm has undertaken appropriate planning or initiatives to improve audit quality.	

Note 2: Corporate Governance Officer's trainings in the current year

Date	Organizer	Course Title	Hours
Nov 13th, 2022	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
Nov 14th, 2022	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0

Note 3: Stakeholders:

Stakeholders	Key Issues	Main Responsibility	Communication and Response Channels
Shareholders and investors	1. Corporate image 2. Economic performance 3. Compliance 4. Environmental assessment 5. Investment 6. Labor relations 7. Customer health and safety 8. Product liability	1. Compliance with the latest regulatory amendments of the competent authority and respond to changes by adjusting the Company's information disclosure practices and content 2. Provide timely and accurate Company information to ensure the transparency of investment information 3. Formulate stable financial and business strategies and maintain Company credibility and business performance	1. Contact: Director, investor relations Tel: (02) 2700-5908 2. Annual General Meeting 3. Regular institutional investors' conferences 4. Major announcements 5. Emails and contact numbers on the Company website 6. Investor Relations Department
Employees	1. Labor-management relations 2. Talent cultivation 3. Compensation and benefits 4. Occupational health and safety	1. Compliance with the latest amendments made to regulations by the competent authority 2. Provide sufficient resources for education, training, and in-service advancement 3. Establish direct and transparent channels of communication	1. Staff announcements 2. (Cloud-based) intranet website 3. Department meetings 4. Irregular employee education, training, and e-learning 5. Performance interviews 6. Labor-management meetings 7. Compensation Committee 8. Occupational safety training for work and EHS promotion
Suppliers	1. Environmental assessment 2. Anti-corruption 3. Regulatory compliance	1. Establish fair and transparent procurement strategies 2. Enhance raw material quality and supplier stability 3. Establish excellent company-supplier relations	1. Irregular supplier management and auditing 2. Supplier complaint contact Email:info@lotuspharm.com
Clients	1. Impartiality 2. Anti-corruption 3. Regulatory compliance 4. Environmental assessment 5. Labor-management relations 6. Occupational safety	1. Provide high-quality products and services 2. Increase customer satisfaction 3. Establish excellent company-customer relations	1. Business contact number: (02) 2700-5908 2. Irregular customer satisfaction 3. Irregular seminars and briefings 4. Exhibitions 5. Customer service department

Note 4: Directors' trainings in the current year

Title	Name	Date	Organizer	Course Title	Hours
Chairman	Róbert Wessman	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
Director	Petar Vazharov	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
Director	Thor Kristjansson	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
Director	Árni Hardarson	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0

Title	Name	Date	Organizer	Course Title	Hours
Director	Amporn Charoensomsak	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
Director	Krisana Winitthumkul	Nov 24th, 2022	Corporate Operating and Sustainable Development Association	Case analysis for exposure of company's important information and duty of director	3.0
				Practical analysis and case study of corporate governance, board of directors and compensation committee	3.0
		Dec 7th, 2022		Effect of Legal Acts between Directors and the Company	3.0
		Dec 15th, 2022		Introducing of Taiwan's corporate governance blueprint 3.0	3.0
Director	Phannalin Mahawongtikul	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
		Oct 5th, 2022	Securities and Futures Institute	Insider's shares transaction law follows the briefing session	3.0
		Nov 13th, 2022	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
Director	Oranee Tangphao	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
		Oct 12th, 2022	Securities and Futures Institute	Insider's shares transaction law follows the briefing session	3.0
		Nov 13th, 2022	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Forum	3.0
Director	Yves Hermes	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
		Oct 19th, 2022	Securities and Futures Institute	Insider's shares transaction law follows the briefing session	3.0
		Nov 24th, 2022	Corporate Operating and Sustainable Development Association	Practical analysis and case study of corporate governance, board of directors and compensation committee	3.0
Independent Director	Benjamin Ku	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
Independent Director	Hjorleifur Palsson	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	3.0
Independent Director	Han-Fei Lin	Aug 3rd, 2022	Taiwan Corporate Governance Association	The duties and responsibilities of directors specified in the Securities and Exchange Act	3.0
				Corporate governance and SEC-related regulations	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 / Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies in Which Subject Serves as Member of Compensation Committee
Independent Director	Benjamin Ku (Note)	Mr. Ku is Attorney at Law in Cheng & Ku Law Firm and serves as independent director of Lotus. He has 15 years experience as a professional lawyer in various law firms in Taiwan and in-house counsel for Taiwan corporations. Mr. Ku passed his bar exam in 1999 and patent agent certification in Taiwan in 2001. He is a member of Taipei Bar, Keelung Bar, Taoyuan Bar and Taichung Bar Associations in Taiwan.	Mr. Ku 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. Ku, 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.	N/A
Independent Director	Hjorleifur Palsson	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.	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.	N/A
Independent Director	Han-Fei Lin	Mr. Lin was the Chief Finance Officer of MStar Semiconductor, Inc., a leading IC design firm with a broad range of technologies serving the world's top consumer electronics and communications companies. During his tenure, he successfully brought the company public with introducing Temasek and GIC as anchor investors, and the deal is still one of the largest IPO in Taiwan's history. He also played a critical role in negotiating and executing MStar's merger with Mediatek, which created one of the largest fabless IC design houses in the world. Prior to CID and MStar, Han-Fei served as Director of Investments at Foxconn, and founded and served as CEO of Asia Bioinnovations, a biotech firm located in the Bay Area of California.	Mr. Lin 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. Lin holds 7,000 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.	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 August 13, 2020 to June 29, 2023. A total of 3(A) Remuneration Committee Meetings was held in 2022. Attendance at Remuneration Committee Meetings was as follows:

Title	Name	Actual Attendance (sit-in) (B)	Actual Attendance (sit-in) rate (%)(B/A)	Remarks
Independent Director	Benjamin Ku	3	100.00%	Convener
Independent Director	Hjorleifur Palsson	3	100.00%	
Independent Director	Han-Fei Lin	3	100.00%	

Other details:

1. Remuneration Committee suggestions rejected or amended by the Board of Directors: None
2. Decisions of the Remuneration Committee rejected or not approved by committee members in writing: None
3. The Remuneration Committee shall exercise the due care of a good administrator with the goal of fulfilling the following duties:
   (1) 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.
   (2) 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.
4. Proposals, reviews and decisions made in the 2022 Remuneration Committee meetings, and the Company's handling of opinions are summarized as follows:

Session/ Date	Proposal/Discussion	Decision	Responses by the Company to the Opinions of the Remuneration Committee
5-7 Mar 16th, 2022	1. Proposal for FY2021 employees' bonus and directors' compensation out of profit-sharing 2. Proposal for FY2022 annual salary adjustments for managerial officers	Approved without objection	Approved by all attending Directors
5-8 May 10th, 2022	1. Proposal for the proposed amendments to Rules Governing Remuneration Payment for Directors 2. Proposal for FY2021 annual bonus for managerial officers 3. Proposal for FY2021 directors' compensation out of profit-sharing	Approved without objection	Approved by all attending Directors
5-9 Nov 9th, 2022	1. Proposal for the appointment of Vice President of Legal & Compliance 2. Proposal for the appointment of Vice President of Operations and Supply Chain 3. Proposal for performance bonus for managerial managers	Approved without objection	Approved by all attending Directors

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 has not yet established the full time department of sustainable development. However, the Company still follows the corporate governance principles to make the staff organization plan, participate in corporate social responsibility activities, implement environment protection and energy conservation plans, and ensure the implementation of government programs in energy conservation and carbon reduction. The Company will establish the full time department of sustainable development to fulfill operational requirements.	Full compliance with the provisions of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
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 standards for customer health and safety, customer privacy, and the marketing and labeling of its	Full compliance with the provisions of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
			products and services, including but not limited Pharmaceutical Affairs Act and PIC/S GMP. 3. Corporate Govermance: (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 with the provisions of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?			(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.	
(3) Has the Company assessed potential climate risks and opportunities for the Company's present and future, and established countermeasures accordingly?			(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.	
(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 efficiency, carbon reduction, greenhouse gas reduction, water-use efficiency, and waste management?			(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 method was based on the latest formula announced by the Bureau of Energy as follows.	

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>GHG:
Unit: ton/ revenue million<table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>By Product unit</th></tr><tr><td>2021</td><td>10,784</td><td>10,324</td><td>1.67</td></tr><tr><td>2022</td><td>10,662</td><td>10,647</td><td>1.46</td></tr></table>Water-use:
Unit: degree/ revenue million<table><tr><th>Year</th><th>Water-use</th><th>By Product unit</th></tr><tr><td>2021</td><td>74,915</td><td>5.92</td></tr><tr><td>2022</td><td>58,122</td><td>3.97</td></tr></table>Waste:
Unit: ton/ revenue 10 million<table><tr><th>Year</th><th>Toxcis</th><th>Non-Toxcis</th><th>By Product unit</th></tr><tr><td>2021</td><td>58.38</td><td>177.18</td><td>0.19</td></tr><tr><td>2022</td><td>128.4</td><td>210.90</td><td>0.23</td></tr></table>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.</td><td></td></tr>
<tr><td>4. Social Subject
(1) Does the Company set policies and procedures in compliance with regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>(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 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.</td><td>Full compliance with the provisions of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies</td></tr>
</table>

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?			(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 accidence, they can apply for unpaid leave to take care of personal issues. 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 52.1% and 34% respectively last year. 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 3% salary raise last year.	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?			(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. 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. Work safety inspection Work safety internal audit: 1/ month	

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
(4) Has the Company established effective career development training plans? (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?			<table><tr><td>Manufacturing safety inspection</td><td>1/ week</td></tr><tr><td>On-site supervisor management</td><td>1/ month</td></tr><tr><td>General plant inspection</td><td>1/ month</td></tr><tr><td>Work safety inspection</td><td>1/ week</td></tr></table> The Company has one employee injury involving one person in the current year (0.16% of the total number of employees at the end of 2022). In addition to reviewing and improving the working environment and policies, the Company will also strengthen occupational safety education and training as follows: <table><tr><th>Training item</th><th>Number of participants</th><th>Total hours</th></tr><tr><td>New-hired Training</td><td>191</td><td>573</td></tr><tr><td>Occupationa l re-training</td><td>301</td><td>238</td></tr><tr><td>Firefiting training</td><td>649</td><td>2,596</td></tr><tr><td>Escape Excersice</td><td>309</td><td>155</td></tr></table> (4) The Company utilizes four major talent training methods, namely new-employee training, professional training, key talent cultivation, and online universities, to create an effective training system for competency development. The Company has conducted 20,255 hour training courses for the current employees last year. (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 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.	

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
(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?			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. (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.	
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 ESG reports prepared in accordance with GRI 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 September.	Full compliance with the provisions of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
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.				

Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
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 involvement and social welfare: The Company works with local police stations and fire departments to improve the health and safety of the community. It plays an active role in charity events, making at least two charity donations each year and inviting disadvantaged groups in the neighborhood of its factories and office buildings to participate in fun activities. (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.				

3.3.7 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 abides by the principle of ethical corporate management and implements policies stipulated in its Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles. These are included in the Employee Handbook and on-the-job training in order to ensure ethical business practices. The Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles are repeatedly advocated to Company employees so that ethical practices and concepts of integrity are incorporated into day-to-day operations.	No deviations

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
(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*?			(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.	
(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?			(3) The Company abides by both international and domestic regulations to ensure that it meets its social, ethical, and environmental responsibilities and avoids violations.	
2. Implementation of Ethical Management	V			No deviations
(1) Does the Company assess the ethical track record of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?			(1) To fulfill the Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles, the Company has requested that all suppliers abide by its Procurement Management Regulations. The Company's legal department is 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?			(2) The Company's audit department is responsible for reporting to the Board of Directors on matters related to the promotion of ethical corporate management. The Audit Department submits reports of compliance or non-compliance with ethical practices to the Board of Directors, and reports to the Audit Committee at least once a quarter.	

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
(3) Has the Company established and implemented policies that prevent conflicts of interests and provide appropriate channels for communication and complaint? (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? (5) Does the Company provide internal and external ethical conduct training programs on a regular basis?			(3) The Company has established a clear set of rules governing potential conflicts of interest. Lifting the non-compete prohibition requires the approval of the Board of Directors. (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 *Ethical Corporate Management Best Practice Principles*. The Company regularly inspects and adjusts the system for improved efficacy. The Audit Department performs annual internal audits based on risk assessment. (5) The Company emphasizes a corporate culture of human-centric management. The success of a company relies on outstanding employees and ethical practices. Therefore, the Company values the dedication and honesty of its employees. It respects individuals, recognizes individual achievements, and aspires to create a fair work environment that enables employees to maximize their potential and gain a sense of achievement, self-confidence, and satisfaction in their work.	
3. Whistleblowing System (1) Has the Company established a specific report and reward system, set up conveniently accessible	V		(1) To acquaint employees with ethical corporate management, the consequences of breaches of	No deviations

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
whistleblowing channel, and designate responsible individuals to handle the reports received?			integrity, and whistleblowing and complaint channels, the Company discloses its corporate governance principles, procedures for handling major insider information and prevention of insider trading, human rights policy, whistleblowing procedures for illegal, unethical, or dishonest behaviors, and procedures for lodging a dispute or complaint on the Company website and Intranet. Departments are responsible for handling relevant matters.	
(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?			(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.	
(3) Has the Company adopted proper measures to protect the whistleblowers from inappropriate disciplinary actions due to their whistle-blowing?			(3) The Company ensures that the identities of whistleblowers remain anonymous and guarantees that no inappropriate disciplinary actions shall be imposed on whistleblowers.	
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 Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles to its employees on the Company website, thus promoting concepts of ethical management in the day-to-day operations of all employees.	No deviations
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.				

Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Their Reasons
	Yes	No	Summary	
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.				

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

The Company has established corporate governance principles based on its operational needs. The principles are disclosed on the Company website.

3.3.9 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

3.3.10 Internal Control System and Execution Status:

1. Statement on Internal Control:

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

Date: March 9, 2023

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 2022:

1. Lotus's BOD and Management are responsible for establishing, implementing, and maintaining and 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, 2022, 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 9, 2023, where none of the eleven attending directors expressed dissenting opinions, and all affirming the content of this Statement.

Lotus Pharmaceutical Co., Ltd.

Chairman: Vilhelm Robert Wessman

President: Petar Vazharov

2. Internal control system audit report by CPA: None

3.3.11 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

3.3.12 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

A summary of the major resolutions and implementations of the Shareholders' Meetings are listed below:

Date	Major Resolutions	Implementation
June 30th, 2022 Annual General Meeting	Recognition items: 1. FY2021 Business Report and Financial Statements 2. FY2021 earnings distribution	The proposal has been passed by the attending shareholders in the Annual General Shareholders Meeting.
	Discussion items: 1. Proposal for cash distribution out of capital surplus 2. Proposal for amendments to certain articles of the Company's "Articles of Incorporation" 3. Proposal for amendments to certain articles of the Company's "Procedures for Loaning of Funds and Making of Endorsements and Guarantees" 4. Proposal for amendments to certain articles of the Company's "Procedures for Acquisition or Disposal of Assets"	The proposal has been passed by the attending shareholders in the Annual General Shareholders Meeting. The company's capital reserve cash distribution has been completed on August 31, 2021.
	Election items: 1. Election of Directors	The proposal has been passed by the attending shareholders in the Annual General Shareholders Meeting. The term is start from Jun 30th, 2022 and conclude on Jun 29th, 2023.
	Other items: 1. Proposal for releasing the non-compete restriction on Directors	The proposal has been passed by the attending shareholders in the Annual General Shareholders Meeting.

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
20-15 Feb 17th, 2022	1. Proposal for the Company's 2022 budget and CAPEX plan. 2. Proposal for loan renewal with banks.
20-16 Mar 16th, 2022	1. Proposal for the Statements of FY2021 Internal Control System. 2. Proposal forthe proposed addition of "General Principles of Internal Control System" and amendments to certain articles of the "Internal Audit Implementation Procedures". 3. Proposal for FY2021 employees' bonus and directors' compensation out of profit-sharing.

Date	Major Resolutions
	4. Proposal for FY2021 Business Report and Financial Statements. 5. Proposal for FY2021 earnings distribution. 6. Proposal for cash distribution from capital surplus. 7. Proposal for FY2022 audit fees. 8. Proposal for the acquisition of Tadalafil 2.5mg, 5mg, 10mg, 20mg under the brand name of Cialis in Taiwan from Eli Lilly. 9. Proposal for in connection with the Company being a borrower in a bilateral and non-revolving loan facility in an aggregate amount up to NT$415,000,000 to be granted by Far Eastern International Bank Co., Ltd. 10. Proposal for in connection with the Company being a borrower in a bilateral and non-revolving loan facility in an aggregate amount up to NT$277,000,000 (or US$10,000,000 equivalent) to be granted by Citigroup Global Markets Asia Limited and its affiliates. 11. Proposal for in connection with the Company being a borrower in a bilateral and non-revolving loan facility in an aggregate amount up to US$10,000,000 to be granted by HSBC Bank (Taiwan) Limited. 12. Proposal for the reference date of capital reduction to cancel the withdrawn Employee Restricted Stock Awards shares. 13. Proposal for FY2022 annual salary adjustments for managerial officers.
20-17 Apr 12th, 2022	1. Proposal for in relation to the sale of shares of Alvogen Emerging Markets Holdings Ltd. by Alvogen Lux Holdings S.à r.l., the Company proposes to enter into the Transitional Services Agreement with Alvogen Inc. 2. Proposal for new credit facilities to be executed with Cathay United Bank. 3. Proposal for the proposed amendments to certain articles of the Company's "Procedures for Loaning of Funds and Making of Endorsements and Guarantees" and "Procedures for Acquisition or Disposal of Assets". 4. Proposal for the proposed amendments to certain articles of the Company's "Procedures for Trading Halt and Resumption Application", "Procedures for Handling Material Inside Information and Prevention from Insider Trading", "Corporate Social Responsibility Best Practice Principles", "Peer Evaluation of the Board of Directors" and "Articles of Incorporation" ("AOI"). 5. Proposal for election of Directors. 6. Proposal for the dates and agenda of 2022 Annual General Meeting.
20-18 May 13th, 2022	1. Proposal for Q1'22 consolidated financial statements. 2. Proposal for regarding the utilization of undistributed earnings from 2020 and 2021 for reinvestment. 3. Proposal for the listing of private placement shares. 4. Proposal for review the qualification of the candidates of Directors nominated by the Company. 5. Proposal for releasing the non-compete restriction on Directors. 6. Proposal for amendments to Rules Governing Remuneration Payment for Directors. 7. Proposal for FY2021 annual bonus for managerial officers. 8. Proposal for FY2021 directors' compensation out of profit-sharing.
20-19 Jun 9th, 2022	1. Proposal in connection with the Company being the Borrower in a syndicated loan facility in an aggregate amount up to NT$ 6,875,000,000 equivalent to be granted by a consortium with CTBC Bank Co., Ltd. being Facility Agent. 2. Proposal for the transactions and the terms of the credit facility granted by Citibank Taiwan Limited. 3. Proposal for oan renewal with banks.

Date	Major Resolutions
20-20 Jul 7th, 2022	1. Proposal to exercise the call option attached to the equity investment in Alvogen Pharma Limited to invest in New Alvogen Group Holdings, Inc., a wholly-owned subsidiary of Alvogen Pharma Limited.
20-21 Aug 11th, 2022	1. Proposal for Q2'22 consolidated financial statements. 2. Proposal for the Company to enter into the extension of the maturity date of the intercompany loan with ALVOGEN EMERGING MARKETS HOLDINGS LIMITED. 3. Proposal for the reference date of capital reduction to cancel the withdrawn Employee Restricted Stock Awards shares.
20-22 Sep 27th, 2022	1. Proposal for the Company to be granted with a syndicated loan facility up to NT$7,500,000,000 equivalent by a consortium led by CTBC Bank Co., Ltd.("**CTBC**"), Citi Bank Taiwan Limited ("**Citi**") and Far Eastern International Bank, Ltd.("**FEIB**"). 2. Proposal for the capital injection proposal in Lotus International Pte. Ltd. ("**Lotus SG**"). 3. Proposal for amendments to the Company's Delegation of Authority.
20-23 Nov 10th, 2022	1. Proposal for the appointment of Internal Audit Officer. 2. Proposal for FY2023 annual audit plan. 3. Proposal for Q3'22 consolidated financial statements. 4. Proposal for the signing of a Consulting Agreement with Aztiq Consulting Ehf, an affiliate company. 5. Proposal for the proposed amendments to certain articles of the Company's "Rules and Procedures of Board of Directors Meetings" and "Procedures for Handling Material Inside Information and Prevention from Insider Trading". 6. Proposal for the proposed amendments to certain articles of the Company's "Rules Governing Shares Repurchase and Transfer to Employees". 7. Proposal for the appointment of Corporate Governance Officer. 8. Proposal for the appointment of Vice President of Legal and Compliance. 9. Proposal for the appointment of Vice President of Operations and Supply Chain. 10. Proposal for performance bonus for managerial managers. 11. Proposal for subsidiaries to be exempted from the obligation of formulating the operating procedures for loaning of funds and making of endorsement/guarantees.
20-24 Dec 13th, 2022	1. Proposal for the acquisition of Pemetrexed under the brand name of Alimta in Taiwan from Eli Lilly. 2. Proposal for new credit facility with Hua Nan Bank.
20-25 Jan 13th, 2023	1. Proposal in connection with the Company being the Borrower in a syndicated loan facility in an amount up to NT$1,800,000,000 to be granted by a consortium with CTBC Bank Co., Ltd. ("CTBC") being the Facility Agent.
20-26 Feb 8th, 2023	1. Proposal for the Company's 2023 budget and CAPEX plan. 2. Proposal for the credit loan renewal with Bank SinoPac. 3. Proposal for the Company's "Assurance and Non-Assurance Services Pre-approval Policy".
20-27 Mar 9th, 2023	1. Proposal for the Statements of FY2022 Internal Control System. 2. Proposal for FY2022 employees' bonus and directors' compensation out of profit-sharing. 3. Proposal for FY2022 Business Report and Financial Statements. 4. Proposal for FY2022 earnings distribution.

Date	Major Resolutions
	5. Proposal for cash distribution from capital surplus. 6. Proposal for FY2023 audit fees. 7. Proposal for the proposed amendments to certain articles of the Company's "Articles of Incorporation" ("AOI"). 8. Proposal for the election of the 21st term Board of Directors. 9. Proposal for the dates and agenda of 2023 Annual General Meeting. 10. Proposal for the vesting of issued Employees Restricted Stock Awards.
20-28 Apr 28th, 2023	1. Proposal for the credit facilities renewal with CitiBank Taiwan Limited. 2. Proposal for the credit loan renewal with Far Eastern International Bank ("FEIB"). 3. Proposal for the credit loan renewal with Cathay United Bank ("CUB"). 4. Proposal for the issuance of Employee Restricted Stock Awards. 5. Proposal for transfer of shares to employees at the price lower than the average acquisition cost. 6. Proposal for the qualification of the candidates of Directors nominated by the Company. 7. Proposal for releasing the non-compete restriction on newly-elected Directors. 8. Proposal for additional item for discussion to be included in 2023 Annual General Meeting agenda.

3.3.13 Written or Otherwise Recorded Dissenting Opinions Made by Directors or Supervisors Regarding Major Resolutions Made in Board of Directors' Meetings:

None

3.3.14 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: None

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Internal Audit Officer	Pinpin Yow	Aug 13th, 2020	Nov 10th, 2022	Resignation

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	Archie Cheng Allan Yu	2022.01.01 ∫ 2022.12.31	6,340	1,122	7,462	The non-audit service fees including the listing of private placement shares and the tax consulting services and related projects are NT$300 thousand and NT$820 thousand respectively.

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	Passed in the Board of Director's Meeting held on March 26th, 2021			
Reason(s) for change	To cope with the Company's operational needs and consolidation work stream.			
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			
	Discontinuance of service			✓
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	Allan Yu, Archie Cheng
Date of appointment	Passed in the Board of Director's Meeting held on March 26th, 2021
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 Oredecessor 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, Supervisors, 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:

Title	Name	2022		as of April 17th, 2023	
		Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares	Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares
Chairman	Alvogen Emerging Markets Holdings Ltd. Representative: Róbert Wessman	-	-	-	-
Director	Alvogen Emerging Markets Holdings Ltd.	-	-	-	-
	Representative: Petar Vazharov	-	-	-	-
	Representative: Thor Kristjansson	-	-	-	-
	Representative: Árni Hardarson (Note 1)	-	-	-	-
	Representative: Joel Morales (Note 1)	-	-	-	-
	Representative: Amporn Charoensomsak (Note 2)	-	-	-	-
	Representative: Krisana Winitthumkul (Note 2)	-	-	-	-
	Representative: Phannalin Mahawongtikul	-	-	-	-
	Representative: Oranee Tangphao	-	-	-	-
	Representative: Yves Hermes	-	-	-	-
Director	Hirofumi Imai (Note 3)	-	-	-	-
Independent Director	Benjamin Ku	-	-	-	-
Independent Director	Hjorleifur Palsson	-	-	-	-
Independent Director	Han-Fei Lin	-	-	-	-

Title	Name	2022		as of April 17th, 2023	
		Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares	Increase (decrease) in Shareholdings	Increase (decrease) in Pledged Shares
Major Shareholder	Alvogen Emerging Markets Holdings Ltd.	-	-	-	-
CEO	Petar Vazharov	323,000	-	(230,000)	-
Country Manager of Taiwan	Stanley Gu	8,500	-	-	-
Deputy General Manager of Strategy and Finance	Bjartur shen	(5,000)	-	(30,000)	-
CFO	Eeling Chan	7,500	-	-	-
CIO	Gwen Hsieh	-	-	-	-
Vice President of Operations and Supply Chain	Zenon Zdunek (Note 4)	(21,500)	-	-	-
Vice President of Operations and Supply Chain	Yingming Yue (Note 5)	-	-	-	-
Vice President of Research and Development	Manish Chawla	10,000	-	(5,000)	-
Vice President of Quality	Dennis Tan	-	-	-	-
Vice President of Legal and Compliance	Edin Buljubasic (Note 5)	-	-	-	-
Company Corporate Officer	Angela Luan	12,500	-	-	-

Note 1: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on January 27th, 2022.
Note 2: Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd. on November 23rd, 2022.
Note 3: Resign on June 30th, 2022.
Note 4: Retire on November 30th, 2022.
Note 5: On board on December 1st, 2022.

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:

April 17th, 2023; 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. Representative: Róbert Wessman	134,064,369	51.05%	-	-	-	-	-	-
Innobic LL Holding Co., Ltd.	17,517,348	6.67%	-	-	-	-	-	-
Fuji Pharma Co., Ltd.	4,913,220	1.87%	-	-	-	-	-	-
Tso Chang Yu	2,000,000	0.76%	-	-	-	-	-	-
Principal Funds, Inc. - Origin Emerging Markets Fund	1,558,000	0.59%	-	-	-	-	-	-
Su Yun Liao	1,525,000	0.58%	-	-	-	-	-	-
UBS Europe SE	1,333,734	0.51%	-	-	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	1,229,000	0.47%	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,167,189	0.44%	-	-	-	-	-	-
KGI Securities Co., Ltd. Representative: Tao I Hsu	1,075,000	0.41%	-	-	-	-	-	-

3.9 The Number of Shares of Invested Businesses Held by the Company, the Directors, Supervisors, and Officers of the Company and Businesses Directly or Indirectly Controlled by the Company: None

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)
Jun, 1966	100	20	2,000	20	2,000	Founding	N/A	1
May, 1980	100	84	8,400	84	8,400	Cash capital increase	N/A	
Oct, 1995	100	180	18,000	180	18,000	Cash capital increase	N/A	
Apr, 1998	100	270	27,000	270	27,000	Cash capital increase	N/A	
Apr, 2001	10	10,000	100,000	10,000	100,000	Cash capital increase of NT$60,040 thousand; Capital increase from additional paid-in capital of NT$12,960 thousand	N/A	2
Dec, 2002	10	30,000	300,000	15,000	150,000	Cash increase of 40,000 thousand; Capital increase from earnings of NT$10,000 thousand	N/A	3
Aug, 2003	10	30,000	300,000	17,100	171,000	Capital increase from earnings	N/A	4
Nov, 2003	10	30,000	300,000	20,000	200,000	Cash capital increase	N/A	5
Nov, 2003	10	30,000	300,000	22,000	220,000	Cash capital increase	N/A	6
Aug, 2004	10	30,000	300,000	25,960	259,600	Capital increase from earnings of NT$26,400 thousand; Capital increase from additional paid-in capital of NT$13,200 thousand	N/A	7
Sep, 2005	10	30,000	300,000	26,998	269,984	Capital increase from earnings of NT$10,384,000	N/A	8
Jul, 2008	10	50,000	500,000	29,698	296,982	Capital increase from earnings of NT$26,998,000	N/A	9
Apr, 2009	10	50,000	500,000	34,498	344,982	Cash capital increase of NT$48,000,000	N/A	10
Sep, 2009	10	50,000	500,000	36,223	362,231	Capital increase from earnings of NT$17,249 thousand	N/A	11
Mar, 2010	10	50,000	500,000	40,752	407,521	Cash capital increase of NT$45,290 thousand	N/A	12
Oct, 2010	10	50,000	500,000	43,197	431,973	Capital increase from earnings of NT$24,451 thousand	N/A	13
Dec, 2010	10	50,000	500,000	43,217	432,167	Conversion of corporate bonds to common shares: NT$194 thousand	N/A	14
Mar, 2011	10	50,000	500,000	44,581	445,811	Conversion of corporate bonds to common shares: NT$13,644 thousand	N/A	15

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)
Jan, 2013	10	80,000	800,000	57,081	570,811	Cash capital increase of NT$125,000 thousand	N/A	16
Sep, 2013	10	80,000	800,000	57,458	574,578	Conversion of corporate bonds to common shares: NT$3,767 thousand	N/A	17
Oct, 2013	10	80,000	800,000	59,392	593,922	Conversion of corporate bonds to common shares: NT$19,344 thousand	N/A	18
Nov, 2013	10	80,000	800,000	74,392	743,922	Cash capital increase of NT$150,000 thousand	N/A	19
Aug, 2014	10	300,000	3,000,000	225,492	2,254,922	Cash capital increase of NT$1,511,000 thousand	N/A	20
Dec, 2014	10	300,000	3,000,000	234,212	2,342,117	Conversion of corporate bonds to common shares: NT$87,195 thousand	N/A	21
Apr, 2015	10	300,000	3,000,000	238,492	2,384,917	Conversion of corporate bonds to common shares: NT$42,801 thousand	N/A	22
Jun, 2018	10	300,000	3,000,000	238,200	2,382,007	Retirement of treasury stocks: NT$2,910 thousand	N/A	23
Apr, 2019	10	300,000	3,000,000	243,114	2,431,140	Cash capital increase of NT$49,132 thousand	N/A	24
Jun, 2020	10	300,000	3,000,000	245,304	2,453,040	Issuance RSA of NT$21,900 thousand	N/A	25
Dec, 2020	10	400,000	4,000,000	245,354	2,453,540	Issuance RSA of NT$500 thousand	N/A	26
Apr, 2021	10	400,000	4,000,000	262,871	2,628,713	Issuance common shares via private placement of NT$175,173 thousand	N/A	27
Dec, 2021	10	400,000	4,000,000	262,796	2,627,963	Cancel the withdrawn RSA of NT$750 thousand	N/A	28
Apr, 2022	10	400,000	4,000,000	262,756	2,627,563	Cancel the withdrawn RSA of NT$400 thousand	N/A	29
Aug, 2022	10	400,000	4,000,000	262,591	2,625,913	Cancel the withdrawn RSA of NT$1,650 thousand	N/A	30

Note 1: Approved in (Taipei City) Jian-Shang-Hsin-Zi.; Note 2: Approved in (2001) Shang-Zi No. 09001163480; Note 3: Approved in Jing-Shou-Shang-Zi No. 09201001820; Note 4: Fu-Jian-Shang-Zi No. 09219418310; Note 5: Fu-Jian-Shang-Zi No. 09226353500; Note 6: Fu-Jian-Shang-Zi No. 09226925000; Note 7: Fu-Jian-Shang-Zi No. 09319783510 and Jin-Guan-Zheng-Yi-Zi No. 0930130548 on July 9, 2004; Note 8: Fu-Jian-Shang-Zi No. 09419328110 and Jin-Guan-Zheng-Yi-Zi No. 0940127943 on July 11, 2005; Note 9: Fu-Jian-Shang-Zi No. 09788813300 and Jin-Guan-Zheng-Yi-Zi No. 0970036084 on July 17, 2008; Note 10: Fu-Jian-Shang-Zi No. 09882992310 and Jin-Guan-Zheng-Yi-Zi No. 0970072055 on January 10, 2009; Note 11: Fu-Jian-Shang-Zi No. 09888285200 and Jin-Guan-Zheng-Fa-Zi No. 0980032153 on June 29, 2009; Note 12: Fu-Chan-Ye-Shang-Zi No. 09981432110 and Jin-Guan-Zheng-Fa-Zi No. 098007115 on January 14, 2010; Note 13: Fu-Chan-Ye-Shang-Zi No. 09988315410; Note 14: Fu-Chan-Ye-Shang-Zi No. 09990786910; Note 15: Fu-Chan-Ye-Shang-Zi No. 10081911800; Note 16: Jing-Shou-Shang-Zi No. 10201018100 and Jin-Guan-Zheng-Fa-Zi No. 1010045119 on October 12, 2012; Note 17: Jing-Shou-Shang-Zi No.10201191260; Note 18: Jing-Shou-Shang-Zi No. 10201222710; Note 19: Jing-Shou-Shang-Zi No. 10201237170; Note 20: Jing-Shou-Shang-Zi No. 10301171290 and Jing-Shen-Yi-Zi No. 10300055040 on July 28, 2014; Note 21: Jing-Shou-Shang-Zi No. 10301251430; Note 22: Jing-Shou-Shang-Zi No. 10401059100; Note 23: Jing-Shou-Shang-Zi No. 10701062880; Note 24: Jing-Shou-Shang-Zi No. 10801042940; Note 25: Jing-Shou-Shang-Zi No. 10901108330; Note 26: Jing-Shou-Shang-Zi No. 10901236050; Note 27: Jing-Shou-Shang-Zi No. 11001071960; Note 28: Jing-Shou-Shang-Zi No. 11001222360; Note 29: Jing-Shou-Shang-Zi No. 11101054800, Note 30: Jing-Shou-Shang-Zi No. 11101160730

4.1.2 Type of Shares

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common shares	262,591,312	137,408,688	400,000,000	Note

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

4.2 Composition of Shareholders:

April 17th, 2023

Number / Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Treashry Shares	Total
Number of Shareholders	-	15	103	216	23,809	1	24,144
Shareholding	-	2,144,492	9,896,523	181,544,988	68,455,309	550,000	262,591,312
Shareholding Percentage	-	0.82%	3.77%	69.13%	26.07%	0.21%	100.00%

4.3 Distribution of Shareholding:

April 17th, 2023

Range of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 - 999	8,452	730,842	0.28%
1,000 - 5,000	13,587	23,011,658	8.76%
5,001 - 10,000	1,017	8,056,833	3.07%
10,001 - 15,000	317	4,055,469	1.54%
15,001 - 20,000	198	3,648,278	1.39%
20,001 - 30,000	168	4,263,176	1.62%
30,001 - 40,000	91	3,250,378	1.24%
40,001 - 50,000	62	2,844,803	1.08%
50,001 - 100,000	116	8,467,571	3.22%
100,001 - 200,000	60	8,311,701	3.17%
200,001 - 400,000	38	11,234,969	4.28%
400,001 - 600,000	16	8,041,386	3.06%
600,001 - 800,000	5	3,495,000	1.33%
800,001 - 1,000,000	4	3,714,421	1.41%
1,000,001 and above	13	169,464,827	64.55%
Total	24,144	262,591,312	100.00%

4.4 List of Major Shareholders:

April 17th, 2023

Name of major shareholder \ Shares	Shareholdings (shares)	Shareholding Ratio (%)
Alvogen Emerging Markets Holdings Ltd.	134,064,369	51.05%
Innobic LL Holding Co., Ltd.	17,517,348	6.67%
Fuji Pharma Co., Ltd.	4,913,220	1.87%
Tso Chang Yu	2,000,000	0.76%
Principal Funds, Inc. - Origin Emerging Markets Fund	1,558,000	0.59%
Su Yun Liao	1,525,000	0.58%
UBS Europe SE	1,333,734	0.51%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	1,229,000	0.47%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,167,189	0.44%
KGI Securities Co., Ltd.	1,075,000	0.41%

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

Units: share in thousands; NTD

Item \ Year			2021 (allocated in 2022)	2022 (allocated in 2023)	Current Year Until April 30th, 2023 (Note 5)
Market Price per Share	Highest		154.5	269.5	294.5
	Lowest		66.6	84.4	230.0
	Average		94.78	147.14	260.25
Net Worth per Share	Before distribution		42.21	52.92	N/A
	After distribution		40.28	52.92 (Note 4)	N/A
Earnings per Share	Weighted Average Shares		255,172	260,549	N/A
	Net profit per share	Before retroactive adjustment	5.50	11.59	N/A
		After retroactive adjustment	5.50	11.59	N/A
Dividends per Share	Cash dividend		1.93	3.46 (Note 4)	N/A
	Bonus Shares	Dividends from retained earnings	-	-	N/A
		Dividends from capital surplus	-	-	N/A
	Unpaid cumulative dividends		-	-	N/A
Return on Investment	Price/Earnings Ratio		17.23	12.70	N/A
	Price/Dividends Ratio		49.11	42.53	N/A
	Cash Dividend Yield		2.04%	2.35%	N/A

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 2023 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 Propoal for the Dividend Distribution in the Last Year:

The Board of Directors of the Company decided to distribute cash of NT$906,227,223 out of the capital surplus to the shareholders. The cash per share to be distributed is proposed to be NT$3.46. 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 and Supervisors:

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, and Supervisors; 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/Supervisor compensation: The Board of Directors has resolved to distribute a bonus of NT$37,270,938 to 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: The Board of Directors passed a proposal earnings distribution. After that, no dividend was issued in the current year.

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

Unit: NTD

Employees' Profit-sharing Bonus		Directors' Compensation	Note
Share Dividends	Cash Dividends		
0	17,275,773	8,588,555	The actual distribution amount of the directors' remuneration decreased by 49 thousand due to the impact of the exchange rate

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 30th, 2023

Type of Employee Restricted Stock Awards	2020 Employee Restricted Stock Awards	
Effective date of declaration and the total number of shares	May 11th, 2020	
Issuance date	Jun 2nd, 2020	Dec 1st, 2020
Issuance shares of employee restricted stock awards	2,190,000 shares	50,000 shares
Number of new shares for restricted employee stock	-	-
Issuance price	Free	
The ratio of issued shares of employee restricted stock awards to the total number of issued shares	0.85%	
Vesting conditions of employee restricted stock awards	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: 1. 5-year plan: 2nd anniversary - 25%, 3rd anniversary - 25%, 4th anniversary - 25% and 5th anniversary - 25%. 2. 3-year plan: 2nd anniversary - 50%, and 3rd anniversary - 50%.	
Restriction of rights on employee restricted stock awards	1. Exception to inheritance, the granted employees cannot sell, pledge, transfer, endow, collateralize or dispose of the restricted stock awards. 2. 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.	
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.	
Number of employee restricted stock awards that have been bought back	230,000 shares	50,000 shares
Number of vested employee restricted stock awards	801,750 shares	-
Number of unvested employee restricted stock awards	1,158,250 shares	-
The ratio of number of unvested employee restricted stock awards to the total number of issued shares (%)	0.44%	-
The impact on shareholders' equity	The ratio of number of unvested employee restricted stock awards to the total number of issued shares is 0.44%, which has no significant impact on the dilution of the shareholdings.	

Note: The "total number of issued shares" as of April 30th, 2023 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 262,591,312 shares.

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

April 30th, 2023; 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 Eested 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 Vazharov	1,200,000	0.46	570,500	-	-	0.22	629,500	-	-	0.24
	Country Manager	Stanley Gu										
	Deputy General Manager of Strategy and Finance	Bjartur Shen										
	CFO	Eeling Chan										
	Vice President of Operations and Supply Chain	Zenon Zdunek										
	Vice President of Research and Development	Manish Chawla										
	Vice President of Quality	Dennis Tan										
Employees	Director	Parminder Singh Bhasin	475,000	0.18	118,750	-	-	0.05	356,250	-	-	0.14
	Director	Snaevar Vidisson										
	Director	Vijender Gupta										
	Director	Julia Lin										
	Director	Betty Chiu										
	Director	Sydney Kin										
	Director	Jean Hsu										
	Director	Sanny Yang										
	Director	Fiona Lei										
	Director	Angela Luan										

Note 1: The "total number of issued shares" as of April 30th, 2023 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 262,591,312 shares.

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:

Item	First private placement of securities in 2021 Issuance Date: May 18th, 2021.
Types of the private placement	Common shares
Date and amount approved by shareholders meeting	June 30th, 2020/ under 100,000,000 shares
The basis and rationale to determine the private placement price	The issuance price of the common share via private placement shall not be lower than 80% of the reference price. The reference price of issuing common shares via private placement shall be the higher of the below standards of calculation: (1) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; and (2) The simple average closing price of the common shares of the Company for the 30 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

<table>
<tr><td>Item</td><td colspan="5">First private placement of securities in 2021
Issuance Date: May 18th, 2021.</td></tr>
<tr><td></td><td colspan="5">The above-mentioned pricing basis is determined in accordance with the applicable laws and regulations, the conditions and future development of the Company and considering the three-year lockup restriction. Therefore, it should be reasonable.</td></tr>
<tr><td>The method to determine specific parties (Note 2)</td><td colspan="5">(1) The investor(s) shall meet the qualifications set forth in Article 43-6 of the Securities Exchange Act and the relevant rulings promulgated by the competent authorities and shall not be an insider or affiliated person of the Company; and
(2) The investor(s) shall meet the above-mentioned qualifications and shall be a juristic person that, for the purpose of increasing the profit of the Company, provides assistance to the Company in terms of enhanced skills, improved quality, reduced cost, increased efficiency, enlarged market, or other benefits, achieved through vertical or horizontal integration in the industry or joint effort in product or market development or otherwise, and using the investor's own experience, skills, knowledge, brand, or channels; and
(3) The Company plans to invite Innobic LL Holding Co., Ltd. to become the strategic investor and subscriber of this private placement of common shares.</td></tr>
<tr><td>Reasons not to conduct public offering</td><td colspan="5">Considering the capital market condition, time effectiveness to raise capital, feasibility, issuance cost and the need to find strategic investor(s) as well as the three-year lockup which can ensure the long term cooperation between the Company and the strategic investor(s), the Company decides to conduct private placement, not public offering.</td></tr>
<tr><td>Date of completing collecting the price of the shares in full</td><td colspan="5">April 21st, 2021</td></tr>
<tr><td rowspan="2">Information on subscribers</td><td>Buyers of the private placement</td><td>Qualification criteria</td><td>Subscription shares</td><td>Relationships with the Company</td><td>Participation in Company’s business</td></tr>
<tr><td>Innobic LL Holding Co., Ltd.</td><td>Qualified as per Article 43-6, paragraph 1, subparagraph 2 of Securities and Exchange Act</td><td>17,517,348 shares</td><td>None</td><td>None</td></tr>
<tr><td>Shares of subscription price</td><td colspan="5">NT$80.7 per share</td></tr>
<tr><td>Differences between the actual subscription price and the reference price</td><td colspan="5">Subscription price of the private placement is NT$80.7 per share, which is 98.4% of the reference price of NT$82.0.</td></tr>
<tr><td>Effect on shareholders’ equity by conducting private placement (such as resulted in the increase in cumulative losses, etc.)</td><td colspan="5">A total of 17,517,348 shares were issued in this private placement of common stock and a total of NT$1,413,649,984 was raised. The Company had a total paid-in capital of NT$2,628,713,120 after the private placement, which was put towards ensuring the Company’s stability and development and adding to shareholder equity.</td></tr>
<tr><td>Application of funds from private placement and the execution progress of the plan</td><td colspan="5">The private placement funds have been fully used to enrich working capital and have been fully implemented in the second quarter of 2021.</td></tr>
<tr><td>Benefit result of private placement</td><td colspan="5">In addition to being used for the Company's working capital, it strengthens capital dispatch capabilities, improving the financial structure and saving financial costs. Also, it can deeply cultivate the fast-growing ASEAN market through its abundant local resources by introducing Innobic, a 100% owned subsidiary of Thailand's largest enterprise group, PTT Public Company Limited.</td></tr>
</table>

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

	2022	
	Amount	Percent of Consolidated Revenue
Goods sales income	14,397,986	98%
Intellectual property rights authorization or sale income	21,878	0%
Labor income and other	212,908	2%
Total	14,632,772	100%

3. Current products

(1) Products:

The Company primarily manufactures and sells solid dosage dossiers such as tablets and capsules.

(2) Targets:

A. Direct sales of products to medical centers, public hospitals, hospital consortiums, clinics, and pharmacies

B. Sales through distributions to hospitals, clinics, and pharmacies

C. Direct or indirect exports to the United States, China, Japan, Europe, and Southeast Asian markets.

4. New products in development

As of the date of printing of this Report, the drugs currently in development in the Company include:

(1) Oncology

Generic name	Indication	Progress
Enzalutamide	Prostate Cancer	Approved in Taiwan and some Latin American countries.
Lenalidomide	Multiple Myeloma	Accepted for review by the US FDA in May of 2017; a lawsuit was filed due to a PIV patent challenge; Company settled with the originator in the US. Received tentative approval from the US FDA in Sep 2020. Launched in several countries in Europe and Asia.
Pazopanib	Advanced Hepatocellular Carcinoma, Advanced Renal Cancer, Differentiated Thyroid Cancer	Submitted
Sunitinib	Gastrointestinal Stromal Tumor	Submitted
Midostaurin	Acute Myeloblastic Leukemia (AML)	Registration Process
Pomalidomide	MM	Registration Process
LP664	Chronic Myelogenous Leukemia	Clinical Phase
LP677	Hepatocellular Carcinoma & Differentiated Thyroid Cancer	Clinical Phase
LP715	NSCLC	Clinical Phase
LP120	MCL/ CLL/ LL	Early Stage
LP644	Prostate Cancer	Early Stage
LP670	Breast Cancer	Early Stage
LP723	Chronic Myelogenous Leukemia	Early Stage
LP745	Myelofibrosis	Early Stage
LP754	Acute Myeloblastic Leukemia (AML)	Early Stage
LP757	RCC/ HCC/ DTC	Early Stage
LP764	Myelofibrosis	Early Stage

(2) Other special generic drugs

Generic name	Indication	Progress
LP654	Idiopathic Pulmonary Fibrosis	Registration Process
AK-R218	Type 2 Diabetes	Registration Process

Generic name	Indication	Progress
LP117	Rheumatoid Arthritis	Clinical Phase
LP179	Women Health	Clinical Phase
LP614	Antiparathyroid	Clinical Phase
LP678	ATTR-CM	Early Stage
LP679	ATTR-CM	Early Stage
LP751	Multiple Sclerosis (MS)	Early Stage

5.1.2 Industry Overview

1. Current status and development of the global pharmaceutical industry

ith the accelerated aging population, increasing medical demand due to more patients of chronic diseases and growing population from emerging markets, as well as more breakthrough new drugs developed, the global pharmaceutical market has been constantly growing and has reached a size of US$1,250 billion in 2019, representing a 4% increase over 2018.

By geography, the developed markets, including US, Germany, France, UK, Italy, Spain, Japan, Canada, Australia, and South Korea, account for 66% of the global pharmaceutical market with a market size of US$821.6 billion in 2019 and are expected to grow around 2~5% 5-year CAGR toward 2024. Emerging markets, which include China, Brazil, India, and Russia, account for 29% of the total market with a size of US$357.7 billion and are expected to grow around 5~8% 5-year CAGR toward 2024.

FY2019 Global Pharmaceutical Market by Geography

Unit: US$ billion; %

Geography	2019 Sales	2014~2019 CAGR	2020~2024 CAGR
Advanced markets	8,216	3.8	2~5
USA	5,103	4.3	3~6
Germany, France, UK, Italy, Spain	1,737	4.0	3~6
Japan	870	-0.2	(-3)~0
Emerging markets	3,577	7.0	5~8
Others	710	4.8	2~5
Total	12,504	4.7	3~6

Source: 2020 Biotechnology Industry in Taiwan; The Global Medicine Spending and Usage Trends, Outlook to 2024, IQVIA, dated March 2020.

By therapeutic area, oncology, anti-diabetics, and anti-rheumatics are the top 3 areas in 2018 based on the statistics by EvaluatePharma. Among all, oncology is the largest one accounting for a market size of US$123.8 billion in 2018 and forecasted to reach US$236.6 billion at a CAGR of 11.4% while immunosupressants is the fastest-growing segment of market size from US$14.2 billion in 2018 to US$36.1 billion, representing a CAGR of 16.9%.

2018~2024 Global Pharmaceutical Market by Therapeutic Area

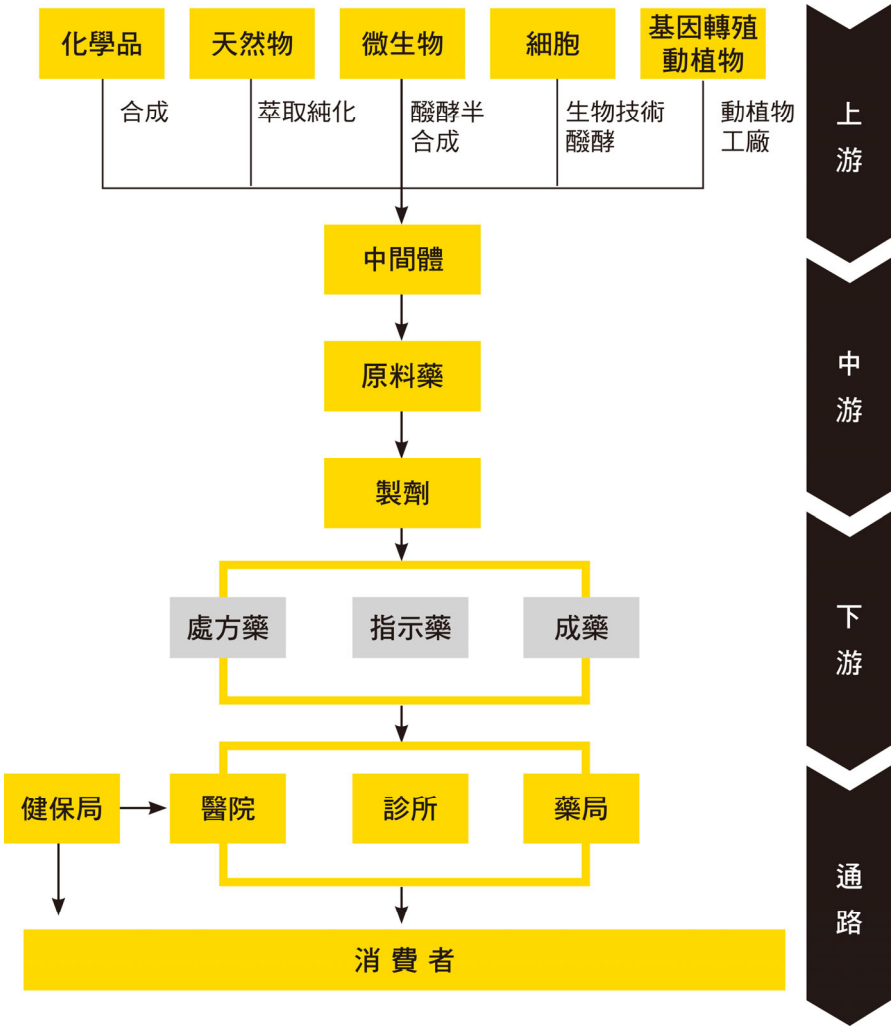
Unit: US$ billion; %

Therapeutic Area	FY2018 Sales	Forecast Sales for 2021	2018~2024 CAGR
Oncologics	1,238	2,366	11.4
Anti-diabetics	485	576	2.9
Anti-rheumatics	581	546	-1.0
Vaccines	305	448	6.6
Anti-virals	389	422	1.4
Immunosuppressants	142	361	16.9
Dermatologicals	158	321	12.6
Bronchodilators	280	307	1.6
Sensory Organs	223	305	5.3
Anti-coagulants	193	246	4.1

Source: 2020 Biotechnology Industry in Taiwan; World Preview 2019, Outlook to 2024, EvaluatePharma, dated June 2019.

In addition, the surging medical spending driven by increasing aging population and chronic diseases has become a serious fiscal burden to most of the countries worldwide. Most countries have been aggressively promoting generics through governmental policies, including accelerated review process of generic drugs, encouragement of adopting generic drugs, and the relevant rules set for patent challenges, in order to mitigate the financial impact and to provide more affordable drugs to more patients. With all the policies implemented and more patent-off new drugs, the global generic segment becomes more and more critical and is expected to go beyond US$517 billion in 2026 at a CAGR of 5% from US$386 billion in 2020.

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



Source: Lotus Pharmaceutical CSR Report

化學品：Chemicals
天然物：Natural ingredients
微生物：Microorganisms
細胞：Cells
基因轉殖動植物：Transgenic animals/plants
合成：Synthesis
萃取純化：Extraction and purification
醱酵半合成：Semi-synthetic fermentation
生物技術醱酵：Biotechnological fermentation
動植物工廠：Animal/plant factories
中間體：Intermediate
原料藥：API
製劑：Formulation
處方藥：Prescription drugs
指示藥：Instructional drugs
成藥：OTC drugs
健保局：NHIA
醫院：Hospitals
診所：Clinics
藥局：Pharmacies
消費者：Consumers
上游：Upstream
中游：Midstream
下游：Downstream
通路：Distributors

(1) Upstream vendors: 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 vendors: 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 vendors: These vendors are drug manufacturers. They primarily apply pharmaceutical additives such as excipients, disintegrating agents, adhesives, or lubricants to produce dossiers that are easy to use. This stage of production must meet Good Manufacturing Practices (GMPs) as specified in the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S). TCM manufacturers prepare convenient TCM dosage forms, such as pastes, powders, tablets, and pills. In recent years, an increasing number of manufacturers have also refined herbal medicine to meet western medical standards. This group of drugs is known as evidence-based TCM. Small molecule drugs and TCM are sold in hospitals, clinics, and pharmacies.

3. Product development trends and competition

(1) Product development trend

The domestic pharmaceutical industry is dominated by family businesses and small and medium enterprises that manufacture patent-expired generic drugs. Pricing competition is prevalent and fierce as businesses defend their share of the Taiwanese market. With the NHI regulating drug prices in addition to that competition, there is great pressure on gross profits in the domestic pharmaceutical industry.

According to an analysis report published by Evaluate Pharma, worldwide prescription drug sales are predicted to grow with a CAGR of approximately 4.8% and reach US$987 billion in 2020. It is expected that the driver for this post-patent cliff growth will be sales of patented drugs such as cancer and autoimmune drugs, with the former being the key driver with a CAGR of 11.6% (including critical-care drugs such as targeted therapy drugs). This shall result in a rise in drug prices and a cautiously optimistic future for pharmaceutical companies that plan for such growth.

Lotus Pharmaceutical is focused on the R&D, manufacture, and sale of specialty generic drugs with a niche in the market. These kinds of products have high gross margins and less competition compared to traditional generic drugs. The Company’s South Korean platform targets the domestic market and focuses on the development of new dosage form drugs. For the Taiwanese market, Lotus has a niche in high-value oncology drugs that fits the Company’s specialty in the manufacture of high potency and cytotoxic molecules.

Since 2009, the Company has passed GMP inspections by TFDA (compliant with PIC/S standards), US FDA, EMA, PMDA, PDA, ANVISA, and other government agencies. The Company also recognized an industry turning point with the increased competition from imported products resulting from WTO membership. Only by integrating international resources, talents, and technologies to rapidly expand the economic scale of production, actively investing in the research and development of niche drugs and new formulation technologies, utilizing key market advantages in the Asia-Pacific region, focusing on key specialty products, and diving into global markets can the Company secure its place in the global biotechnology industry.

(2) Status of competing products

Lotus Pharmaceutical aims to establish itself as a new generation of niche generic drug manufacturer to counter the global regulatory interventions on drug pricing. Contrary to patent-expired generic drug manufacturers that employ red ocean strategies (e.g., Sandoz) and giant, vertically integrated one-stop-shop suppliers of generics (e.g., multinational pharmaceutical companies Teva and Mylan), Lotus is focused on the manufacture and sale of complex and oncology generics, supplying patients around the world with affordable medication options in certain healthcare sectors via the turnkey business model, thus improving pharmaceutical accessibility.

Business model-wise, the Company's main international competitors: Natco Pharma (India), Synthon (Netherlands), Phamrathen (Greece), and PharOS also utilize the turnkey business model; competing manufacturers of Paragraph IV generics include Dr. Reddy's and other mid-sized pharmaceutical companies. The successful development of Paragraph IV generics involves crossing a lot of developmental hurdles so as to avoid patent infringement. This includes crystal design, manufacturing process, and drug delivery; it also involves defining formulation development space that allows freedom to operate during the R&D stage. The ability to complete R&D within these limits and under time constraint is the core competency that makes the Company competitive.

Currently, around 40% of the Company's revenue comes from South Korea. Since Korea subsidiary's business model includes sales, promotion, and R&D of pharmaceutical products, its fully diversified business risks means there are no main competitors that share the same business model.

5.1.3 Research and Development

1. Developments in technology and research: The Company confirmed its keen focus on specialty, complex generics. Korea subsidiary Alvogen Korea specializes in the research and development of incrementally modified drugs and delivery systems, while Lotus Taiwan focuses on cytotoxnic and high potency drugs. Currently, the Company works hard on exporting to global markets including the US, Europe, Japan, China, and South East Asia.
2. Lotus now is an international corporation with fully integrated ecosystem in terms of R&D capabilities by combining all the strengths and efforts from the teams in Taiwan, Korea, and India.

(1) Alvogen Korea Co., Ltd. is a cGMP-compliant pharmaceutical company. It specializes in solid dosage forms, including tablets, capsules, and powders. The company has developed more than one hundred products. It is currently focused on developing new dosage forms of incrementally modified drugs (IMD). Product lines cover anti-

obesity products and cardiovascular drugs. Alvogen Korea's R&D center encompasses the formulation department, PD and analysis department, and clinical trial department. A team of professionals carries out product development.

(2) Norwich Clinical Services is a clinical research organization (CRO) responsible for the bioequivalence and bioavailability test, Phase I to IV of clinical trials, pharmacokinetic research and biological data statistics, and pharmacovigilance. It has a team of experienced professionals capable of carrying out a range of tasks compliant with UK MHRA, US FDA and WHO standards. Moreover, the company has a state-of-the-art hospital and analysis equipment. The Company hopes to utilize the clinical research resources of Norwich Clinical Services to reduce the cost of clinical trials and accelerate research and development.

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

Unit: NTD in thousands

Item \ Year	2018	2019	2020	2021	2022
R&D expenses	324,936	553,569	505,379	595,925	520,449
Net operating income	6,428,894	9,611,195	10,728,583	12,649,189	14,632,772
R&D expenses as a percentage of net revenue	5.05%	5.76%	4.71%	4.71%	3.56%

4. Technologies or products successfully developed in recent years:

In the past few years, the company has successively obtained several approvals and launched flagship products in Taiwan, South Korea, USA, and other key markets. Several new IMD drugs in South Korea, such as Ibandronate/Cholecalciferol for the treatment of osteoporosis, Sarpogrelate for the antiplatelet, a new cardiovascular compound Rosuvastatin/Ezetimibe and Rosuvastatin/Candesartan, and Qsymia for 2nd generation anti-obesity drugs. The company successfully launches Buprenorphine/Naloxone in USA. It also successfully developed and launched numerous oncology products including Lenalidomide for the treatment of multiple myeloma, Gefitinib for the treatment of NSCLC, and Vinorelbine for the treatment of breast cancer. So far, at least 10 license applications already at reviewing process by the regulatory authorities in the US, EU, and other countries across the world.

2021 and 2022 approvals:

Application Entity	Accumulated Drug Certificates	
	2021	2022
Lotus	168	177
Alvogen Korea Co., Ltd.	273	271

5.1.4 Long-Term and Short-Term Business Development Plan

1. Short-term development plan: enhancing the supply chain and controlling the time-to-market of high value products

   (1) Portfolio: With cancer being the second leading cause of death globally, the current cost of cancer treatment and supportive care now exceeds US$133 billion. Despite the partially reduced cost of generic and biosimilar drugs, some of the most expensive treatment options in the world are still oncology drugs. This has caused drug accessibility issues for patients, and it is estimated that the cost of cancer treatment and supportive care will exceed US$200 billion in the next five years. For example, 40 out of the 55 oncology drugs launched between 2012-2016 are only available to patients in the United States, Germany, and the United Kingdom. This unavailability of affordable oncology drugs in developing countries is the reason why cancer accounts for 70% of deaths. Investment in innovative R&D pertaining to the supplying end of generics are bound to increase as the demand for better oncology treatment options grow. It is clear from a look at the high cost and patient accessibility issues of oncology treatment, and new product launches resulting from global R&D investments, that generics manufacturers have to pool their resources on the development of oncology drugs now more than ever. The Company collaborates with the finest businesses and fulfills its goal of providing affordable drugs in the growing oncology market. The Company continues to improve global market coverage of our blood cancer drug Lenalidomide, non-small cell lung cancer drug Gefitinib, and non-small cell lung/breast cancer drug Vinorelbine. As a result, it is expected to balance market diversification and improve the gross margin effectively. The Company's focused effort on fostering pipelines with high-value drugs is the reason for such successes.

   (2) Outstanding service: The Company has established a broad range of in-depth services. In terms of market coverage, it has established business teams in its major markets like Taiwan, Korea, Thailand, and Vietnam to serve local customers from hospitals, clinics, and pharmacies. The Company also provides global clients "One Stop Shopping" solution including R&D formulation, global regulatory consultation, global licensing partnership, and cost-efficient manufacturing in Taiwan. We wish to grow with all of our strategic partners with possible business opportunities in global oncology and high value generics markets. In order to meet the export demand for hormonal agents and adapt to the complicated stock control system for oral oncology drug export to the European Union and the US, the Company needs to implement major enhancements to its R&D, supply chain management, and overall warehousing facilities. We keep investing in upgrading facilities in Nantou factory for developing and manufacturing cytotoxic and high potency products to reinforce our product manufacturing ability. Through these measures, the Company aims to transform itself into the leading oral oncology manufacturer in Taiwan.

   (3) Quality assurance: Since passing its first US FDA inspection in 2010, the Company has never received a Warning Letter from the US FDA, nor has it sustained losses or received penalties for environmental pollution. Lotus adheres to the highest standards, in 2019 US FDA inspection saw no violations; the Company has also upheld its good reputation by becoming one of the first three pharmaceutical manufacturers to introduce a serialized packaging system in Taiwan. Going forward, Lotus Pharmaceutical shall continue to adhere to the highest quality assurance standards across its supply chain in order to improve the well-being of its customers and increase value for shareholders.

2. Medium and long-term development plan: capitalize on advantages in niche markets and promote international sales of Taiwanese pharmaceutical products via R&D of oral oncology drugs

(1) Lotus Pharmaceutical is the first world-class specialty generic drug manufacturer in Taiwan to offer one-stop-shop turnkey solutions. A turnkey business model requires higher R&D and manufacturing costs; it is a very labor-intensive business model due to the complicated pharmaceutical regulations in different countries. It took the Company five years to complete the majority of equipment implementation, ensuring conformity with the pharmaceutical regulations in Taiwan, the United States, the European Union, Japan, China, and Brazil. The Company's investment bore fruit as it hired talent in international pharmaceutical R&D and business development to build on Taiwan's advantageous foundation of human resources in pharmaceutical research. After successful development, products are sold worldwide via direct sales channels, strategic partners, or sales intermediaries. Lotus can provide one-stop solutions to the demands of external customers. The growing dependence on the oral oncology pipeline shall be reflected in Lotus' international market share. It can reduce the volatility risk incurred by the Company in pharmaceutical markets in certain countries.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales regions of major products

Units: NTD in thousands

Year	2021		2022	
Region	Amount	Percentage (%)	Amount	Percentage (%)
USA	4,450,114	35	5,916,467	40
Korea	5,250,147	42	5,277,064	36
Taiwan	996,419	8	1,439,016	10
Others	1,952,509	15	2,000,225	14
Total	12,649,189	100	14,632,772	100

2. Market size

Domestic sales include two key markets in the Asia-Pacific region—South Korea and Taiwan. In addition to continuing to strengthen its pipelines, the Company also focuses on the research and development of new products and the introduction of branded generics through licensing deals to increase its industry weight. On a side note, the anti-obesity drugs promoted by the Company's Korea subsidiary has maintained its market leader position in South Korea. The Company, therefore, expanded into the women's health care market in 2016 and quickly became a market leader in the same market place utilizing the same set of resources.

The Company is actively expanding its presence in global markets including the United States, Europe, Japan, China, Brazil, and Southeast Asia. The Company aspires to be a market leader in several specialized drugs.

3. Supply and demand outlook growth opportunities

The supply-demand and growth of the global pharmaceutical market is mainly affected by the following factors:

(1) Rapid aging of the global population

According to the World Population Prospects 2019 report, 2018 was the first time in history when persons aged 65 years or over worldwide outnumbered children under 5; it is projected that the former will reach 1.5 billion by 2050, twice the number of the latter and outnumbering those aged 15 to 24 years (1.3 billion). The pharmaceutical market for age-related diseases and chronic diseases is expected to grow in tandem with this aging population.

(2) Continuing rapid growth of pharmaceuticals in emerging markets

Emerging pharmaceutical markets are characterized as having high economic growth and low healthcare coverage. Economic growth drives living standards, which in turn improves healthcare coverage, thus increasing drug accessibility and the amount of drugs used. Since countries classified as emerging market are expected to be the key drivers of global economic growth in the next five years, they will also propel the growth of health expenditure. Emerging markets, which include China, Brazil, India, and Russia, account for 29% of the total market with a size of US$357.7 billion and are expected to grow around 5~8% 5-year CAGR toward 2024.

(3) Growth in generics sales is higher than that of the global pharmaceutical market

With expiration of many important drugs' patents looming in the next few years, changes in population demographics, an increasingly oldy population, and patients with age-related diseases, the demand for pharmaceutical products has grown. Moreover, due to the high prices of brand name drugs, health insurance spending has grown every year. In order to balance quality and quantity in medicine, governments have encouraged the use of generic drugs to ease the financial burden of health insurance. The importance of generic drugs in pharmaceutical markets is therefore steadily growing.

4. Advantages, disadvantages, and countermeasures

(1) Advantages

(A) Global population aging, improving living standards, and growth of the global pharmaceutical market

The United Nations Department of Economic and Social Affairs (UN DESA) published the World Population Prospects report in June 2019. The report projected that by 2050, the world will see an improvement in life expectancy from 72.6 years to 77.1 years, and one in six of the world's population will be aged 65 or over. The improvement in life expectancy is also accompanied by an increase in chronic and degenerative diseases. For example, obesity issues that stem from improvements in living standards is one such common problems. With a significantly higher quality of life, today's consumers have higher health awareness and seek the best service and highest quality healthcare; they also wish to stay healthy as they age, avoid sickness, and enjoy life. For these reasons, the global pharmaceutical market shall continue to expand in the future.

(B) Government support to the pharmaceutical industry and good development environment. The four topics of "Taiwan Bio-Med industry innovation program" are as below:

I. Improve Bio-Med industry's ecosystem: Mainly focusing on six themes including Bio-Med talents, investments, intellectual property, required resources, and chosen targets.

II. Integrate innovation resources: Integrate innovative resources from northern to southern Taiwan. Including "New drug development" in Nangang, "Innovative R&D of special medical devices" in Hsinchu, "R&D of Special medical devices"(precision machine, invasive medical devices, and PIC/S GMP drug industries) in mid-southern Taiwan, and "R&D of special drug" of traditional drug makers that seeking for industry upgrade.

III. Access to global market: Seeking for M&A and strategic collaboration opportunities. By funding and investment supplement, help industry innovation or transformation, and enter global markets.

IV. Develop special Bio-Med industry: Develop three special industries which include "Niche precision medicine", "International medical specialty", and "Health welfare industry".

The biotech pharmaceutical industry has long been a government-supported industry in Taiwan, with the Biomedical Industry Innovation Program being one of the major items in the "five plus two" innovative industries plan implemented by the Executive Yuan. According to information revealed in "Biotechnology Industry White Paper" in 2020,, based on "Taiwan Bio-Med industry innovation program", the industry will further adopt digital technology, big data, and database integration to strengthen the ecosystem and Bio-Med industries' cross integration to build up industry chain. The industry also needs to strengthen globalization. By upgrade integration of software and hardware and improve multiple application development, the industry will reach the target of a new level of upgrade.

To help accelerate the development of innovative products and technologies in the domestic biotech pharmaceutical industry, and transform Taiwan into the biomedicine hub of the Asia-Pacific region, the Taiwanese government established the Center of Biomedical Industry Innovation Program in January 2017 to connect the resources of the industrial, academic, medical, and institutional sectors, serving to integrate industry resources. The Center also fulfills the implementation effectiveness of innovative solutions by joining industry leaders, project management, and government think tanks. With the restructuring of the global supply chain, emerging markets in South and Southeast Asian countries are rapidly on the rise. In 2016, the Executive Yuan unveiled the New Southbound Policy; and in 2017, the Ministry of Health and Welfare (MOHW) implemented the New Southbound Medical and Public Health Cooperation and Development of Industrial Chains flagship project to facilitate regional interaction, development, and cooperation. This served to establish a new model of economic development and create new value for the

biotech medicine industry of Taiwan. The government is also committed to achieving critical mass in the domestic biotech industry through the accelerated development of biomedicine industrial clusters across the country: National Biotechnology Research Park (inaugurated in October 2018), Hsinchu Biomedical Science Park, Minimally Invasive Surgical Instruments Industrial Cluster at the Central Taiwan Science Park, and the Medical Device Industrial Cluster at the Southern Taiwan Science Park.

(C) The technical and regulatory considerations of focusing resources on high gross profit generic drug products with high technological thresholds

Our Asian Pacific research teams possess formulation R&D capabilities from development to deployment; the Company's subsidiary clinical research organization (CRO) Norwich Clinical Services (NCS) in Bengaluru, India has collaborated with our R&D center to support Lotus Pharmaceutical's global strategy via an end-to-end turnkey model. The generic drug formulation development process at NCS is as shown below:

With the high marketability of the first batch of generic drugs and the growing number of partners, the Company has been increasing the number of submissions to drug regulatory agencies across the world. Since 2020, a total of 160 submissions have been made, and more are expected in the following years. In addition to R&D and submitting drugs for review, the Company also observes market trends to ensure that the advantages of the first batch of generic drugs is also enjoyed by future submissions. These investments in resources shall continue to drive our profit and growth.

(2) Disadvantage and countermeasures

(A) Drug pricing control impacts pharmaceutical profitability

To enforce budgetary control, the Taiwanese government launched a pilot program in 2013 to implement a drug expenditure target system in the NHI. If the annual drug expenditure exceeds the target amount, the system initiates a drug pricing review mechanism. These "price cuts" have been made within the deceivingly low range of 2-5% over the past few years. However, according to NHIA statistics, over 4,000 drugs in Taiwan are currently listed with a price of NT$2 per tablet. These drug pricing control in both Taiwan and South Korea measures have hampered the growth of pharmaceutical expenditure and hindered the sales of new drugs.

According to TrendForce, a global market research institution, mounting pharmaceutical expenditures have also troubled the Japanese government. After already encouraging the use of generics and implementing biennial drug pricing review, the Japanese government went further and raised the standard for innovative applications of the Price Maintenance Premium policy and changed the biennial review to an annual review so as to strengthen the drug pricing

control policies. Artificially high drug prices have long been a major problem to the Chinese government. To counter this issue, the Chinese National Healthcare Security Administration (NHSA) has decided to implement a bulk-buy program against the manufacturers, with the price of some medicines plunging over 90%. US President Donald Trump also pushed to replace the Affordable Care Act to counter the high drug prices. With the pharmaceutical sourcing alliance formed between wholesalers and distributors such as Walmart, the pricing leverage of generic drug manufacturers in the US market has also been severely reduced. The US FDA further announced the expedited review pathway of generic drugs, aimed at enhancing market competition for sole source drugs and preventing monopoly business models. This creates both business opportunities and risks of price cut for pharmaceutical manufacturers.

Countermeasures:

The Company focuses on the R&D, manufacture and the sale of difficult generic drugs, specializing in small molecule BCS Class II (low solubility, high permeability), Class III (high solubility, low permeability), and Class IV (low solubility, low permeability) drugs. Compared to traditional mass-produced generics with low added value, our products have less competitors. The product selection process involves analyses of market potential and future competition before selecting the best target drugs for development. To develop Paragraph IV generics, we file patent challenges against patent holders prior to patent expiration of the new drugs, so as to seize the business opportunity for the launch of the first batch of generic drugs.

Lotus Pharmaceutical has successfully acquired approval for its soft capsule oncology drug Vinorelbine, which was long absent in the pharmaceutical market despite its brand name counterpart having lost patent protection over 10 years ago. The drug was launched in Europe in July 2019, becoming the first and only generic drug of its kind. The Company leads the global generic pharmaceutical manufacturing industry with its outstanding R&D capability and shall compete with brand name pharmaceutical manufacturers in the vast business landscape. Stemming from the same process, our prostate cancer drug Enzalutamide is another one of the products developed and is expected to generate immense profit to the Company.

At Lotus Pharmaceutical, our R&D staff have over 10 years of professional experience, and our R&D management team has over 20 years of experience in the international pharmaceutical industry. Such extensive experience strongly benefits the Company's R&D in drug candidate selection, analysis, and API selection. Lotus adapts its drug candidate selection strategy to the niche dynamics of different markets, exerting extra effort in international markets. Lotus is one of the most active non-Indian pharmaceutical manufacturers in Asia to pursue the development of drugs with high added value and is expected to effectively increase its gross margin in the long term.

(B) Increased costs and delayed launches due to lawsuits with patent drug manufacturers and stringent pharmaceutical regulations that require multiple review cycles

The pharmaceutical industry is stringently regulated and controlled by the competent authorities, as health and safety are the main concerns for the industry's final products. This is why a multitude of R&D technologies, and a large amount of funding and time, are required throughout the development process of drug discovery, feasibility study, preclinical development, clinical trial, review, and launch. Final products are also stringently reviewed by government health agencies for drug efficacy and safety before launching a product. Furthermore, the primary core competencies of the biotech medical industry are R&D technologies and the ability to innovate. In order to secure market shares and exercise intellectual property rights, pharmaceutical manufacturers regularly utilize patent infringement claims to hinder the launch of generics. This tedious and time-consuming review & application process, its fees, and the expense of litigation against patent drug manufacturers not only increase the cost of drug launches for generic drug manufacturers, but also incur delay by introducing elements of uncertainty.

Countermeasures:

The Company has integrated its R&D, legal, clinical, manufacturing, and sales capabilities to achieve end-to-end integrity, employing over 200 R&D personnel around the world. Our comprehensive global operation includes the development of generic drug formulation, clinical trials and drug monitoring performed at our Indian CRO subsidiary, legal staff responsible for the preparation and submission strategy in different markets, and the professional teams that manage the downstream (market end). Since the establishment of this business framework, we have greatly improved our grasp on international pharmaceutical registration regulations, thus maximizing the value of our capital, R&D, and intellectual properties.

Competitive patent analysis and litigation strategy planning is integral to patent infringement avoidance and patent challenge, and facilitates the entry of specialty generic drug manufacturers to the market. Some of the Company's development projects involve patent challenge, therefore patent infringement avoidance is required in various steps of development: crystal design, manufacturing process, drug delivery, etc. The ability to manufacture whilst under time constraints and ensure consistent quality and efficacy without infringing on brand name drug patents is the core competency that makes Lotus Pharmaceutical competitive. Drawing from the Company's successful experience with its Buprenorphine/Naloxone sublingual film and blood cancer drug Lenalidomide, the following are brief summaries of the key development steps of patent infringement avoidance.

I. Patent landscape analysis: Our patent attorney team conducts literature reviews and patent landscape analyses to ensure the scientific feasibility of avoiding patent infringement. Pre-formulation trials are further performed on the basis of such analyses to determine the direction of development and patent challenge.

II. Freedom to Operate search: The identification of patent barriers that may hinder the commercialization of our technologies or products in potential markets, providing the Company's scientists with clear boundaries for development and operation.

III. Internal brainstorming: Performing hypothesis testing to narrow down the patent infringement avoidance strategies and establish the final development strategy

IV. Final strategy review: The final development strategy is given to patent attorneys for confirmation and communication with the legal team.

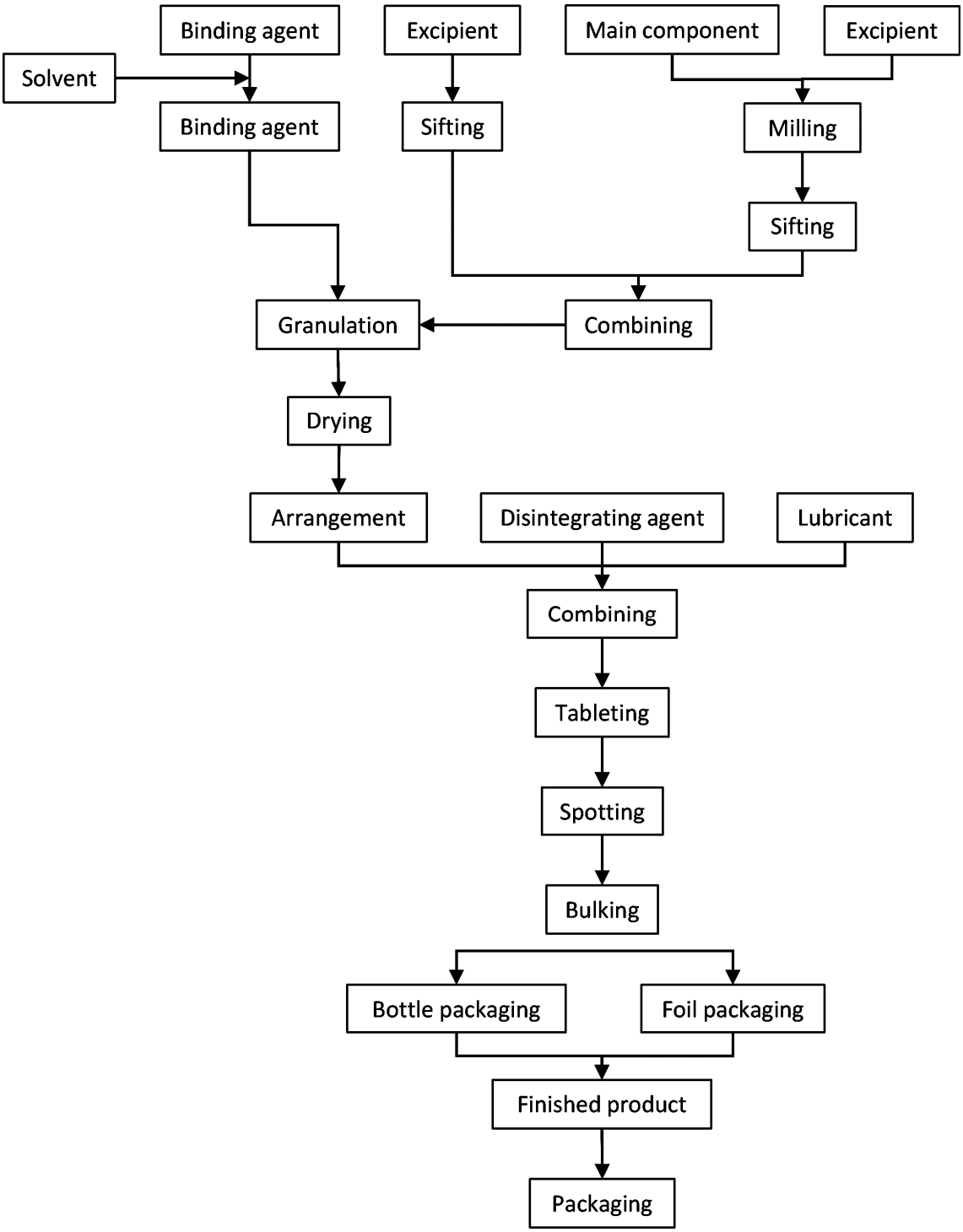
5.2.2 Applications and Manufacturing Process of Major Products

1. Purpose of major products

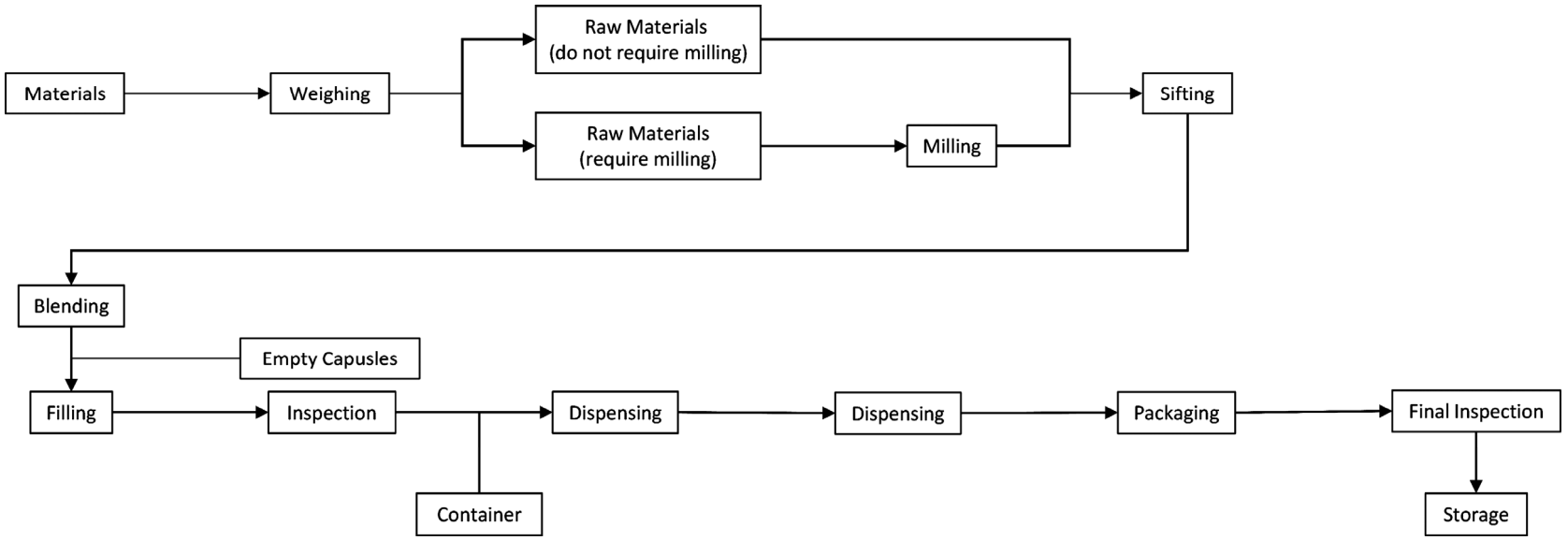
Products	Description
Prescription Generic Drugs	Primarily oral oncology drugs, cardiovascular drugs, central nervous system drugs (mainly drugs for mental health and drug addiction), and weight loss products
Brand Product Lines	Products obtained via acquisition or licensed -in deals, primarily focusing 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)
Others	The Company's Indian subsidiary Norwich Clinical Services provides clients with clinical drug trial services and accepts commissioned drug R&D projects, and also mediates the sales and licensing of the Company's self-developed intellectual property rights to its business partners.

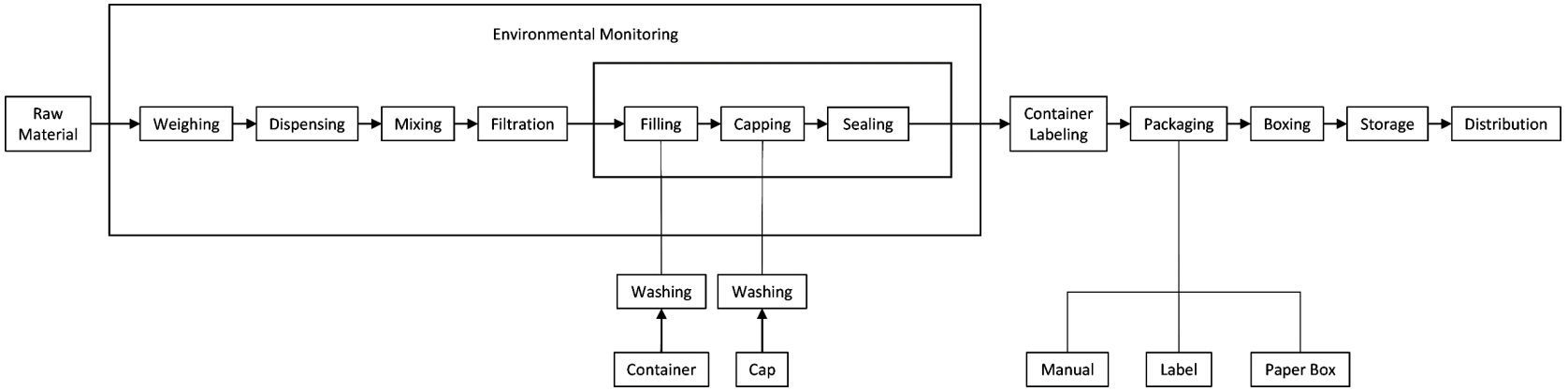
2. Manufacturing process of main products

(1) Tablets



(2) Capsules


Materials
Weighing
Raw Materials
(do not require milling)
Raw Materials
(require milling)
Milling
Sifting
Blending
Empty Capusles
Filling
Inspection
Container
Dispensing
Dispensing
Packaging
Final Inspection
Storage


Environmental Monitoring
Raw Material
Weighing
Dispensing
Mixing
Filtration
Filling
Capping
Sealing
Container Labeling
Packaging
Boxing
Storage
Distribution
Washing
Washing
Container
Cap
Manual
Label
Paper Box

5.2.3 Supply of Major Raw Materials：

The Company has implemented the cGMP system for many years. It adopted PIC/S GMP standards to conform to government policies and international trends. The Company is committed both to developing intensive production processes and to controlling operating costs. It also focuses on developing specialty, value added generics. In addition, the Company has carried out several vertical-integration projects, achieving favorable cooperation outcomes with upstream API vendors and downstream distributors.

The Company follows the following principles when selecting API vendors and partners:

1. The raw materials used are registered with the DMF or COS. They not only conform to the regulations of regulated markets but also strengthen the Company's competitiveness in terms of brand and quality.
2. The Company strives to source rare APIs because they influence market acceptance of products. The Company may cooperate directly or co-develop products with API manufacturers when it sees a strategic fit. Pharmaceutical manufacturers often strengthen their competitive advantage in the market through strategic alliances with API vendors or vertically integrating with, merging with, or acquiring upstream and downstream vendors to obtain rare APIs at competitive prices.

   In addition, the Company adopts the following practices to control the risk of fluctuating raw materials prices:

   (1) Reducing the procurement cost of API by utilizing the advantages of vertical integration and bulk purchase policies; and

   (2) Making joint and bulk purchases by leveraging the enormous demand of strategic partners; and

   (3) Continue 2nd sourcing program for more suppliers to reduce risks and increase bargain power.

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

	2021				2022				2023 Q1 (Note 1)			
Item	Name	Amount	Percentage of Total Purchase (%)	Relationship	Name	Amount	Percentage of Total Purchase (%)	Relationship	Name	Amount	Percentage of Total Purchase (%)	Relationship
1	Company C	1,300,251	16	Related parties	Company A	1,020,606	15	-	-	-	-	-
2	Others	6,582,977	84	-	Company B	725,071	10	-	-	-	-	-
3	-	-	-	-	Others	5,252,809	75	-	-	-	-	-
	Net Purchase	7,883,228	100	-	Net Purchase	6,998,486	100	-	-	-	-	-

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2023 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

	2021				2022				2023 Q1 (Note 1)			
Item	Name	Amount	Percentage of Total Sales (%)	Relationship	Name	Amount	Percentage of Total Sales (%)	Relationship	Name	Amount	Percentage of Total Sales (%)	Relationship
1	Company C	4,442,939	35	Related parties	Company C	5,887,274	40	Related parties	-	-	-	-
2	Others	8,206,250	65	-	Others	8,745,498	60		-	-	-	-
	Net Sales	12,649,189	100	-	Net Sales	14,632,772	100	-	-	-	-	-

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2023 have not been reviewed by the Accountant.

5.2.5 Production in the Most Recent Two Years:

Units: tablet in thousands; NTD in thousands

Year / Top-10 Products in Terms of Production	2021			2022		
	Capacity	Yield	Value	Capacity	Yield	Value
Calcium polystyrene sulfonate	736,000	110,063	603,439	736,000	27,508	190,277
Orlistat		44,361	129,235		41,207	145,344
Vinorelbine		485	130,160		576	144,098
Rosuvastatin calcium/Ezetimibe		70,691	391,046		61,270	143,040
Trazodone Hydrochloride 50mg		71,644	63,226		160,701	126,679
Sarpogrelate hydrochloride		22,774	158,401		27,923	119,932
Lenalidomide_Capsule		4,142	121,427		2,521,710	116,573
Pentoxifylline		13,574	32,291		20,006	43,241
Bethanechol chloride		8,198	34,735		27,159	46,317
Phentermine/Topiramate		12,473	62,143		7,349	98,774
Total		Note 3	1,726,103		Note 3	1,174,275

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

Year / Main Products	2021				2022			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cancer drugs	476	1,284,340	567	1,284,025	542	1,427,096	965	4,045,370
Central nervous system drugs	2,174	793,037	10,636	4,671,125	2,197	728,859	11,047	3,460,524
Weight loss products	1,492	1,270,702	-	-	1,459	1,131,660	-	-
Cardiovascular drugs	3,200	831,386	122	10,132	3,845	912,752	-	-
Women's health care products	2,729	845,257	53	27,114	3,083	904,847	35	3,402
Kidney drugs	535	642,657	-	-	576	624,687	-	-
Urinary system drugs	480	171,160	-	-	653	503,290	-	-
Non-steroidal anti-inflammatory drugs	1,003	200,558	-	-	1,154	199,674	-	-
Respiratory drugs	349	106,321	-	-	490	144,820	-	-
Gastrointestinal tract drugs	1,515	126,107	-	-	1,968	130,613	-	-
Others	-	244,189	-	141,079	-	264,818	-	150,360
Total	Note	6,515,714	Note	6,133,475	Note	6,973,116	Note	7,659,656

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

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		2021	2022	As of April 30th, 2023
Employee numbers	Research and	224	272	269
	Administration	174	188	194
	Manufacturing	418	461	483
	Sales	346	394	403
	Total	1,162	1,315	1,349
Average age		38.66	38.16	38.28
Average years of service		5.78	5.02	5.25
Education level distribution	Postgraduate	14	21	22
	Graduate	293	355	365
	Undergraduate	697	775	789
	High school	109	111	115
	Middle school or lower	49	53	58

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 andco-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 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 morales, 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	126	814	13,192	855,872
Professional competency training	251	1,025	4,767	2,787,196
Supervisor training	10	149	1,035	1,378,461
Self-development training	193	96	1,261	1,622,871
Total	580	2,084	20,255	6,644,400

   (2) The required qualifications for personnel designated to handle matters concerning financial information transparency are as follows:
      A. International internal audit qualifications: 1 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: 2 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, which has currently accumulated a total of NT$13,133 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$23,969 thousand was allocated in 2022.

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):

The Company maintains excellent relationships with its employees and manages robust employee welfare and retirement systems. As of the date of this Annual Report, there have been no recorded losses associated with labor disputes.

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 information department dedicated to information security and regularly reports information security management operations to the supervisor. The company's internal systems are all located in the virtual 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, and mail content security control systems. The management system is responsible for filtering the content of incoming and outgoing connections on the Internet, which can effectively prevent external network attacks and block malicious software, harmful website links, and spam emails in real-time. Internal hosts and endpoints are deployed with anti-virus software on the central console to update virus patterns at any time and identify malicious behavior characteristics in real-time. It can block viruses, ransomware, and folders with malicious programs in real-time, effectively reducing damage caused by hacker attacks. risk.

2. Information security policy:

(1) To ensure no attack or invasion from a third party and to protect the safety of all data, system, infrastructure, and network and communication

(2) Ensure the change of access and system settings are approved or authorized through practices compliant with company policy

(3) Destroy all computers, storage, and media devices disposed to reduce information leakage risks

(4) Monitor system safety and activities to be on top of potential information security incidents

(5) Protect the use and integrity of information and system and ensure that they can be properly restored upon experiencing destructions or disasters

At present, the company's information security maintenance measures are complete and the information security insurance is still emerging insurance, and it is still in the stage of evaluating 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 information security protection capability, 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 Overall Information Security Environment.

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 and training, responsible for information system classification and protection benchmarks, security The promotion of business such as testing and business continuity operation drills. In order to promote the information security policy, regularly publicize the information security policy and objectives to colleagues, improve the information security awareness and functions of the subordinate personnel, and implement the information security maintenance plan to strengthen the information security management capacity, Receive education and 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 the information department can be implemented in accordance with the procedures specified by the company. The information system structure establishes a server backup and data backup mechanism to ensure that various services are not interrupted, and the integrity and security of data are ensured. Adding a UPS uninterruptible power system reduces the number of There is a risk of instantaneous system interruption to ensure that the information is correct and the risk assessment results are still good. Therefore, there is no major adverse impact on the company's information security and no major operational risks for the latest year and the date of publication of the annual report.

Follow the relevant information security policies and the company's corresponding internal regulations, and do your best to manage the information security, so as to minimize the operational risk on the IT side. Regularly conduct relevant audits on various information matters in accordance with the law 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	Loan	Alvogen Korea Holdings Ltd. and Shinhanbank Korea	2021/03/05 ~ 2024/03/04	Loan	N/A
9	Share Subscription Agreement	Innobic LL Holding Co., Ltd.	2021/04/16 ~	Investment	N/A
10	Distribution agreement	Eli Lilly Export S.A.	2021/07/30 ~ 2023/07/29	Sales	N/A
11	Agreement for the Acquisition of Certain Assets	Eli Lilly and Company	2021/07/30 ~	Product rights	N/A
12	Agreement for the Acquisition of Certain Assets	Eli Lilly and Company	2022/03/18 ~	Product rights	N/A
13	Loan	Citibank Taiwan Limited, Far Eastern International Bank and CTBC Bank Co., Ltd.	2022/06/24 ~	Loan	N/A
14	Guarantee	Far Eastern International Bank	2022/06/24 ~	Guarantee	N/A
15	Distribution Agreement	Lotus International Pte. Ltd.	2022/09/27 ~	Distribution	N/A
16	Agreement for the Acquisition of Certain Assets	Eli Lilly and Company	2022/12/13 ~	Product rights	N/A
17	Distribution agreement	Eli Lilly Export S.A.	2022/12/19 ~	Sales	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

FYE / Account		Consolidated					March 31st, 2023 (Note 1)
		2018	2019 (Note 2)	2020	2021	2022	
Current Asset		3,559,954	5,721,136	6,782,731	8,333,335	10,661,076	-
Property, Plant, and Equipment		1,814,951	1,875,997	2,193,068	2,541,975	3,046,727	-
Intangible Assets		6,083,453	5,910,026	5,895,681	5,585,847	5,667,605	-
Other intangible assets		2,185,186	2,910,506	3,830,990	3,863,034	7,315,373	-
Other assets		1,210,139	1,777,025	1,050,948	897,759	2,835,292	-
Total Assets		14,853,683	18,194,690	19,753,418	21,221,950	29,526,073	-
Current Liabilities	Before Allocation	2,103,619	3,100,524	4,883,081	4,325,941	5,893,018	-
	After Allocation	2,103,619	3,100,524	4,975,086	4,831,999	(Note 3)	-
Long-term borrowings		1,461,604	3,723,633	4,947,560	4,667,047	8,596,290	-
Loan payables to related parties		2,700,068	2,410,825	-	-	-	-
Other non-current liabilities		907,670	1,241,199	1,177,363	1,160,252	1,168,875	-
Total Liabilities	Before Allocation	7,172,961	10,476,181	11,008,004	10,153,240	15,658,183	-
	After Allocation	7,172,961	10,476,181	11,100,009	10,659,298	(Note 3)	-
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		7,225,695	7,742,015	8,745,414	11,068,710	13,867,890	-
Share capital		2,382,007	2,431,140	2,453,540	2,627,963	2,625,913	-
Capital surplus		6,020,558	6,588,034	6,799,186	8,038,813	7,534,348	-
Accumulated deficits	Before Allocation	(995,135)	(652,936)	353,662	1,700,635	4,823,417	-
	After Allocation	(995,135)	(652,936)	261,657	1,700,635	(Note 3)	-
Other equity		(181,735)	(624,223)	(860,974)	(1,240,947)	(1,058,434)	-
Treasury shares		-	-	-	(57,754)	(57,354)	-
EQUITY ATTRIBUTABLE TO FORMER OWNER OF BUSINESS COMBINATION UNDER COMMON CONTROL		-	(25,320)	-	-	-	-
NON-CONTROLLING INTERESTS		455,027	1,814	-	-	-	-
Total equity	Before Allocation	7,680,722	7,718,509	8,745,414	11,068,710	13,867,890	-
	After Allocation	7,680,722	7,718,509	8,653,409	10,562,652	(Note 3)	-

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2023 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

FYE / Account	Consolidated					March 31st, 2023 (Note 1)
	2018	2019 (Note 2)	2020	2021	2022	
Operating Revenues	6,428,894	9,611,195	10,728,583	12,649,189	14,632,772	-
Gross Profits	3,139,480	4,421,960	4,596,623	5,640,120	7,806,149	-
Operating Profits	448,688	1,200,358	1,612,663	2,295,427	4,111,114	-
Non-operating income and expenses	(284,984)	(223,334)	(308,428)	(425,408)	(170,902)	-
Income before income taxes	163,704	977,024	1,304,235	1,870,019	3,940,212	-
Gain/(Loss) from continuing operation	124,088	767,244	1,029,651	1,403,371	3,020,757	-
Gain/(Loss) from non-continuing operation	(97,787)	(525,083)	(106,547)	(402,063)	245,071	-
Net Income (Loss)	26,301	242,161	923,104	1,001,308	3,265,828	-
NET INCOME ATTRIBUTABLE TO Owners of the Company	99,476	662,807	1,026,796	1,403,371	3,020,757	-
NET INCOME ATTRIBUTABLE TO Former owner of business combination under common control	-	88,961	2,431	-	-	-
NET INCOME ATTRIBUTABLE TO Non-controlling interests	24,612	15,476	424	-	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO Owners of the Company	9,059	156,279	918,758	1,001,308	3,265,828	-
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	17,242	2,429	179	-	-	-
EARNINGS PER SHARE	0.42	2.74	4.22	5.50	11.59	-

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2023 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				
		2018	2019 (Note 1)	2020	2021	2022
Current Asset		1,106,395	2,930,286	3,609,330	5,418,422	7,425,169
Property, Plant, and Equipment		830,268	933,149	1,274,245	1,714,921	2,205,431
Intangible Assets		2,751,253	2,751,253	2,751,253	2,751,253	2,751,253
Other intangible assets		560,391	2,234,831	2,250,160	2,609,190	6,124,134
Other assets		5,955,047	3,888,821	3,885,843	2,842,084	6,205,397
Total Assets		11,203,354	12,738,340	13,770,831	15,335,870	24,711,384
Current Liabilities	Before Allocation	1,144,462	1,330,376	3,400,287	2,820,046	4,323,751
	After Allocation	1,144,462	1,330,376	3,492,292	3,326,104	(Note 2)
Long-term borrowings		-	1,141,748	1,529,556	1,175,275	6,093,531
Loan payables to related parties		2,700,068	2,253,450	-	-	-
Other non-current liabilities		133,129	296,071	95,574	271,839	426,212
Total Liabilities	Before Allocation	3,977,659	5,021,645	5,025,417	4,267,160	10,843,494
	After Allocation	3,977,659	5,021,645	5,117,422	4,773,218	(Note 2)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		7,225,695	7,742,015	8,745,414	11,068,710	13,867,890
Share capital		2,382,007	2,431,140	2,453,540	2,627,963	2,625,913
Capital surplus		6,020,558	6,588,034	6,799,186	8,038,813	7,534,348
Accumulated deficits	Before Allocation	(995,135)	(652,936)	353,662	1,700,635	4,823,417
	After Allocation	(995,135)	(652,936)	261,657	1,700,635	(Note 2)
Other equity		(181,735)	(624,223)	(860,974)	(1,240,947)	(1,058,434)
Treasury shares		-	-	-	(57,754)	(57,354)
EQUITY ATTRIBUTABLE TO FORMER OWNER OF BUSINESS COMBINATION UNDER COMMON CONTROL		-	(25,320)	-	-	-
Total equity	Before Allocation	7,225,695	7,716,695	8,745,414	11,068,710	13,867,890
	After Allocation	7,225,695	7,716,695	8,653,409	10,562,652	(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

FYE / Account	Stand-Alone				
	2018	2019 (Note 1)	2020	2021	2022
Operating Revenues	945,495	3,902,452	4,936,162	6,629,829	8,742,896
Gross Profits	427,034	1,689,305	1,986,265	2,970,525	5,016,087
Operating Profits	(125,729)	604,966	955,626	1,587,620	3,298,661
Non-operating income and expenses	110,720	244,333	247,182	114,044	391,162
Income before income taxes	(15,009)	849,299	1,202,808	1,701,664	3,689,823
Gain/(Loss) from continuing operation	99,476	751,768	1,029,227	1,403,371	3,020,757
Gain/(Loss) from non-continuing operation	(90,417)	(512,036)	(106,302)	(402,063)	245,071
Net Income (Loss)	9,059	239,732	922,925	1,001,308	3,265,828
NET INCOMEATTRIBUTABLE TO Owners of the Company	99,476	662,807	1,026,796	1,403,371	3,020,757
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	9,059	156,279	918,758	1,001,308	3,265,828
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO Non-controlling interests	-	83,453	4,167	-	-
EARNINGS PER SHARE	0.42	2.74	4.22	5.50	11.59

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
2018	Lilac Shue, Eddie Shao	Unqualified 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

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					March 31st, 2023 (Note 1)
		2018	2019 (Note 2)	2020	2021	2022	
Financial Structure (%)	Debt-to-Asset Ratio (%)	48.29%	57.57%	55.72%	47.84%	53.03%	-
	Long-term fund to PPE Ratio (%)	702.50%	804.59%	678.06%	664.68%	775.68%	-
Liquidity	Current Ratio (%)	169.22%	184.52%	138.90%	192.63%	180.91%	-
	Quick Ratio (%)	111.66%	139.29%	92.35%	119.92%	123.18%	-
	Interest Coverage Ratio (%)	1.51	3.78	4.90	7.29	11.30	-
Operating Performance	Account Receivables Turnover (Times)	5.32	5.62	4.38	4.35	3.86	-
	Average day of Receivables (Days)	68.60	64.94	83.33	83.90	94.55	-
	Inventory Turnover (Times)	3.15	4.14	3.45	2.65	2.13	-
	Account Payable Turnover (Times)	5.75	6.24	4.59	5.65	6.34	-
	Average Day of Sales (Days)	115.87	88.16	105.79	137.73	171.36	-
	PPE Turnover (Times)	3.47	5.20	5.27	5.34	5.23	-
	Total assets turnover (Times)	0.42	0.58	0.56	0.61	0.57	-
Profitability	Return on Assets (%)	2.55%	6.33%	6.83%	8.00%	13.11%	-
	Return on Equity (%)	1.61%	9.96%	12.5%	14.16%	24.22%	-
	Profit Before Tax to Capital Stock (%)	6.87%	40.18%	53.15%	71.15%	150.05%	-
	Profit Margin (%)	1.93%	7.98%	9.59%	11.09%	20.64%	-
	EPS (Dollars)	0.42	2.74	4.22	5.50	11.59	-
Cash Flow	Cash Flow Ratio (%)	37.88%	13.54%	39.90%	2.76%	63.11%	-
	Cash Flow Adequacy Ratio (%)	71.97%	93.56%	71.52%	43.35%	58.78%	-
	Cash Reinvestment Ratio (%)	15.14%	6.32%	33.91%	0.33%	33.22%	-
Leverage	Operating Leverage	3.51	2.26	1.82	1.72	1.42	-
	Financial Leverage	3.49	1.41	1.26	1.15	1.10	-

Explanations:

(1) Interest coverage ratio, return on assets, return on equity , profit before tax to capital stock and EPS: Mainly due to the growth of profits.

(2) Average day of sales : Mainly due to the increase of average inventories.

(3) Profit Margin: Mainly due to the launched of high profit products.

(4) Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the increase of net cash inflow from operating cash flow.

Note 1: As of the date of this Annual Report, the financial statements of the first quarter of 2023 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				
		2018	2019 (Note 1)	2020	2021	2022
Financial Structure (%)	Debt-to-Asset Ratio (%)	35.50%	39.42%	36.49%	27.82%	43.88%
	Long-term fund to PPE Ratio (%)	1211.52%	1222.52%	813.85%	729.81%	924.42%
Liquidity	Current Ratio (%)	96.67%	220.25%	106.14%	192.13%	171.72%
	Quick Ratio (%)	55.56%	180.94%	75.15%	119.85%	125.97%
	Interest Coverage Ratio (%)	0.82	6.37	11.83	24.99	30.85
Operating Performance	Account Receivables Turnover (Times)	3.59	4.85	3.16	3.17	2.92
	Average day of Receivables (Days)	101.67	75.25	115.50	115.14	125
	Inventory Turnover (Times)	1.44	4.63	3.86	2.42	1.92
	Account Payable Turnover (Times)	2.23	5.93	3.05	3.58	4.98
	Average Day of Sales (Days)	253.47	78.83	94.55	150.82	190.1
	PPE Turnover (Times)	1.11	4.42	4.47	4.43	4.46
	Total Assets Turnover (Times)	0.09	0.32	0.37	0.45	0.43
Profitability	Return on Assets (%)	1.65%	7.33%	8.43%	10.03%	15.57%
	Return on Equity (%)	1.37%	10.06%	12.50%	14.16%	24.22%
	Profit Before Tax to Capital Stock (%)	(0.63%)	34.93%	49.02%	64.75%	140.51%
	Profit Margin (%)	10.52%	19.26%	20.85%	21.16%	34.55%
	EPS (Dollars)	0.42	2.74	4.22	5.50	11.59
Cash Flow	Cash Flow Ratio (%)	7.91%	5.52%	40.09%	(13.69%)	71.13%
	Cash Flow Adequacy Ratio (%)	1.14%	19.26%	54.36%	23.80%	51.01%
	Cash Reinvest Ratio (%)	1.32%	1.13%	23.70%	(6.24%)	21.27%
Leverage	Operating Leverage	(1.73)	2.09	1.61	1.56	1.29
	Financial Leverage	0.59	1.35	1.13	1.05	1.04

Explanations:

(1) Debt-to-asset ratio and long-term fund to PPE ratio: Mainly due to the increase of borrowings required by the operational strategies.

(2) Interest coverage ratio: Mainly due to the increase of sales and then increase of profits.

(3) Inventory turnover and average day of sales: Mainly due to the high proportion of foreign products stocking.

(4) Account payable turnover: Mainly due to the high proportion of foreign products stocking.

(5) Total assets turnover, return on equity, profit before tax to capital stock, profit margin and EPS: Mainly due to the successful of operational strategy to increase revenue and profit.

(6) Cash flow ratio ,cash flow adequacy ratio and cash reinvest ratio: Mainly due to the successful of operational strategy to increase revenue and profit.

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一一一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安志會計師及游萬淵會計師共同查核完竣，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二百十九條規定繕具報告，敬請　鑒核。

此致

美時化學製藥股份有限公司一一二年股東常會

審計委員會召集人: Hjorleifur Palsson

To 2023 Annual General Meeting of Lotus Pharmaceutical Co., Ltd

The Company's 2022 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 of 14-4 of the Securities and Exchange Act and Article of 219 of the Company Law, we hereby submit this report.

Lotus Pharmaceutical Co., Ltd

Chairman of Audit Committee：Hjorleifur Palsson

中　　華　　民　　國　一　一　二　年　三　月　九　日

Date: March 9th, 2023

6.4 Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report

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, 2022 and 2021, 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 significant 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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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, 2022. 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(19) "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 by inspecting the related documents and contracts to identity 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, wherein the related procedures included:

(1) Assessing the reasonableness of expected growth rate through comparing the previous operating conditions, the conditions of industrial environment and their future outlook;

(2) Assessing the reasonableness of relevant parameters and assumptions of discount rate;

(3) Inspecting the parameters and the calculation formula in the evaluation model and assessing whether there are any inconsistencies or errors that may have exist;

(4) Applying the sensitivity analysis to the expected growth rate to understand the effect of future cash flows from the changes in key assumptions, as well as assessing whether the management have appropriately dealt with the potential effect of the estimation uncertainty.

Other Matter

Lotus Pharmaceutical Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion and unqualified opinion with other matter paragraph, respectively.

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 9, 2023

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

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

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**		**Liabilities and Equity**	**Amount**	**%**	**Amount**	**%**
	Current assets:						**Current liabilities:**				
1100	Cash and cash equivalents (note 6(1))	$ 1,983,383	7	1,605,495	8	2100	Short-term borrowings (note 6(10))	$ 155,919	1	819,767	4
1140	Contract assets－current (notes 6(19) and 7)	258,779	1	82,050	-	2130	Contract liabilities－current (notes 6(19) and 7)	183,084	1	132,013	1
1170	Notes and accounts receivable, net (note 6(4))	1,352,044	5	1,102,845	5	2170	Notes and accounts payable	1,320,775	4	714,694	3
1180	Accounts receivable－related parties (note 7)	3,040,407	10	2,080,746	10	2180	Accounts payable－related parties (note 7)	82,267	-	32,853	-
1200	Other receivables	114,474	-	65,277	-	2200	Other payables (note 6(9))	2,927,490	10	784,663	4
1210	Other receivables－related parties (note 7)	107,493	-	23,664	-	2220	Other payables－related parties (note 7)	310,380	1	655,942	3
1220	Current tax assets	54,269	-	52,616	-	2230	Current tax liabilities	731,151	3	280,155	1
1310	Inventories (note 6(5))	3,329,824	11	3,073,404	15	2250	Provisions－current (note 6(13))	30,316	-	27,536	-
1479	Other current assets (note 8)	420,403	2	247,238	1	2280	Lease liabilities－current (note 6(12))	58,991	-	62,466	-
	Total current assets	10,661,076	36	8,333,335	39	2320	Current portion of long-term borrowings (notes 6(11) and 8)	59,949	-	794,901	4
	Non-current assets:					2399	Other current liabilities	32,696	-	20,951	-
1510	Financial asset at fair value through profit or loss－non-current (notes 6(2) and 7)	1,869,650	6	-	-		**Total current liabilities**	5,893,018	20	4,325,941	20
							Non-current liabilities:				
1517	Financial asset at fair value through other comprehensive income－non-current (note 6(3))	288,673	1	301,728	1	2527	Contract liabilities－non-current (note 6(19))	65,915	-	85,957	1
						2540	Long-term borrowings (notes 6(11) and 8)	8,596,290	29	4,667,047	22
1600	Property, plant and equipment (notes 6(6) and 8)	3,046,727	10	2,541,975	12	2550	Provisions－non-current (note 6(13))	29,739	-	27,683	-
1755	Right-of-use assets (note 6(7))	101,516	-	99,862	1	2570	Deferred tax liabilities (note 6(15))	448,397	2	304,147	2
1805	Goodwill (note 6(8))	5,667,605	19	5,585,847	26	2580	Lease liabilities－non-current (note 6(12))	46,819	-	43,411	-
1821	Other intangible assets (notes 6(9), 7 and 8)	7,315,373	25	3,863,034	18	2640	Defined benefit liabilities, net (note 6(14))	353,268	1	485,378	2
1840	Deferred tax assets (note 6(15))	390,119	2	310,816	2	2670	Other non-current liabilities (note 6(9))	224,737	1	213,676	1
1900	Other non-current assets (notes 8 and 9)	185,334	1	185,353	1		**Total non-current liabilities**	9,765,165	33	5,827,299	28
	Total non-current assets	18,864,997	64	12,888,615	61		**Total liabilities**	15,658,183	53	10,153,240	48
							Equity (note 6(16))**:**				
						3100	Share capital	2,625,913	9	2,627,963	12
						3200	Capital surplus	7,534,348	26	8,038,813	38
						3300	Retained earnings	4,823,417	16	1,700,635	8
						3400	Other equity	(1,058,434)	(4)	(1,240,947)	(6)
						3500	Treasury shares	(57,354)	-	(57,754)	-
							Total equity	13,867,890	47	11,068,710	52
	Total assets	**$ 29,526,073**	**100**	**21,221,950**	**100**		**Total liabilities and equity**	**$ 29,526,073**	**100**	**21,221,950**	**100**

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, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4100	**Net revenue** (notes 6(19) and 7)	$ 14,632,772	100	12,649,189	100
5110	**Cost of sales** (notes 6(5) and 7)	6,826,623	47	7,009,069	55
5900	**Gross profit from operations**	7,806,149	53	5,640,120	45
	Operating expenses (note 7)**:**				
6100	Selling expenses	2,124,665	14	1,808,748	14
6200	Administrative expenses	1,053,255	7	905,783	8
6300	Research and development expenses	520,449	4	595,925	5
6450	Expected credit loss (gain) (note 6(4))	(3,334)	-	34,237	-
	Total operating expenses	3,695,035	25	3,344,693	27
6900	**Operating income**	4,111,114	28	2,295,427	18
	Non-operating income and expenses:				
7100	Interest income	3,508	-	5,344	-
7010	Other income (notes 6(3) and 7)	33,368	-	38,525	-
7020	Other gains and losses, net (note 6(21))	174,682	1	(172,438)	(1)
7050	Finance costs (notes 6(21) and 7)	(382,460)	(2)	(296,839)	(2)
		(170,902)	(1)	(425,408)	(3)
7900	**Income before income tax**	3,940,212	27	1,870,019	15
7950	Less: Income tax expense (note 6(15))	919,455	6	466,648	4
	Net income	3,020,757	21	1,403,371	11
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans (note 6(14))	130,206	-	45,844	-
8316	Unrealized losses from investment in equity instrument measured at fair value through other comprehensive income	(2,968)	-	(66,466)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(15))	(28,181)	-	(10,277)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	99,057	-	(30,899)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	146,014	1	(371,164)	(3)
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	146,014	1	(371,164)	(3)
8300	**Other comprehensive income (loss), net**	245,071	1	(402,063)	(3)
8500	**Total comprehensive income**	**$ 3,265,828**	**22**	**1,001,308**	**8**
	Earnings per share (note 6(18))				
9750	Basic earnings per share	**$**	**11.59**		**5.50**
9850	Diluted earnings per share	**$**	**11.54**		**5.47**

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity					
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized losses on financial asset at fair value through other comprehensive income	Unearned share-based payments	Total	Treasury shares	Total equity
Balance at January 1, 2021	$ 2,453,540	6,799,186	-	-	353,662	353,662	(537,192)	(202,509)	(121,273)	(860,974)	-	8,745,414
Net income	-	-	-	-	1,403,371	1,403,371	-	-	-	-	-	1,403,371
Other comprehensive income (loss)	-	-	-	-	35,567	35,567	(371,164)	(66,466)	-	(437,630)	-	(402,063)
Total comprehensive income (loss)	-	-	-	-	1,438,938	1,438,938	(371,164)	(66,466)	-	(437,630)	-	1,001,308
Appropriation of earnings:												
Legal reserve appropriated	-	-	35,366	-	(35,366)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	115,476	(115,476)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(92,005)	(92,005)	-	-	-	-	-	(92,005)
Issuance of ordinary shares for cash	175,173	1,238,477	-	-	-	-	-	-	-	-	-	1,413,650
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(57,354)	(57,354)
Share-based payments	(750)	1,150	-	-	40	40	-	-	57,657	57,657	(400)	57,697
Balance at December 31, 2021	**$ 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**

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	$ 3,940,212	1,870,019
Adjustments:		
Adjustments to reconcile income		
Depreciation expense	256,084	239,885
Amortization expense	680,782	519,496
Expected credit loss (gain)	(3,334)	34,237
Gains on financial asset at fair value through profit or loss	(286,808)	-
Finance costs	382,460	296,839
Interest income	(3,508)	(5,344)
Dividend income	(9,736)	(8,912)
Share-based payments	39,410	57,657
Losses (gains) on disposal of property, plant and equipment	(2,426)	2,003
Losses (gains) on disposal of intangible assets	(94)	1,194
Impairment losses on intangible assets	138,262	233,182
(Reversal of) impairment loss on property, plant and equipment	(1,595)	1,635
Unrealized foreign exchange losses	106,409	13,674
Write-downs of inventories	110,028	136,779
Losses from early repayment of loans	15,999	43,417
Gains on lease modifications	(143)	(6)
Total adjustments to reconcile income	1,421,790	1,565,736
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(176,456)	38,511
Notes and accounts receivable, net	(216,784)	(107,848)
Accounts receivable－related parties	(980,225)	(564,082)
Other receivables	(51,719)	(59,903)
Other receivables－related parties	8,993	55,511
Inventories	(313,294)	(1,125,413)
Other current assets	(147,233)	(27,304)
Other non-current assets	(8,769)	(4,275)
Total changes in operating assets	(1,885,487)	(1,794,803)
Changes in operating liabilities:		
Contract liabilities	20,000	(9,743)
Notes and accounts payable	598,976	128,829
Accounts payable－related parties	49,414	(1,109,812)
Other payables	109,094	(151,654)
Other payables－related parties	202,896	79,932
Provisions	3,120	(4,270)
Other current liabilities	11,415	(2,586)
Defined benefit liabilities, net	(11,716)	15,998
Other non-current liabilities	(7,414)	14,926
Total changes in operating liabilities	975,785	(1,038,380)
Total changes in operating assets and liabilities	(909,702)	(2,833,183)
Total adjustments	512,088	(1,267,447)

(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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows generated from operations	$ 4,452,300	602,572
Interest received	2,705	4,581
Interest paid	(290,699)	(227,925)
Income taxes paid	(444,888)	(259,566)
Net cash flows generated from operating activities	3,719,418	119,662
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	(577,157)	(572,729)
Proceeds from disposal of property, plant and equipment	9,375	110
Decrease (increase) in refundable deposits	(4,472)	12,445
Acquisition of intangible assets (including capitalized development expenses)	(2,492,234)	(1,043,021)
Proceeds from disposal of intangible assets (including capitalized development expenses)	94	-
Decrease (increase) in other current assets	(22,779)	70,848
Increase in other non-current assets	-	(48,804)
Dividends received	13,867	4,308
Net cash flows used in investing activities	(4,656,148)	(1,576,843)
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,434,687	1,290,643
Repayments of short-term borrowings	(2,100,039)	(870,800)
Proceeds from long-term borrowings	6,250,240	5,062,903
Repayments of long-term borrowings	(3,174,915)	(5,570,813)
Increase (decrease) in other payables to related parties	(558,274)	558,274
Payments of lease liabilities	(83,910)	(71,347)
Cash dividends paid	(506,058)	(92,005)
Proceeds from issuance of ordinary shares	-	1,413,650
Payments to acquire treasury shares	-	(57,354)
Cash dividends returned from unvested restricted stock awards	-	40
Net cash flows generated from financing activities	1,261,731	1,663,191
Effect of exchange rate changes on cash and cash equivalents	52,887	(89,519)
Net increase in cash and cash equivalents	377,888	116,491
Cash and cash equivalents at beginning of year	1,605,495	1,489,004
Cash and cash equivalents at end of year	**$ 1,983,383**	**1,605,495**

See accompanying notes to consolidated financial statements.

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 6.69% ownership interest in the Company on December 31, 2022; please refer to note 6(16)A and 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 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 9, 2023.

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, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(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, 2023, would not have a significant impact on its consolidated financial statements:

- 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"

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IFRS16 "Requirements for Sale and Leaseback Transactions"

4. Summary of significant accounting policies

The significant 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").

(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.

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

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2022	December 31, 2021	
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 %	3.00 %	(Note 1)
The Company	Alvogen (Thailand) Ltd.	Sale of pharmaceuticals and medicinal chemical products	3.81 %	3.81 %	
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	0.04 %	0.04 %	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Pharmaceutical regulatory affairs project management services	100.00 %	100.00 %	

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2022	December 31, 2021	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Sale of pharmaceuticals and medicinal chemical products	96.15 %	96.15 %	
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 %	97.00 %	(Note 1)
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 International Pte. Ltd.	Lotus Pharma ehf.	Marketing activities and healthcare consultancy	100.00 %	-	(Note 2)
Lotus International Pte. Ltd.	Meishi Pharma Services Private Limited	Management consultancy service	100.00 %	-	(Note 2)
Lotus International Pte. Ltd.	Meishi Pharma Service Pte. Ltd.	Management consultancy service	100.00 %	-	(Note 2)

Note 1: Lotus Pharmaceutical, HK Ltd. is a wholly owned subsidiary through the Company's direct ownership interest and indirect ownership interest through Lotus International Pte. Ltd. The changes in shareholding were due to new shares issued by Lotus Pharmaceutical, HK Ltd., and subscribed by Lotus International Pte. Ltd. only.

Note 2: Newly incorporated subsidiary.

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.

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.

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 are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(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, 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.

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.

(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	2~8 years
(d)	Leasehold improvements	1~10 years

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

(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

(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.

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.

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.

(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 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 minimums 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.

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.

(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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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.

(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. Those assumptions and estimation have been updated to reflect the impact of Covid-19 pandemic:

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, 2022	December 31, 2021
Cash on hand and demand deposits	$ 1,959,245	1,576,035
Cash equivalents	24,138	29,460
	$ 1,983,383	**1,605,495**

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, 2022	December 31, 2021
Financial asset mandatorily measured at FVTPL:		
Foreign preferred stock－New Alvogen Group Holding Inc.	**$ 1,869,650**	**-**

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

(3) Financial asset at FVOCI

	December 31, 2022	December 31, 2021
Financial asset at FVOCI:		
Foreign listed stock－Fuji Pharma Co., Ltd.	**$ 288,673**	**301,728**

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, 2022 and 2021, dividends of $9,736 and $8,912, respectively, relating to above investment were recognized.

C. There was no disposal of above investment and transfer of any cumulative gain or loss within equity relating to above investment in the years ended December 31, 2022 and 2021.

(4) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	$ -	8,741
Accounts receivable	1,398,477	1,143,658
Less: Expected credit loss allowance	(46,433)	(49,554)
	$ 1,352,044	**1,102,845**

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.

As of December 31, 2022 and 2021, the Group recognized loss allowances for expected credit losses on receivables from certain customer amounting to $20,000, as there is no reasonable expectation of recovery. Excluding the abovementioned receivables, the expected credit loss allowances were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
0 to 60 days past due	$ 1,362,212	0.98 %	13,387
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	12,124	100.00 %	12,124
	$ 1,378,477		**26,433**

	December 31, 2021		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
0 to 60 days past due	$ 1,084,100	0.68 %	7,352
61 to 90 days past due	6,221	6.70 %	417
91 to 120 days past due	6,622	14.94 %	989
121 to 150 days past due	4,219	18.13 %	765
151 to 180 days past due	3,868	23.78 %	920
181 to 360 days past due	17,522	55.92 %	9,798
More than 360 days past due	9,847	94.58 %	9,313
	$ 1,132,399		**29,554**

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

	2022	2021
Balance at January 1	$ 49,554	17,167
Credit loss recognized (reversed)	(3,334)	34,237
Amounts written off	(68)	(1,355)
Effect of exchange rate changes	281	(495)
Balance at December 31	**$ 46,433**	**49,554**

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 1,165,582	1,261,285
Work in process	504,904	585,181
Finished goods and merchandise	1,394,365	839,847
Inventory in transit	264,973	387,091
	$ 3,329,824	**3,073,404**

For the years ended December 31, 2022 and 2021, write-downs of inventories to net realizable value in the amount of $110,028 and $136,779, respectively, were included in the cost of sales.

As of December 31, 2022 and 2021, 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, 2022 and 2021, 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, 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	**$ 622,305**	**1,384,175**	**1,376,413**	**170,484**	**1,077,308**	**87,873**	**4,718,558**
Balance at January 1, 2021	$ 654,221	1,012,264	1,172,379	151,873	608,863	85,326	3,684,926
Additions	-	34,689	42,906	14,110	515,061	52	606,818
Disposals	-	(412)	(18,405)	(7,945)	-	(1,428)	(28,190)
Reclassification	-	326,144	113,229	7,512	(444,620)	-	2,265
Effect of exchange rate changes	(38,727)	(59,784)	(59,898)	(7,294)	(4,080)	(5,688)	(175,471)
Balance at December 31, 2021	**$ 615,494**	**1,312,901**	**1,250,211**	**158,256**	**675,224**	**78,262**	**4,090,348**

	Land	Buildings and plant equipment	Machinery and experiment equipment	Miscellaneous equipment	Construction in progress and inspection equipment	Leasehold improvements	Total
Accumulated depreciation and impairment loss:							
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	**$ -**	**575,566**	**894,895**	**129,850**	**-**	**71,520**	**1,671,831**
Balance at January 1, 2021	$ -	516,932	794,017	109,685	-	71,224	1,491,858
Depreciation	-	49,527	94,144	18,960	-	4,267	166,898
Disposals	-	(402)	(16,537)	(7,710)	-	(1,428)	(26,077)
Impairment loss	-	-	-	-	1,635	-	1,635
Effect of exchange rate changes	-	(33,516)	(41,995)	(5,169)	(8)	(5,253)	(85,941)
Balance at December 31, 2021	**$ -**	**532,541**	**829,629**	**115,766**	**1,627**	**68,810**	**1,548,373**
Carrying amounts:							
Balance at December 31, 2022	**$ 622,305**	**808,609**	**481,518**	**40,634**	**1,077,308**	**16,353**	**3,046,727**
Balance at January 1, 2021	**$ 654,221**	**495,332**	**378,362**	**42,188**	**608,863**	**14,102**	**2,193,068**
Balance at December 31, 2021	**$ 615,494**	**780,360**	**420,582**	**42,490**	**673,597**	**9,452**	**2,541,975**

In 2021, following the decision to terminate a product in development, the Group recognized an impairment charge of $1,635 on equipment which can only be used for such product. In 2022, the impairment loss was reversed as the Group identified alternative use for the equipment.

As of December 31, 2022 and 2021, 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, 2022 and 2021, which the Group is a lessee, was as follows:

	Buildings	Office equipment	Vehicles	Total
Cost:				
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	**$ 260,249**	**19,890**	**17,571**	**297,710**

	Buildings	Office equipment	Vehicles	Total
Balance at January 1, 2021	$ 203,060	2,904	12,801	218,765
Additions	64,256	-	4,203	68,459
Disposals	(34,303)	-	(5,359)	(39,662)
Effect of exchange rate changes	(13,204)	(18)	(527)	(13,749)
Balance at December 31, 2021	**$ 219,809**	**2,886**	**11,118**	**233,813**
Accumulated depreciation:				
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	3,718	19	94	3,831
Balance at December 31, 2022	**$ 185,114**	**4,257**	**6,823**	**196,194**
Balance at January 1, 2021	$ 97,702	1,028	7,658	106,388
Depreciation	66,834	537	5,616	72,987
Disposals	(32,865)	-	(5,359)	(38,224)
Effect of exchange rate changes	(6,805)	(10)	(385)	(7,200)
Balance at December 31, 2021	**$ 124,866**	**1,555**	**7,530**	**133,951**
Carrying amounts:				
Balance at December 31, 2022	**$ 75,135**	**15,633**	**10,748**	**101,516**
Balance at January 1, 2021	**$ 105,358**	**1,876**	**5,143**	**112,377**
Balance at December 31, 2021	**$ 94,943**	**1,331**	**3,588**	**99,862**

(8) Goodwill

The movement in the goodwill of the Group for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Cost:		
Balance at January 1	$ 5,659,847	5,969,681
Effect of exchange rate changes	81,758	(309,834)
Balance at December 31	**$ 5,741,605**	**5,659,847**

	2022	2021
Accumulated impairment:		
Balance as of January 1 and December 31	**$ 74,000**	**74,000**
Carrying amounts:		
Balance at December 31, 2022	**$ 5,667,605**	
Balance at January 1, 2021	**$ 5,895,681**	
Balance at December 31, 2021	**$ 5,585,847**	

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 generic drug CGUs.

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, 2022 and 2021, the discount rates used to determine the future cash flows were 8.39%~17.5% and 7.7%~17%, 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, 2022 and 2021, no impairment loss was recognized.

(9) Other intangible assets

The movement in the intangible assets of the Group for the years ended December 31, 2022 and 2021, was as follows:

	Product Rights	Brand	In-process R&D	Capitalization of Development Expenses	Others	Total
Cost:						
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	**$ 7,978,365**	**679,201**	**324,301**	**1,971,317**	**293,863**	**11,247,047**
Balance at January 1, 2021	$ 4,058,818	732,317	349,664	903,916	293,698	6,338,413
Additions	459,029	-	-	539,659	5,554	1,004,242
Disposals	(1,194)	-	-	-	-	(1,194)
Reclassification	67,813	-	-	(77,131)	-	(9,318)
Effect of exchange rate changes	(261,581)	(72,157)	(34,454)	(13,483)	(24,429)	(406,104)
Balance at December 31, 2021	**$ 4,322,885**	**660,160**	**315,210**	**1,352,961**	**274,823**	**6,926,039**

	Product Rights	Brand	In-process R&D	Capitalization of Development Expenses	Others	Total
Accumulated amortization and impairment loss:						
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	**$ 2,333,284**	**539,088**	**254,531**	**565,648**	**239,123**	**3,931,674**
Balance at January 1, 2021	$ 1,273,635	532,433	250,578	249,817	200,960	2,507,423
Amortization	487,672	-	10,624	-	21,200	519,496
Impairment loss	635	10,462	1,368	220,717	-	233,182
Effect of exchange rate changes	(92,391)	(52,514)	(25,186)	(9,549)	(17,456)	(197,096)
Balance at December 31, 2021	**$ 1,669,551**	**490,381**	**237,384**	**460,985**	**204,704**	**3,063,005**
Carrying amounts:						
Balance at December 31, 2022	**$ 5,645,081**	**140,113**	**69,770**	**1,405,669**	**54,740**	**7,315,373**
Balance at January 1, 2021	**$ 2,785,183**	**199,884**	**99,086**	**654,099**	**92,738**	**3,830,990**
Balance at December 31, 2021	**$ 2,653,334**	**169,779**	**77,826**	**891,976**	**70,119**	**3,863,034**

Impairment losses on intangible assets recognized for the years ended December 31, 2022 and 2021, were as follows:

		For the years ended December 31,	
Item	**Operating expenses**	**2022**	**2021**
Product rights	Selling expenses	**$ 2,925**	**635**
Brand	Selling expenses	**$ 33,899**	**10,462**
In-process R&D	Research and development expenses	**$ -**	**1,368**
Capitalization of development expenses	Research and development expenses	**$ 101,438**	**220,717**

As of December 31, 2021, certain intangible assets were pledged as collateral. In July 2022, these assets were released from the pledge as a result of the repayment of bank borrowings; please refer to note 8.

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, 2022, the amount of $1,870,663 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:

	December 31, 2022	December 31, 2021
Unsecured bank loans	**$ 155,919**	**819,767**
Unused credit line	**$ 387,858**	**146,615**
Range of interest rates	**2.15%~4.00%**	**1.28%~3.85%**

(11) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 179,848	233,074
Secured bank loans	6,653,503	2,405,556
Secured loans from other financial institutions	1,822,888	2,823,318
	8,656,239	5,461,948
Less: Current portion	(59,949)	(794,901)
Total	**$ 8,596,290**	**4,667,047**
Unused credit line	**$ 1,224,262**	**-**
Range of maturity period (year/month)	**2023/2~2025/7**	**2022/2~2024/3**
Range of interest rates	**2.97%~8.14%**	**2.62%~5.19%**

In June 2022, the Company entered into a secured syndicated loan facility with Citi Bank Taiwan, Far Eastern International Bank, CTBC Bank and 21 other banks in the aggregate amount of $5,500,000. In July 2022, the Company drew down on the new facility and repaid certain bank borrowings; as a result, certain pledged assets were discharged, please refer to note 8. In October 2022, the Company entered into an amendment agreement related to the syndicated loan, which increased the total facility amount from $5,500,000 to $7,260,000. The maturity date of the loan is from January 2024 to July 2025, and the interest rates as of December 31, 2022 was from 2.97% to 6.13%. Pursuant to the terms set forth in the loan agreement, the loan contained a covenant stating that (i) the net leverage ratio of the Group shall not exceed 3.75 times and the net leverage ratio of the Group (excluding subsidiaries in Korea) shall not exceed 3.5 times, (ii) interest cover ratio of the Group must exceed 3 times.

The financial covenants are computed on a rolling 12-month basis based on the consolidated financials of the Group and tested semi-annually starting from December 31, 2022.

Another loan facility entered into by the Group's subsidiaries in Korea contained financial covenants stating that the net leverage ratio of the subsidiaries, on consolidated basis, must be less than 3.95 times and 4.5 times as of December 31, 2022 and 2021, respectively.

The Group complied with above mentioned financial covenants as of December 31, 2022 and 2021.

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, 2022	December 31, 2021
Current	$ 58,991	62,466
Non-current	$ 46,819	43,411

Please refer to note 6(22) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	$ 6,014	7,049
Expenses relating to short-term leases	$ 11,726	7,641
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 1,420	1,612

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	$ 103,070	87,649

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 machinery 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.

(13) Provisions－current and non-current

	Estimated return of goods	Restoration	Employee benefit obligations	Total
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	**$ -**	**11,101**	**18,638**	**29,739**
Balance at January 1, 2021	$ 36,411	11,085	18,284	65,780
Provisions made	28,422	382	7,100	35,904
Provisions used	(34,750)	-	(5,207)	(39,957)
Effect of exchange rate changes	(3,479)	(1,110)	(1,919)	(6,508)
Balance at December 31, 2021	26,604	10,357	18,258	55,219
Less: current	(26,604)	-	(932)	(27,536)
Non-current	**$ -**	**10,357**	**17,326**	**27,683**

(14) Employee benefits

A. Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligation	$ 958,249	990,734
Fair value of plan assets	(604,981)	(505,356)
Net defined benefit liabilities	**$ 353,268**	**485,378**

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.

(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

		2022	2021
Balance at January 1	$	990,734	1,150,558
Current service costs and interest		134,125	138,352
Remeasurement			
—Actuarial loss (gain) arising from changes in demographic assumptions		13,841	(826)
—Actuarial loss (gain) arising from experience adjustments		6,137	(24,391)
—Actuarial gain arising from changes in financial assumptions		(155,134)	(22,626)
Other		(2,438)	480
Benefits paid from plan assets and directly by the Group		(56,278)	(140,944)
Effect of exchange rate changes		27,262	(109,869)
Balance at December 31	**$**	**958,249**	**990,734**

(c) Fair value of the defined benefit plan assets

		2022	2021
Balance at January 1	$	(505,356)	(580,487)
Interest income		(16,984)	(12,225)
Remeasurement			
—Return on plan assets (excluding current interest)		4,950	1,999
Contributions paid by the employer		(89,028)	(40,249)
Other		950	889
Benefits paid from plan assets		17,799	69,902
Effect of exchange rate changes		(17,312)	54,815
Balance at December 31	**$**	**(604,981)**	**(505,356)**

(d) Expenses recognized in profit or loss

	For the years ended December 31,	
	2022	**2021**
Current service costs	$ 102,142	114,403
Net interest on the net defined benefit liabilities	15,864	12,670
Others	(2,394)	472
	$ 115,612	**127,545**
Cost of sales	$ 35,535	36,543
Selling expenses	59,916	64,340
Administration expenses	14,032	19,485
Research and development expenses	5,606	6,805
Capitalized development expenses	523	372
	$ 115,612	**127,545**

(e) Actuarial assumptions

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

	December 31, 2022	**December 31, 2021**
Discount rate	1.25%~7.63%	0.60%~7.13%
Future salary increase rate	3.47%~13.53%	3.00%~13.63%

The Group expects to contribute $60,143 to the defined benefit plans in 2023.

The weighted-average duration of the defined benefit obligation was 7.27 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2022 and 2021 the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligations	
	Increased	**Decreased**
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)
Balance at December 31, 2021		
Discount rate (1.00% movement)	(67,289)	75,949
Future salary increase rate (1.00% movement)	73,371	(66,437)

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 $34,935 and $24,426 for the years ended December 31, 2022 and 2021, respectively.

(15) Income tax

A. Income tax expense

The components of income tax for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Current tax expense		
Current period	$ 843,890	339,437
Adjustments in respect of prior years	12,692	(81,221)
Undistributed earnings tax	26,809	18,428
	883,391	276,644
Deferred tax expense		
Current period	52,841	93,175
Adjustments in respect of prior years	(16,777)	96,829
	36,064	190,004
Income tax expense	**$ 919,455**	**466,648**

Reconciliation of income tax expenses and income before income tax for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Income before income tax	$ 3,940,212	1,870,019
Income tax at statutory tax rate of each jurisdiction	791,757	392,377
Changes in unrecognized deductible temporary differences and loss carryforwards	31,357	34,882
Permanent differences (including non-deductible expenses)	44,409	4,296
Investment tax credits	(1,748)	(1,505)
Adjustments to current tax expense in respect of prior years	(4,085)	15,608
Income tax on unappropriated earnings	26,809	18,428
Other	30,956	2,562
	$ 919,455	**466,648**

The corporate income tax rate used by the Company is 20%. The applicable tax rate for subsidiaries in Korea are 22%.

B. Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	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
	$ 310,816	**106,062**	**(28,181)**	**1,422**	**390,119**

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	Effect of exchange rate changes	December 31, 2021
Defined benefit obligation	$ 122,088	2,748	(10,277)	(11,733)	102,826
Inventories	30,511	(13,441)	-	(1,183)	15,887
Provisions	11,554	(820)	-	(1,110)	9,624
Property, plant and equipment	11,626	(2,707)	-	(217)	8,702
Intangible assets	37,801	(6,506)	-	(3,393)	27,902
Loss carryforwards	44,053	(43,539)	-	(2)	512
Deferred profit of upstream transaction	42,627	33,626	-	-	76,253
Others	64,348	9,642	-	(4,880)	69,110
	$ 364,608	**(20,997)**	**(10,277)**	**(22,518)**	**310,816**

Deferred tax liabilities:

	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
Property, plant and equipment and intangible assets - acquisition of the Company	8,796	(6,181)	-	-	2,615
Unrealized gains on FVTPL	-	57,362	-	-	57,362
R&D capitalization cost	202,301	75,448	-	-	277,749
Others	17,079	15,633	-	1,073	33,785
	$ 304,147	**142,126**	**-**	**2,124**	**448,397**

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	Effect of exchange rate changes	December 31, 2021
Property, plant and equipment	$ 11,181	(1,724)	-	(1,020)	8,437
Intangible assets - acquisition of Dream Pharma	85,371	(9,722)	-	(8,115)	67,534
Property, plant and equipment and intangible assets - acquisition of the Company	15,263	(6,467)	-	-	8,796
R&D capitalization cost	-	202,301	-	-	202,301
Others	32,873	(15,381)	-	(413)	17,079
	$ 144,688	**169,007**	**-**	**(9,548)**	**304,147**

(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, 2022 and 2021. 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, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 301,096**	**230,446**

(c) Unrecognized deferred tax assets

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

	December 31, 2022	December 31, 2021
Expiry period		
1-4 years	$ 200,560	117,033
5-10 years	297,189	359,705
	$ 497,749	**476,738**

C. Income tax assessments

As of December 31, 2022, the tax authorities have completed the examination of the Company's income tax returns through 2019.

(16) Capital and other equity

A. Share capital

As of December 31, 2022 and 2021, 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 $2,625,913 and $2,627,963 as of December 31, 2022 and 2021, 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, 2022 and 2021, there were 17,517 thousand and 22,431 thousand privately placed shares included in the issued share capital of the Company, respectively.

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(17).

B. Capital surplus

The ending balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	$ 6,171,554	6,621,891
Treasury share transactions	16,805	16,805
Conversion of convertible bonds	1,268,876	1,268,876
Employee share-based payments	77,113	131,241
	$ 7,534,348	**8,038,813**

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 dividend 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 dividend from capital surplus at $3.46 dollars per share in the amount of $906,227. The resolution will need to be reported in the shareholders' meeting of the Company. The information will be available on the Market Observation Post System website.

Please refer further details about employee share-based payments to note 6(17).

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 2020 was approved in the shareholders' meeting held on August 31, 2021 with cash dividends $0.35 dollars per share in a total amount of $92,005.

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 proposed. 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. As of December 31, 2022 and 2021, a total of 550 thousand shares were yet to be transferred.

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

(17) Share-based payment

Employee Restricted Stock Awards 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, 2022 and 2021, 280 thousand and 115 thousand shares under the 2019 RSA Plan were forfeited, respectively. On August 11, 2022, March 16, 2022 and November 11, 2021, the Company's Board of Directors approved to cancel 165 thousand, 40 thousand and 75 thousand of the forfeited shares, respectively.

As of December 31, 2022 and 2021, there was no shares available for future grants under the 2019 RSA Plan.

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.

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

		2022	**2021**
Balance at January 1	$	(63,616)	(121,273)
Share-based payment expense		39,410	57,657
Change of estimation		57	-
Balance at December 31	**$**	**(24,149)**	**(63,616)**

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 share 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.

(18) Earnings per share

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

	For the years ended December 31,	
	2022	**2021**
Basic earnings per share		
Net income attributable to owners of the Company	**$ 3,020,757**	**1,403,371**
Weighted average number of ordinary shares (in thousands)	**260,549**	**255,172**
Basic earnings per share (in dollars)	**$ 11.59**	**5.50**
Diluted earnings per share		
Net income attributable to owners of the Company	**$ 3,020,757**	**1,403,371**
Weighted average number of ordinary shares (in thousands)	260,549	255,172
Effect of dilutive potential ordinary shares		
Restricted stock awards issued to employees (in thousands)	984	1,336
Remuneration to employees (in thousands)	151	177
Weighted average number of ordinary shares (diluted) (in thousands)	**261,684**	**256,685**
Diluted earnings per share (in dollars)	**$ 11.54**	**5.47**

(19) Revenue from contracts with customers

A. Disaggregation of revenue

	For the year ended December 31, 2022		
	Generic Drug 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
Others	3,365,749	73,492	3,439,241
	$ 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**

	For the year ended December 31, 2021		
	Generic Drug Segment	**Other Segment**	**Total**
Primary geographical markets:			
South Korea	$ 5,250,147	-	5,250,147
United States	4,413,084	37,030	4,450,114
Others	2,862,627	86,301	2,948,928
	$ 12,525,858	**123,331**	**12,649,189**
Major products/services lines:			
Sale of goods	$ 12,436,630	-	12,436,630
Out-licensing of IP rights	40,249	19,590	59,839
Services and others	48,979	103,741	152,720
	$ 12,525,858	**123,331**	**12,649,189**
Major customers:			
Customer A	$ 4,413,084	29,855	4,442,939
Others (individually not greater than 10%)	8,112,774	93,476	8,206,250
	$ 12,525,858	**123,331**	**12,649,189**

B. Contract balances

	December 31, 2022	**December 31, 2021**	**January 1, 2021**
Contract asset－current	**$ 258,779**	**82,050**	**121,039**
Contract liability－current	**$ 183,084**	**132,013**	**132,098**
Contract liability－non-current	**$ 65,915**	**85,957**	**111,784**

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 $33,455 and $43,377 included in contract liability balance at the beginning of the year has been recognized as revenue for the years ended December 31, 2022 and 2021, respectively.

(20) 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, 2022 and 2021, the Company accrued and recognized employee remuneration amounting to $37,271 and $17,276 and directors' remuneration amounting to $0 and $8,638, respectively. 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.

(21) 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,	
	2022	**2021**
Gains (losses) on disposal of property, plant and equipment	$ 2,426	(2,003)
Gains (losses) on disposal of intangible assets	94	(1,194)
Foreign exchange losses	(81,217)	(119,229)
Gains on financial asset at FVTPL	286,808	-
Losses from early repayment of loans	(15,999)	(43,417)
Others	(17,430)	(6,595)
	$ 174,682	**(172,438)**

B. Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2022	**2021**
Interest expenses on borrowings	$ 350,202	259,639
Interest expenses on lease liabilities	6,014	7,049
Others	26,244	30,151
	$ 382,460	**296,839**

(22) 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, 2022 and 2021, the Group's largest customer individually accounted for 40% and 35%, respectively, of the Group's net revenue. As of December 31, 2022 and 2021, such largest customer accounted for 62% and 47% 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, 2022 and 2021, please refer to notes 6(10) and (11) for the Group'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.

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
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	105,810	111,471	62,497	48,974	-
	$ 13,558,880	**14,271,575**	**5,258,722**	**9,012,853**	**-**
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	$ 819,767	822,121	822,121	-	-
Notes and accounts payable (including related parties)	747,547	747,547	747,547	-	-
Other payables (including related parties)	1,440,605	1,444,300	1,444,300	-	-
Long-term borrowings (including current portion)	5,461,948	5,828,838	984,559	4,844,279	-
Lease liabilities－current and non-current	105,877	112,528	66,792	45,736	-
	$ 8,575,744	**8,955,334**	**4,065,319**	**4,890,015**	**-**

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

C. Market risk

(a) Currency risk

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

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, 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.

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, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 109,764	30.79	3,379,955	77,787	27.75	2,158,363
EUR	8,856	32.67	289,316	19,359	31.44	608,635
Non-monetary items						
USD	61,880	30.79	1,905,451	264	27.75	7,318
Financial liabilities						
Monetary items						
USD	107,151	30.79	3,299,475	44,895	27.75	1,245,697
EUR	8,328	32.67	272,060	4,352	31.44	136,829

A weakening or strengthening of 5% of the NTD against the USD and EUR for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant, would have increased or decreased the income before income tax by $4,887 and $69,224, 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, 2022 and 2021, the foreign exchange losses (including realized and unrealized portions) amounted to $81,217 and $119,229, respectively.

(b) Interest rate risk

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

Assuming the amount of floating-rate bank borrowings at the reporting date had been outstanding throughout the year, with all other variable factors remaining constant, as the interest rate increases or decreases by 0.05%, the Group's income before income tax would have decreased or increased by $3,381 and $2,338 for the years ended December 31, 2022 and 2021, 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 $28,867 and $30,173 for the years ended December 31, 2022 and 2021, 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), 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, 2022				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial asset at FVTPL					
Foreign preferred stock	$ 1,869,650	-	-	1,869,650	1,869,650
Financial asset at FVOCI					
Foreign listed stock	$ 288,673	288,673	-	-	288,673

	December 31, 2021				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial asset at FVOCI					
Foreign listed stock	$ 301,728	301,728	-	-	301,728

(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, 2022 and 2021 and the valuation techniques was not changed.

(c) Reconciliation of Level 3 fair values

In 2022, the Group acquired financial asset at FVTPL in the amount of $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.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial asset at FVTPL－equity investment without active market	Binomial Trees model method	· Duration (1.923 years at December 31, 2022)	· The estimated fair value would increase if the duration were shorter.
		· Estimated stock price (USD1,221.91 at December 31, 2022)	· The estimated fair value would increase if the estimated stock price were higher.
		· Discount rate (32% at December 31, 2022)	· 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, 2022, the impact on the fair value of financial asset at FVTPL would be as follows:

	Impact on income statement	
	Increased	Decreased
Balance at December 31, 2022		
Discount rate (5.00% movement)	**$ (219,397)**	**642,786**

(23) 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.

(24) 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, 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	105,877	(83,910)	2,054	81,789	105,810
Total liabilities from financing activities	**$ 6,942,531**	**1,767,789**	**74,017**	**133,631**	**8,917,968**

	January 1, 2021	Cash flow	Foreign exchange movement	Others	December 31, 2021
Short-term borrowings	$ 410,000	419,843	(10,076)	-	819,767
Long-term borrowings (include current portion)	6,306,646	(507,910)	(413,393)	76,605	5,461,948
Other payables－related parties	-	558,274	(3,335)	-	554,939
Lease liabilities	117,007	(71,347)	(7,457)	67,674	105,877
Total liabilities from financing activities	**$ 6,833,653**	**398,860**	**(434,261)**	**144,279**	**6,942,531**

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:

Name of related parties	Relationship with the Group
Alvogen EMH	Parent company
Adalvo Competence Center SRL	Other related party
Adalvo EOOD	Other related party
Adalvo Limited	Other related party
Alvogen ehf.	Other related party (Note 1)
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)
Alvotech hf.	Other related party (Note 1)
AZTIQ Consulting ehf.	Other related party
Fuji Pharma Co., Ltd.	Other related party
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.

(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,	
	2022	**2021**
Alvogen Inc.	$ 5,887,274	4,442,939
Adalvo Limited	1,198,792	1,091,692
Parent company	421	-
Other related parties	32,706	24,101
	$ 7,119,193	**5,558,732**

When there is a substantial price decline in the market, revenue deduction provision for shelf stock adjustment is estimated based on 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 90~150 days, which were similar to transactions with unrelated customers.

B. Purchases

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

	For the years ended December 31,	
	2022	**2021**
Alvogen Inc.	$ -	1,300,251
Other related parties	3,944	3,512
	$ 3,944	**1,303,763**

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, 2022**	**December 31, 2021**
Accounts receivable－related parties	Alvogen Inc.	$ 2,735,697	1,487,741
	Adalvo Limited	296,559	585,213
	Other related parties	8,151	7,792
		$ 3,040,407	**2,080,746**
Other receivables－related parties	Alvogen PB R&D	$ 102,670	23,422
	Other related parties	4,823	242
		$ 107,493	**23,664**

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, 2022	December 31, 2021
Accounts payable－related parties	Alvogen Inc.	**$ 82,267**	**32,853**
Other payables－related parties	Adalvo Limited	$ 144,827	34,133
	Alvogen Inc.	122,545	11,156
	Alvogen EMH	2,127	556,897
	Other related parties	40,881	53,756
		$ 310,380	**655,942**

E. Acquisition of intangible assets

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

		For the years ended December 31,	
Names of related parties	Accounts	2022	2021
Adalvo Limited	Intangible assets	**$ -**	**30,107**

In 2021, Lotus International Pte. Ltd. entered into agreements with Adalvo Limited to acquire rights to two products in certain countries in Asia for total consideration of USD 1,579 thousand and EUR 75 thousand, respectively; upfront payment of USD 1,053 thousand ($29,299) and EUR 25 thousand ($808) was paid during 2021 and remaining milestones totaled USD 526 thousand ($14,669) and EUR 50 thousand ($1,572), respectively, are contingent upon the achievement of milestone events stipulated in the agreements.

F. Acquisition of financial asset

The financial asset was summarized as follows:

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

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):

	For the year ended December 31, 2022				
Names of related parties	**Highest balance**	**Ending balance**	**Interest rate**	**Interest Expenses**	**Interest payables**
Alvogen EMH	**$ 594,144** (USD20,000)	**-**	**1.0%** (Note)	**4,170**	**-**

	For the year ended December 31, 2021				
Names of related parties	**Highest balance**	**Ending balance**	**Interest rate**	**Interest Expenses**	**Interest payables**
Alvogen EMH	**$ 554,939** (USD 20,000)	**554,939** (USD 20,000)	**1.0%** (Note)	**1,959**	**1,958**

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

H. Others

(a)

		For the years ended December 31,	
Accounts	**Names of related parties**	**2022**	**2021**
Capitalization of development expenses	Alvogen PB R&D	$ 23,661	40,289
	Adalvo Limited	7,932	9,752
		$ 31,593	**50,041**
Cost of sales	Other related parties	**$ 152,070**	**267,980**
Operating expense	Parent company	$ 5,425	-
	Other related parties	93,507	58,297
		$ 98,932	**58,297**
Other income	Adalvo Limited	$ 10,769	7,545
	Fuji Pharma Co., Ltd.	9,736	8,912
	Other related parties	1,068	333
		$ 21,573	**16,790**
Reimbursed income for development costs recognized as an offset to research and development expense	Alvogen PB R&D	**$ (92,677)**	**(72,558)**

(b)

Accounts	Names of related parties	December 31, 2022	December 31, 2021
Contract assets－current	Adalvo Limited	$ 133,479	82,050
	Alvogen Inc.	120,195	-
		$ 253,674	**82,050**

(c)

Accounts	Names of related parties	December 31, 2022	December 31, 2021
Contract liabilities－current	Adalvo Limited	$ 94,367	87,971
	Fuji Pharma Co., Ltd.	46,189	-
		$ 140,556	**87,971**

(4) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	$ 123,623	86,757
Share-based payments	21,705	33,929
	$ 145,328	**120,686**

8. Assets pledged as security

As of December 31, 2022 and 2021, 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, 2022	December 31, 2021
Bank demand deposits (classified as other current assets)	Long-term borrowings	$ 48,671	23,981
Bank demand deposits (classified as other current assets)	Compensation balances	9,000	26,250
Bank demand deposits (classified as other non-current assets)	Deposit for drug application, performance guarantee and customs, etc.	1,913	2,171
Land	Long-term borrowings	575,605	614,109
Buildings and plant equipment	Long-term borrowings	803,381	777,389
Machinery equipment	Long-term borrowings	70,055	95,620
		$ 1,508,625	**1,539,520**

In addition, as of December 31, 2021, the entire shares of Lotus International Pte. Ltd. and the intellectual property rights related to Buprenorphine/Naloxone were pledged as collaterals to secure the Company's bank loan facility. The bank accounts of Lotus International Pte. Ltd. were also pledged by a floating charge. In July 2022, these assets were released from the pledge as a result of repayment of bank borrowings; please refer to note 6(11).

9. Commitments and contingencies

(1) The Company had entered into an agreement to buy machines, as well as buildings and plant equipment for $153,335, where in the amount of $20,436 has yet to be paid as of December 31, 2022.

(2) 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, 2022.

(3) 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.

(4) As of December 31, 2022, the Company was involved in the following lawsuits:

Plaintiff	Defendant	Cause of Action	Status
Indivior Inc, Indivior UK Ltd., Aquestive Therapeutics Inc.	Alvogen Inc. (refer to Note 1 below)	Buprenorphine / Naloxone patent infringement	Only one claim is under trial and others are found non-infringement and overruled (refer to Note 2 below)

Note 1: The Company is the owner of the intellectual property rights to the product in the United States. The Company appointed Alvogen Inc. as its agent and attorney-in-fact with respect to the litigation in the United States concerning the product.

Note 2: The Company does not expect the matter to have a material impact on its business and financial condition and operations.

(5) As of December 31, 2022, 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 46,189)	Woori Bank

(6) 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 ($29,543) on Alvogen Korea. As of December 31, 2022, Alvogen Korea deposited the full amount of fine, which is presented in other current assets. 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 function / By item	For the years ended December 31,					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	640,881	1,176,793	1,817,674	539,049	1,009,962	1,549,011
Labor and health insurance	21,155	25,755	46,910	17,180	20,874	38,054
Pension	49,014	101,010	150,024	46,249	105,350	151,599
Others	57,463	182,825	240,288	57,979	327,296	385,275
Depreciation	143,525	112,559	256,084	136,503	103,382	239,885
Amortization	6,456	674,326	680,782	6,572	512,924	519,496

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, 2022:

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, 2022 (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:

Shareholding Shareholder's Name	Shares	Percentage
Alvogen EMH	134,064,369	51.16 %
Innobic LL Holding Company Limited	17,517,348	6.69 %

14. Segment information

(1) General information

The only reportable segment of the Group is the generic drug business segment, which engages mainly in the research and development, manufacturing and sales of generic 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, 2022			
	Generic Drug Segment	Other Segment	Elimination	Total
Net revenue:				
Revenue from external customers	$ 14,502,704	130,068	-	14,632,772
Intersegment revenue	-	171,318	(171,318)	-
Total net revenue	**$ 14,502,704**	**301,386**	**(171,318)**	**14,632,772**
Operating income (loss)	**$ 4,111,901**	**2,476**	**(3,263)**	**4,111,114**
Reportable segment assets	**$ 29,641,735**	**593,800**	**(709,462)**	**29,526,073**

	For the year ended December 31, 2021			
	Generic Drug Segment	Other Segment	Elimination	Total
Net revenue:				
Revenue from external customers	$ 12,525,858	123,331	-	12,649,189
Intersegment revenue	-	112,778	(112,778)	-
Total net revenue	**$ 12,525,858**	**236,109**	**(112,778)**	**12,649,189**
Operating income	**$ 2,287,202**	**4,956**	**3,269**	**2,295,427**
Reportable segment assets	**$ 21,525,848**	**439,744**	**(743,642)**	**21,221,950**

(3) Product and service information: Please refer to note 6(19).

(4) Geographic information

A. Net revenue from external customers: Please refer to note 6(19).

B. Non-current assets:

	December 31, 2022	December 31, 2021
Taiwan	$ 7,741,440	3,587,246
South Korea	2,119,284	2,621,944
Other countries	788,226	481,034
Total	**$ 10,648,950**	**6,690,224**

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(19).

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Loans to other parties

For the year ended December 31, 2022

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	37,203	35,412	35,412	4.8%	2	-	Operating funding	-	-	-	1,430,297	1,430,297	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 transaction with the company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

Note 3: 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 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, 2022

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	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	18,593,864	5,783,215	5,000,000	5,000,000	-	36.05 %	18,593,864	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 1,300% of the Lotus International Pte. Ltd.'s audited equity as of the latest period.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2022

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	1,869,650	-	1,869,650	-	
Alvogen Korea	Korea Pharmaceutical Industry Cooperative	-	Other non-current assets	65 shares	1,515	0.65 %	1,515	0.65 %	Note
Lotus Japan Holdings Co., Ltd.	Fuji Pharma Co., Ltd.	Other related party	FVOCI - non-current	1,219	288,673	5.01 %	288,673	5.01 %	

Note: The securities had no quoted market prices, thus, the Group listed their investment net value as of December 31, 2022.

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, 2022

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		Sales				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	
The Company	NAGH	FVTPL - non-current	NAGH	Other related party	-	-	55	1,582,842	-	-	-	-	55	1,869,650	Note

Note: The ending balance includes the gain on valuation of the financial asset.

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, 2022

Table 5 (Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amounts	Percentages of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	Alvogen Inc.	Other related party	Sales	5,859,828	40.05%	90~150 days	-	-	2,724,490	62.03%	
The Company	Adalvo Limited	Other related party	Sales	1,184,372	8.09%	90 days	-	-	289,702	6.60%	

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock

December 31, 2022

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	2,724,490	2.92	-	-	1,131,564	-
The Company	Adalvo Limited	Other related party	289,702	1.74	91,181	Expect to collect in the first quarter of next year	62,162	-

Note: As of February 24, 2023.

Lotus Pharmaceutical Co., Ltd. and Subsidiaries

Business relationships and significant intercompany transactions

For the year ended December 31, 2022

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	561,176	(Note 3)	3.84 %
1	Lotus International Pte. Ltd.	Alvogen Korea	2	Net revenue	184,006	(Note 3)	1.26 %
2	Alvogen Korea Holdings	Alvogen Korea	2	Other income	213,478	-	1.46 %

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, 2022

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, 2022			Highest Holding During the Year	Net Income (Losses) of Investee	Investment Income (Losses)	Notes (Note 1)
				December 31, 2022	December 31, 2021	Shares	Percentages of Ownership	Carrying Amount				
The Company	Lotus International Pte. Ltd.	Singapore	Investment business and sale of medicine	1,496,148 (USD 48,450)	612,358 (USD 20,600)	48,450	100.00 %	1,247,435	100.00 %	(87,898)	(123,453)	
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 %	138	3.00 %	(36,321)	(995)	
The Company	Alvogen Korea Holdings	Korea	Investment business	4,147,815 (USD 135,032)	4,147,815 (USD 135,032)	1,192	100.00 %	2,443,100	100.00 %	632,746	449,628	Note 2
The Company	Alvogen India	India	Investment business	298,509 (USD 9,950)	298,509 (USD 9,950)	512	100.00 %	150,823	100.00 %	33,107	29,843	Note 2
The Company	Lotus Japan Holdings Co., Ltd.	Japan	Sale of medicine, clinical machine retail	623,647	623,647	-	100.00 %	300,563	100.00 %	6,949	6,949	
The Company	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	3,859 (USD 131)	3,859 (USD 131)	40	3.81 %	(6,568)	3.81 %	(7,004)	(8,921)	
The Company	Avos Pharma Science Co., Ltd.	Taiwan	Biotech technological consulting services, clinical machine retail and related consulting services	100	100	-	100.00 %	246	100.00 %	206	206	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Romania	Pharmaceutical regulatory affairs project management services	3,010	3,010	44	100.00 %	7,239	100.00 %	1,681	1,681	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	94,544 (USD 3,154)	94,544 (USD 3,154)	1,000	96.15 %	57,394	96.15 %	(7,004)	(6,597)	
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 %	403	100.00 %	1,007	1,007	
Lotus International Pte. Ltd.	Lotus Pharmaceutical, HK Ltd.	Hong Kong	Data collection and agent services in Hong Kong	59,029 (HKD 15,749)	29,033 (HKD 8,083)	15,749	98.44 %	8,734	98.44 %	(36,321)	(35,326)	

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2022			Highest Holding During the Year	Net Income (Losses) of Investee	Investment Income (Losses)	Notes (Note 1)
				December 31, 2022	December 31, 2021	Shares	Percentages of Ownership	Carrying Amount				
Lotus International Pte. Ltd.	Lotus Healthcare Malaysia Sdn. Bhd.	Malaysia	Marketing activities and healthcare consultancy	7 (MYR 1)	7 (MYR 1)	1	100.00 %	(50)	100.00 %	53	53	
Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Philippines	Marketing activities and healthcare consultancy	5,332 (PHP 9,590)	5,332 (PHP 9,590)	9,590	100.00 %	5,896	100.00 %	540	540	
Lotus International Pte. Ltd.	Lotus Pharma Bulgaria EOOD	Bulgaria	Marketing activities and healthcare consultancy	8,503 (BGN 538)	-	538	100.00 %	10,285	100.00 %	1,231	1,231	
Lotus International Pte. Ltd.	Lotus Pharma ehf.	Iceland	Marketing activities and healthcare consultancy	106 (ISK 500)	-	500	100.00 %	1,063	100.00 %	756	756	
Lotus International Pte. Ltd	Meishi Pharma Services Private Limited	India	Management consultancy service	37 (INR 100)	-	10	100.00 %	37	100.00 %	-	-	
Lotus International Pte. Ltd	Meishi Pharma Service Pte. Ltd.	Singapore	Management consultancy service	-	-	-	100.00 %	-	100.00 %	-	-	
Lotus Pharmaceutical, HK Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	30 (USD 1)	30 (USD 1)	-	0.04 %	24	0.04 %	(7,004)	(3)	

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, 2022

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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee	Percentages of Ownership	Highest Percentage of Ownership During the Year	Investment Income (Losses)	Carrying Amount	Accumulated Inward Remittance of Earnings as of December 31, 2022
					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	(2,056)	100.00%	100.00%	(2,056)	(2,784)	-
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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
21,011	21,011	8,320,734

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.

6.5 Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report

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, 2022 and 2021, 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 significant 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, 2022 and 2021, 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 audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the 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, 2022. 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 follow:

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 by inspecting the related documents and contracts to identity performance obligations and testing the calculated amounts to ensure the adequacy and reasonableness of revenue recognition.

2. Impairment Assessment of Goodwill and Goodwill Arising from Acquisition of Subsidiaries

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, wherein the related procedures included:

(1) Assessing the reasonableness of expected growth rate through comparing the previous operating conditions, the conditions of industrial environment and their future outlook;

(2) Assessing the reasonableness of relevant parameters and assumptions of discount rate;

(3) Inspecting the parameters and the calculation formula in the evaluation model and assessing whether there are any inconsistencies or errors that may have exist;

(4) Applying the sensitivity analysis to the expected growth rate to understand the effect of future cash flows from the changes in key assumptions, as well as assessing whether the management have appropriately dealt with the potential effect of the estimation uncertainty.

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 the 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 9, 2023

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' 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' 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**		**Liabilities and Equity**	**Amount**	**%**	**Amount**	**%**
	Current assets:						**Current liabilities:**				
1100	Cash and cash equivalents (note 6(1))	$ 1,226,433	5	625,546	4	2100	Short-term borrowings (note 6(10))	$ 60,000	-	610,000	4
1140	Contract assets－current (notes 6(18) and 7)	258,779	1	82,050	1	2130	Contract liabilities－current (notes 6(18) and 7)	151,947	1	106,185	1
1170	Notes and accounts receivable, net (note 6(3))	526,132	2	371,398	2	2170	Notes and accounts payable	670,407	3	292,454	2
1180	Accounts receivable－related parties (note 7)	3,027,228	13	2,047,119	14	2180	Accounts payable－related parties (note 7)	270,423	1	263,368	2
1200	Other receivables	83,430	-	46,248	-	2200	Other payables (note 6(9))	2,382,530	10	294,549	2
1210	Other receivables－related parties (note 7)	103,365	-	36,657	-	2220	Other payables－related parties (note 7)	299,802	1	715,691	5
1220	Current tax assets	53,666	-	52,595	-	2230	Current tax liabilities	460,085	2	150,207	1
1310	Inventories (note 6(4))	1,883,338	8	1,987,589	13	2280	Lease liabilities－current (note 6(12))	15,896	-	17,218	-
1479	Other current assets (note 8)	262,798	1	169,220	1	2320	Current portion of long-term borrowings (notes 6(11) and 8)	-	-	366,000	2
	Total current assets	7,425,169	30	5,418,422	35	2399	Other current liabilities	12,661	-	4,374	-
	Non-current assets:						**Total current liabilities**	4,323,751	18	2,820,046	19
1510	Financial asset at fair value through profit or loss－non-current (notes 6(2) and 7)	1,869,650	8	-	-	2527	**Non-current liabilities:** Contract liabilities－non-current (note 6(18))	8,208	-	8,042	-
1551	Investments accounted for using equity method (note 6(5))	4,135,737	17	2,655,070	18	2540	Long-term borrowings (notes 6(11) and 8)	6,093,531	25	1,175,275	8
1600	Property, plant and equipment (notes 6(6) and 8)	2,205,431	9	1,714,921	11	2570	Deferred tax liabilities (note 6(14))	351,979	1	225,375	1
1755	Right-of-use assets (note 6(7))	35,265	-	30,560	-	2580	Lease liabilities－non-current (note 6(12))	20,482	-	14,758	-
1805	Goodwill (note 6(8))	2,751,253	11	2,751,253	18	2640	Defined benefit liabilities, net (note 6(13))	8,281	-	9,972	-
1821	Other intangible assets (notes 6(9) and 8)	6,124,134	25	2,609,190	17	2670	Other non-current liabilities (note 6(9))	37,262	-	13,692	-
1840	Deferred tax assets (note 6(14))	87,205	-	69,893	-		**Total non-current liabilities**	6,519,743	26	1,447,114	9
1900	Other non-current assets (note 9)	77,540	-	86,561	1		**Total liabilities**	10,843,494	44	4,267,160	28
	Total non-current assets	17,286,215	70	9,917,448	65		**Equity** (note 6(15))**:**				
						3100	Share capital	2,625,913	11	2,627,963	17
						3200	Capital surplus	7,534,348	29	8,038,813	52
						3300	Retained earnings	4,823,417	20	1,700,635	11
						3400	Other equity	(1,058,434)	(4)	(1,240,947)	(8)
						3500	Treasury shares	(57,354)	-	(57,754)	-
							Total equity	13,867,890	56	11,068,710	72
	Total assets	**$ 24,711,384**	**100**	**15,335,870**	**100**		**Total liabilities and equity**	**$ 24,711,384**	**100**	**15,335,870**	**100**

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

(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, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4100	**Net revenue** (notes 6(18) and 7)	$ 8,742,896	100	6,629,829	100
5110	**Cost of sales** (notes 6(4) and 7)	3,726,809	43	3,659,304	55
5900	**Gross profit from operations**	5,016,087	57	2,970,525	45
5910	unrealized gain on transactions with subsidiaries	(10,817)	-	-	-
5920	realized gain on transactions with subsidiaries	-	-	1,163	-
5950	**Gross profit from operations**	5,005,270	57	2,971,688	45
	Operating expenses (note 7)**:**				
6100	Selling expenses	842,117	9	531,799	8
6200	Administrative expenses	495,941	6	402,110	6
6300	Research and development expenses	376,060	4	418,892	6
6450	Expected credit (gain) loss (note 6(3))	(7,509)	-	31,267	-
	Total operating expenses	1,706,609	19	1,384,068	20
6900	**Operating income**	3,298,661	38	1,587,620	25
	Non-operating income and expenses:				
7100	Interest income	991	-	1,347	-
7010	Other income (note 7)	13,235	-	11,446	-
7020	Other gains and losses, net (note 6(20))	136,459	1	(97,336)	(1)
7050	Finance costs (notes 6(20) and 7)	(123,597)	(1)	(70,914)	(1)
7070	Share of profit of subsidiaries accounted for using the equity method (note 6(5))	364,074	4	269,501	4
		391,162	4	114,044	2
7900	**Income before income tax**	3,689,823	42	1,701,664	27
7950	Less: Income tax expense (note 6(14))	669,066	8	298,293	4
	Net income	3,020,757	34	1,403,371	23
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gain on remeasurement of defined benefit plan (note 6(13))	1,814	-	910	-
8330	Share of other comprehensive gain (loss) of subsidiaries accounted for using the equity method	97,606	1	(31,627)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(14))	(363)	-	(182)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	99,057	1	(30,899)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8381	Exchange differences on translation of foreign financial statements	146,014	2	(371,164)	(6)
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	146,014	2	(371,164)	(6)
8300	**Other comprehensive income (loss), net**	245,071	3	(402,063)	(6)
8500	**Total comprehensive income**	**$ 3,265,828**	**37**	**1,001,308**	**17**
	Earnings per share (note 6(17))				
9750	Basic earnings per share	**$ 11.59**		**5.50**	
9850	Diluted earnings per share	**$ 11.54**		**5.47**	

See accompanying notes to the 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings			Other equity					
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized losses on financial asset at fair value through other comprehensive income	Unearned share-based payments	Total	Treasury shares	Total equity
Balance at January 1, 2021	$ 2,453,540	6,799,186	-	-	353,662	353,662	(537,192)	(202,509)	(121,273)	(860,974)	-	8,745,414
Net income	-	-	-	-	1,403,371	1,403,371	-	-	-	-	-	1,403,371
Other comprehensive income (loss)	-	-	-	-	35,567	35,567	(371,164)	(66,466)	-	(437,630)	-	(402,063)
Total comprehensive income (loss)	-	-	-	-	1,438,938	1,438,938	(371,164)	(66,466)	-	(437,630)	-	1,001,308
Appropriation of earnings:												
Legal reserve appropriated	-	-	35,366	-	(35,366)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	115,476	(115,476)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(92,005)	(92,005)	-	-	-	-	-	(92,005)
Issuance of ordinary shares for cash	175,173	1,238,477	-	-	-	-	-	-	-	-	-	1,413,650
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(57,354)	(57,354)
Share-based payments	(750)	1,150	-	-	40	40	-	-	57,657	57,657	(400)	57,697
Balance at December 31, 2021	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**

See accompanying notes to the 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	$ 3,689,823	1,701,664
Adjustments:		
Adjustments to reconcile income		
Depreciation expense	119,539	107,229
Amortization expense	482,404	306,473
Expected credit (gain) loss	(7,509)	31,267
Gains on financial asset at fair value through profit or loss	(286,808)	-
Finance costs	123,597	70,914
Interest income	(991)	(1,347)
Share-based payments	39,410	57,657
Share of profit of subsidiaries accounted for using the equity method	(364,074)	(269,501)
Losses on disposal of property, plant and equipment	1,133	1,867
Impairment losses on intangible assets	101,438	192,671
Unrealized gain on transactions with subsidiaries	10,817	-
Realized gain on transactions with subsidiaries	-	(1,163)
Unrealized foreign exchange losses	108,852	13,674
Write-downs of inventories	57,121	41,746
Losses from early repayment of loans	8,479	-
Gains on lease modifications	(128)	(6)
Total adjustments to reconcile income	393,280	551,481
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(176,456)	38,511
Notes and accounts receivable, net	(149,456)	(163,489)
Accounts receivable－related parties	(1,000,683)	(530,212)
Other receivables	(36,804)	(46,627)
Other receivables－related parties	25,142	63,680
Inventories	47,130	(1,003,241)
Other current assets	(94,403)	(22,736)
Total changes in operating assets	(1,385,530)	(1,664,114)
Changes in operating liabilities:		
Contract liabilities	37,209	23,031
Notes and accounts payable	386,275	(4,387)
Accounts payable－related parties	6,342	(954,180)
Other payables	133,964	(38,264)
Other payables－related parties	139,626	134,011
Other current liabilities	7,966	(15,798)
Defined benefit liabilities, net	122	143
Other non-current liabilities	(7,429)	5,183
Total changes in operating liabilities	704,075	(850,261)
Total changes in operating assets and liabilities	(681,455)	(2,514,375)
Total adjustments	(288,175)	(1,962,894)

(Continued)

See accompanying notes to the 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows generated from (used in) operations	3,401,648	(261,230)
Interest received	991	13,388
Interest paid	(78,806)	(64,247)
Income taxes paid	(248,027)	(74,019)
Net cash flows generated from (used in) operating activities	3,075,806	(386,108)
Cash flows from investing activities:		
Acquisition of financial asset at fair value through profit or loss	(1,582,842)	-
Net cash outflow on acquisition of new shares in subsidiary	(883,790)	-
Net cash inflow on disposal of subsidiaries	-	11
Proceed from capital reduction of investments accounted for using the equity method	-	860,419
Acquisition of property, plant and equipment	(507,591)	(496,025)
Decreases in refundable deposits	9,022	3,667
Acquisition of intangible assets (including capitalized development expenses)	(2,391,944)	(889,572)
Increase in other non-current assets	-	(65,000)
Net cash flows used in investing activities	(5,357,145)	(586,500)
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,276,785	1,070,800
Repayments of short-term borrowings	(1,826,785)	(870,800)
Proceeds from long-term borrowings	6,250,240	840,240
Repayments of long-term borrowings	(1,733,014)	(1,789,219)
(Decrease) increase in other payables to related parties	(558,274)	558,274
Payments of lease liabilities	(20,668)	(19,861)
Cash dividends paid	(506,058)	(92,005)
Proceeds from issuance of ordinary shares	-	1,413,650
Payments to acquire treasury shares	-	(57,354)
Cash dividends returned from unvested restricted stock awards	-	40
Net cash flows generated from financing activities	2,882,226	1,053,765
Net increase in cash and cash equivalents	600,887	81,157
Cash and cash equivalents at beginning of year	625,546	544,389
Cash and cash equivalents at end of year	**$ 1,226,433**	**625,546**

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

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 6.69% ownership interest in the Company on December 31, 2022; please refer to note 6(15)A and 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 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 9, 2023.

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, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(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, 2023, would not have a significant impact on its parent-company-only financial statements:

- 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"

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IFRS16 "Requirements for Sale and Leaseback Transactions"

4. Summary of significant accounting policies

The significant 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.

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;

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.

(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 estimate 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.

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).

(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 the 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.

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

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

(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.

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.

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.

A. Sale of goods

Revenue from sale of goods comes from sales of generic 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 are recognized concurrently or contract assets are recognized concurrently. Any amount previously recognized as a contract asset is reclassified to accounts receivable when 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 minimums 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.

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 plan 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.

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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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.

(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. Those assumptions and estimation have been updated to reflect the impact of Covid-19 pandemic:

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, 2022	December 31, 2021
Checking accounts and demand deposits	$ 1,226,283	625,396
Cash on hand	150	150
	$ 1,226,433	**625,546**

(2) Financial asset at FVTPL

	December 31, 2022	December 31, 2021
Financial asset mandatorily measured at FVTPL:		
Foreign preferred stock－New Alvogen Group Holding Inc.	**$ 1,869,650**	**-**

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

(3) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	$ -	8,741
Accounts receivable	563,391	407,425
Less: Expected credit loss allowance	(37,259)	(44,768)
	$ 526,132	**371,398**

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.

As of December 31, 2022 and 2021, the Company recognized loss allowances for expected credit losses on receivables from certain customer amounting to $20,000, as there is no reasonable expectation of recovery. Excluding the abovementioned receivables, the expected credit loss allowances were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
0 to 60 days past due	$ 530,367	9.83 %	5,212
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	11,147	100.00 %	11,147
	$ 543,391		**17,259**

	December 31, 2021		
	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
0 to 60 days past due	$ 349,241	1.04 %	3,649
61 to 90 days past due	6,162	6.70 %	413
91 to 120 days past due	6,570	15.01 %	986
121 to 150 days past due	4,208	18.13 %	763
151 to 180 days past due	3,859	23.79 %	918
181 to 360 days past due	17,328	56.20 %	9,738
More than 360 days past due	8,798	94.35 %	8,301
	$ 396,166		**24,768**

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

	2022	2021
Balance at January 1	$ 44,768	13,501
Credit loss recognized (reversed)	(7,509)	31,267
Balance at December 31	**$ 37,259**	**44,768**

(4) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 969,720	1,075,037
Work in process	268,218	395,060
Finished goods and merchandise	564,966	353,542
Inventory in transit	80,434	163,950
	$ 1,883,338	**1,987,589**

For the years ended December 31, 2022 and 2021, write-downs of inventories to net realizable value in the amount of $57,121 and $41,746, respectively, were included in the cost of sales.

As of December 31, 2022 and 2021, none of the inventories were pledged as collateral.

(5) Investments accounted for using the equity method

The investments accounted for using the equity method were as follows:

	December 31, 2022	December 31, 2021
Investments in subsidiaries	**$ 4,135,737**	**2,655,070**

The Company participated in the cash capital increase of its subsidiary, Lotus International Pte. Ltd., at the amount of $27,644, $55,958 and $800,188 in January, August and October 2022, respectively.

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

	For the years ended December 31,	
	2022	2021
Subsidiaries	**$ 364,074**	**269,501**

Please refer to consolidated financial statements for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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, 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**
Balance at January 1, 2021	$ 261,192	409,247	487,351	58,542	578,077	11,995	1,806,404
Additions	-	34,172	36,627	10,733	448,581	-	530,113
Disposals	-	(413)	(13,052)	(2,615)	-	(1,429)	(17,509)
Reclassification	-	320,285	50,389	7,512	(378,186)	-	-
Balance at December 31, 2021	**$ 261,192**	**763,291**	**561,315**	**74,172**	**648,472**	**10,566**	**2,319,008**
Accumulated depreciation:							
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**
Balance at January 1, 2021	$ -	186,694	297,099	44,011	-	4,355	532,159
Depreciation	-	28,324	47,488	9,730	-	2,028	87,570
Disposals	-	(402)	(11,196)	(2,615)	-	(1,429)	(15,642)
Balance at December 31, 2021	**$ -**	**214,616**	**333,391**	**51,126**	**-**	**4,954**	**604,087**
Carrying amounts:							
Balance at December 31, 2022	**$ 261,192**	**585,844**	**257,276**	**18,899**	**1,078,428**	**3,792**	**2,205,431**
Balance at January 1, 2021	**$ 261,192**	**222,553**	**190,252**	**14,531**	**578,077**	**7,640**	**1,274,245**
Balance at December 31, 2021	**$ 261,192**	**548,675**	**227,924**	**23,046**	**648,472**	**5,612**	**1,714,921**

As of December 31, 2022 and 2021, 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, 2022 and 2021, which the Company is a lessee was as follows:

	Buildings	Office equipment	Vehicles	Total
Cost:				
Balance at January 1, 2022	$ 52,756	2,753	5,748	61,257
Additions	12,375	11,086	4,559	28,020
Disposals	(12,777)	-	(3,255)	(16,032)
Balance at December 31, 2022	**$ 52,354**	**13,839**	**7,052**	**73,245**
Balance at January 1, 2021	$ 52,836	2,753	6,714	62,303
Additions	12,908	-	1,689	14,597
Disposals	(12,988)	-	(2,655)	(15,643)
Balance at December 31, 2021	**$ 52,756**	**2,753**	**5,748**	**61,257**
Accumulated depreciation:				
Balance at January 1, 2022	$ 26,382	1,450	2,865	30,697
Depreciation	16,021	2,338	2,132	20,491
Disposals	(10,836)	-	(2,372)	(13,208)
Balance at December 31, 2022	**$ 31,567**	**3,788**	**2,625**	**37,980**
Balance at January 1, 2021	$ 20,906	960	3,377	25,243
Depreciation	17,026	490	2,143	19,659
Disposals	(11,550)	-	(2,655)	(14,205)
Balance at December 31, 2021	**$ 26,382**	**1,450**	**2,865**	**30,697**
Carrying amounts:				
Balance at December 31, 2022	**$ 20,787**	**10,051**	**4,427**	**35,265**
Balance at January 1, 2021	**$ 31,930**	**1,793**	**3,337**	**37,060**
Balance at December 31, 2021	**$ 26,374**	**1,303**	**2,883**	**30,560**

(8) Goodwill

The movement in the goodwill of the Company for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Cost:		
Balance as of January 1 and at December 31	**$ 2,825,253**	**2,825,253**
Accumulated impairment:		
Balance as of January 1 and December 31	**$ 74,000**	**74,000**
Carrying amounts:		
Balance at December 31, 2022	**$ 2,751,253**	
Balance at January 1, 2021	**$ 2,751,253**	
Balance at December 31, 2021	**$ 2,751,253**	

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 generic drug CGU.

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, 2022 and 2021, the discount rates used to determine the future cash flows were 8.39%~17.5% and 7.7%~17%, 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, 2022 and 2021, no impairment loss was recognized.

(9) Other intangible assets

The movement in the intangible assets of the Company for the years ended December 31, 2022 and 2021, was as follows:

	Product Rights	Capitalization of Development Expenses	Others	Total
Cost:				
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	127,688	(127,688)	1,011	1,011
Balance at December 31, 2022	**$ 6,442,867**	**1,596,983**	**26,990**	**8,066,840**
Balance at January 1, 2021	$ 2,327,546	756,355	25,979	3,109,880
Additions	391,658	466,516	-	858,174
Reclassification	60,149	(60,149)	-	-
Balance at December 31, 2021	**$ 2,779,353**	**1,162,722**	**25,979**	**3,968,054**

	Product Rights	Capitalization of Development Expenses	Others	Total
Accumulated amortization and impairment loss:				
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	**$ 1,487,092**	**434,134**	**21,480**	**1,942,706**
Balance at January 1, 2021	$ 710,611	140,025	9,084	859,720
Amortization	299,929	-	6,544	306,473
Impairment loss	-	192,671	-	192,671
Balance at December 31, 2021	**$ 1,010,540**	**332,696**	**15,628**	**1,358,864**
Carrying amounts:				
Balance at December 31, 2022	**$ 4,955,775**	**1,162,849**	**5,510**	**6,124,134**
Balance at January 1, 2021	**$ 1,616,935**	**616,330**	**16,895**	**2,250,160**
Balance at December 31, 2021	**$ 1,768,813**	**830,026**	**10,351**	**2,609,190**

Impairment losses on intangible assets recognized for the years ended December 31, 2022 and 2021, were as follows:

		For the years ended December 31,	
Item	**Operating expenses**	**2022**	**2021**
Capitalization of development expenses	Research and development expenses	**$ 101,438**	**192,671**

As of December 31, 2021, certain intangible assets were pledged as collateral. In July 2022, these assets were released from the pledge as a result of the repayment of bank borrowings; please refer to note 8.

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, 2022, the amount of $1,870,663 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:

	December 31, 2022	December 31, 2021
Unsecured bank loans	**$ 60,000**	**610,000**
Unused credit line	**$ 220,000**	**-**
Range of interest rates	**2.15%**	**1.28%~1.46%**

(11) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2022	December 31, 2021
Secured bank loans	$ 6,093,531	1,541,275
Less: Current portion	-	(366,000)
Total	**$ 6,093,531**	**1,175,275**
Unused credit line	**$ 1,224,262**	**-**
Range of maturity period (year/month)	**Jan 2024~ July 2025**	**April 2022~ April 2023**
Range of interest rates	**2.97%-6.13%**	**2.62%**

In June 2022, the Company entered into a secured syndicated loan facility with Citi Bank Taiwan, Far Eastern International Bank, CTBC Bank and 21 other banks in the aggregate amount of $5,500,000. In July 2022, the Company drew down on the new facility and repaid certain bank borrowings; as a result, certain pledged assets were discharged, please refer to note 8. In October 2022, the Company entered into an amendment agreement related to the syndicated loan, which increased the total facility amount from $5,500,000 to $7,260,000. The maturity date of the loan is from January 2024 to July 2025, and the interest rates as of December 31, 2022 was from 2.97% to 6.13%. Pursuant to the terms set forth in the loan agreement, the loan contained a covenant stating that (i) the net leverage ratio of the Company and its subsidiaries (the "Group") shall not exceed 3.75 times and the net leverage ratio of the Group (excluding subsidiaries in Korea) shall not exceed 3.5 times, (ii) interest cover ratio of the Group must exceed 3 times.

The financial covenants are computed on a rolling 12-month basis based on the consolidated financials of the Group and tested semi annually starting from December 31, 2022.

The Company complied with above mentioned financial covenants as of December 31, 2022.

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, 2022	December 31, 2021
Current	**$ 15,896**	**17,218**
Non-current	**$ 20,482**	**14,758**

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,	
	2022	**2021**
Interest expenses on lease liabilities	**$ 653**	**744**
Expenses relating to short-term leases	**$ 2,966**	**5,251**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 1,417**	**1,606**

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

	For the years ended December 31,	
	2022	**2021**
Total cash outflow for leases	**$ 25,704**	**27,462**

A. Real estate leases

The Company 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 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 machinery 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, 2022	**December 31, 2021**
Present value of the defined benefit obligation	$ 21,414	22,054
Fair value of plan assets	(13,133)	(12,082)
Net defined benefit liabilities	**$ 8,281**	**9,972**

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.

(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

		2022	2021
Balance at January 1	$	22,054	22,520
Current service costs and interest		201	232
Remeasurement			
—Actuarial (gain) loss arising from experience adjustments		(451)	328
—Actuarial gain arising from changes in financial assumptions		(390)	(1,026)
Balance at December 31	**$**	**21,414**	**22,054**

(c) Fair value of the defined benefit plan assets

		2022	2021
Balance at January 1	$	(12,082)	(11,781)
Interest income		(44)	(57)
Remeasurement			
—Return on plan assets (excluding current interest)		(973)	(212)
Contributions paid by the employer		(34)	(32)
Balance at December 31	**$**	**(13,133)**	**(12,082)**

(d) Expenses recognized in profit or loss

		2022	2021
Current service costs	$	96	95
Net interest on the net defined benefit liabilities		61	80
	$	**157**	**175**

		2022		2021
Cost of sales	$	78		93
Selling expenses		50		52
Research and development expenses		29		30
	$	**157**		**175**

(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, 2022	December 31, 2021
Discount rate	1.25%	0.60%
Future salary increase rate	3.50%	3.00%

The Company expects to contribute $36 to the defined benefit plans in 2023.

The weighted-average duration of the defined benefit obligation was 10.4 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2022 and 2021 the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligations	
	Increased	Decreased
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)
Balance at December 31, 2021		
Discount rate (1.00% movement)	(2,047)	2,399
Future salary increase rate (1.00% movement)	2,325	(2,030)

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 $20,280 and $17,465 for the years ended December 31, 2022 and 2021, respectively.

(14) Income tax

A. Income tax expense

The components of income tax for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Current tax expense		
Current period	$ 552,996	170,896
Adjustments in respect of prior years	7,141	(102,181)
Undistributed earnings tax	-	5,541
	560,137	74,256
Deferred tax expense		
Current period	120,856	124,938
Adjustments in respect of prior years	(11,927)	99,099
	108,929	224,037
Income tax expense	**$ 669,066**	**298,293**

Reconciliation of income tax expenses and income before income tax for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Income before income tax	$ 3,689,823	1,701,664
Income tax at statutory tax rate	737,965	340,333
Permanent differences (including non-deductible expenses)	(64,113)	(44,500)
Adjustments to current tax expense in respect of prior years	(4,786)	(3,081)
Income tax on unappropriated earnings	-	5,541
	$ 669,066	**298,293**

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 2022 and 2021 were as follows:

Deferred tax assets:

	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
	$ 69,893	**17,675**	**(363)**	**87,205**

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021
Defined benefit obligation	$ 2,813	-	(182)	2,631
Inventories	11,984	(3,570)	-	8,414
Loss carryforwards	44,053	(44,053)	-	-
Deferred profit of upstream transaction	42,626	(6,912)	-	35,714
Accounts receivable	-	4,410	-	4,410
Others	11,015	7,709	-	18,724
	$ 112,491	**(42,416)**	**(182)**	**69,893**

Deferred tax liabilities:

	January 1, 2022	Recognized in income statement	Recognized in other comprehensive income	December 31, 2022
Deferred tax liabilities from acquisition of the Company	$ 8,795	(6,181)	-	2,614
Pension unfunded	636	(25)	-	611
Unrealized appraisal increment	9,732	-	-	9,732
Unrealized gains on FVTPL	-	57,362	-	57,362
R&D capitalization cost	202,301	75,448	-	277,749
Others	3,911	-	-	3,911
	$ 225,375	**126,604**	**-**	**351,979**

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021
Deferred tax liabilities from acquisition of the Company	$ 15,262	(6,467)	-	8,795
Pension unfunded	665	(29)	-	636
Unrealized appraisal increment	9,732	-	-	9,732
R&D capitalization cost	-	202,301	-	202,301
Others	18,095	(14,184)	-	3,911
	$ 43,754	**181,621**	**-**	**225,375**

(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, 2022 and 2021. 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, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 341,736**	**245,842**

C. Income tax assessments

As of December 31, 2022, the tax authorities have completed the examination of the Company's income tax returns through 2019.

(15) Capital and other equity

A. Share capital

As of December 31, 2022 and 2021, 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 $2,625,913 and $2,627,963 as of December 31, 2022 and 2021, 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, 2022 and 2021, there were 17,517 thousand and 22,431 thousand privately placed shares included in the issued share capital of the Company, respectively.

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).

B. Capital surplus

The ending balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	$ 6,171,554	6,621,891
Treasury share transactions	16,805	16,805
Conversion of convertible bonds	1,268,876	1,268,876
Employee share-based payments	77,113	131,241
	$ 7,534,348	**8,038,813**

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 dividend 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 dividend from capital surplus at $3.46 dollars per share in the amount of $906,227. The resolution will need to be reported in the shareholders' meeting of the Company. The information will be available on the Market Observation Post System website.

Please refer further details about employee share-based payments 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 2020 was approved in the shareholders' meeting held on August 31, 2021 with cash dividends $0.35 dollars per share in a total amount of $92,005.

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 proposed. 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. As of December 31, 2022 and 2021, a total of 550 thousand shares were yet to be transferred.

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

(16) Share-based payment

Employee Restricted Stock Awards 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, 2022 and 2021, 280 thousand and 115 thousand shares under the 2019 RSA Plan were forfeited, respectively. On August 11, 2022, March 16, 2022 and November 11, 2021, the Company's Board of Directors approved to cancel 165 thousand, 40 thousand and 75 thousand of the forfeited shares, respectively.

As of December 31, 2022 and 2021, there were no shares available for future grants under the 2019 RSA Plan.

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.

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

		2022		2021
Balance at January 1	$	(63,616)		(121,273)
Share-based payment expense		39,410		57,657
Change of estimation		57		-
Balance at December 31	**$**	**(24,149)**		**(63,616)**

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 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 share 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.

(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,	
	2022	**2021**
Basic earnings per share		
Net income attributable to owners of the Company	**$ 3,020,757**	**1,403,371**
Weighted average number of ordinary shares (in thousands)	**260,549**	**255,172**
Basic earnings per share (in dollars)	**$ 11.59**	**5.50**
Diluted earnings per share		
Net income attributable to owners of the Company	**$ 3,020,757**	**1,403,371**
Weighted average number of ordinary shares (in thousands)	260,549	255,172
Effect of dilutive potential ordinary shares		
Restricted stock awards issued to employees (in thousands)	984	1,336
Remuneration to employees (in thousands)	151	177
Weighted average number of ordinary shares (diluted) (in thousands)	**261,684**	**256,685**
Diluted earnings per share (in dollars)	**$ 11.54**	**5.47**

(18) Revenue from contracts with customers

A. Disaggregation of revenue

	2022	**2021**
Primary geographical markets:		
United States	$ 5,859,891	4,413,084
Taiwan	1,453,917	984,474
Others	1,429,088	1,232,271
	$ 8,742,896	**6,629,829**
Major products/services lines:		
Sale of goods	$ 8,721,018	6,566,781
Out-licensing of IP rights	21,878	40,468
Services and others	-	22,580
	$ 8,742,896	**6,629,829**

B. Contract balances

	December 31, 2022	**December 31, 2021**	**January 1, 2021**
Contract asset－current	**$ 258,779**	**82,050**	**121,039**
Contract liability－current	**$ 151,947**	**106,185**	**86,934**
Contract liability－non-current	**$ 8,208**	**8,042**	**8,244**

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 $11,621 and $22,155 included in contract liability balance at the beginning of the year has been recognized as revenue for the years ended December 31, 2022 and 2021, respectively.

(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, 2022 and 2021, the Company accrued and recognized employee remuneration amounting to $37,271 and $17,276, and directors' remuneration amounting to $0 and $8,638, respectively. 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,	
	2022	**2021**
Losses on disposal of property, plant and equipment	$ (1,133)	(1,867)
Gains on financial asset at FVTPL	286,808	-
Foreign exchange losses	(126,980)	(92,440)
Losses from early repayment of loans	(8,479)	-
Others	(13,757)	(3,029)
	$ 136,459	**(97,336)**

B. Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2022	**2021**
Interest expenses on borrowings	$ 122,944	70,171
Interest expenses on lease liabilities	653	743
	$ 123,597	**70,914**

(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 are 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, 2022 and 2021, the Company's largest customer individually accounted for 67% and 67%, respectively, of the Company's net revenue. As of December 31, 2022 and 2021, such largest customer accounted for 77% and 61% 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.

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, 2022 and 2021, 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.

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
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	-
	$ 9,813,071	**10,315,930**	**3,877,861**	**6,438,069**	**-**
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	$ 610,000	610,784	610,784	-	-
Notes and accounts payable (including related parties)	555,822	555,822	555,822	-	-
Other payables (including related parties)	1,010,240	1,013,935	1,013,935	-	-
Long-term borrowings (including current portion)	1,541,275	1,600,260	401,959	1,198,301	-
Lease liabilities－current and non-current	31,976	32,632	17,665	14,967	-
	$ 3,749,313	**3,813,433**	**2,600,165**	**1,213,268**	**-**

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.

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, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 107,571	30.79	3,312,087	76,759	27.75	2,129,815
EUR	8,039	32.67	262,620	18,759	31.44	589,768
Non-Monetary						
USD	181,730	30.79	5,595,986	80,390	27.75	2,230,589
Financial liabilities						
Monetary items						
USD	97,950	30.79	3,015,871	43,776	27.75	1,214,640
EUR	6,402	32.67	209,138	1,245	31.44	39,140

A weakening or strengthening of 5% of the NTD against the USD and EUR for the years ended December 31, 2022 and 2021, with all other variable factors remaining constant, would have increased or decreased the income before income tax by $17,485 and $73,290, 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, 2022 and 2021, the foreign exchange losses (including realized and unrealized portions) amounted to $126,980 and $92,440, 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 $2,466 and $763 for the years ended December 31, 2022 and 2021, respectively.

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, 2022				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial asset at FVTPL					
Foreign preferred stock	$ 1,869,650	-	-	1,869,650	1,869,650

(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, 2022 and 2021, and the valuation techniques was not changed.

(c) Reconciliation of Level 3 fair values

In 2022, the Company acquired financial asset at FVTPL in the amount of $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 instruments that use Level 3 inputs to measure fair value is financial asset at FVTPL.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial asset at FVTPL－equity investment without active market	Binomial Trees model method	· Duration (1.923 years at December 31, 2022)	· The estimated fair value would increase if the duration were shorter.
		· Estimated stock price (USD1,221.91 at December 31, 2022)	· The estimated fair value would increase if the estimated stock price were higher.
		· Discount rate (32% at December 31, 2022)	· 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, 2022, the impact on the fair value of financial asset at FVTPL would be as follows:

	Impact on income statement	
	Increased	Decreased
Balance at December 31, 2022		
Discount rate (5.00% movement)	**$ (219,397)**	**642,786**

(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, 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	**$ 2,738,190**	**3,388,284**	**63,435**	**6,189,909**

	January 1, 2021	Cash flow	Others	December 31, 2021
Short-term borrowings	$ 410,000	200,000	-	610,000
Long-term borrowings (include current portion)	2,478,535	(948,979)	11,719	1,541,275
Other payables－related parties	-	558,274	(3,335)	554,939
Lease liabilities	38,685	(19,861)	13,152	31,976
Total liabilities from financing activities	**$ 2,927,220**	**(210,566)**	**21,536**	**2,738,190**

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 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:

Name of related parties	Relationship with the Company
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
Lotus Jonson Biotech Limited	Subsidiary (Note 3)
Avos Pharma Science Co., Ltd.	Subsidiary
Lotus Pharmaceutical, HK Ltd.	Subsidiary
Alvogen (Thailand) Ltd.	Indirectly owned 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
Alvogen (Thailand) Ltd.	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
Adalvo Limited	Other related party
Alvogen ehf.	Other related party (Note 1)
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)
Alvotech hf.	Other related party (Note 1)
AZTIQ Consulting ehf.	Other related party

Name of related parties	Relationship with the Company
New Alvogen Group Holding Inc. ("NAGH")	Other related party (Note 2)
Fuji Pharma Co., Ltd.	Other related party

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.

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 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)E.

Note 3: Lotus Jonson Biotech Limited was liquidated on December 10, 2021.

(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,	
	2022	2021
Alvogen Inc.	$ 5,859,828	4,413,084
Adalvo Limited	1,184,372	1,080,810
Other related parties	13,597	-
	$ 7,057,797	**5,493,894**

When there is a substantial price decline in the market, revenue deduction provision for shelf stock adjustment is estimated based on 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 90~150 days, which were similar to transactions with unrelated customers.

B. Purchases

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

	For the years ended December 31,	
	2022	2021
Alvogen Inc.	$ -	1,300,251
Alvogen Korea	-	252,136
Lotus International Pte. Ltd.	561,176	228,136
	$ 561,176	**1,780,523**

The purchases 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, 2022	December 31, 2021
Accounts receivable－	Alvogen Inc.	$ 2,724,490	1,466,183
related parties	Adalvo Limited	289,702	580,936
	Subsidiaries	13,036	-
	Other related parties	-	-
		$ 3,027,228	**2,047,119**
Other receivables－	Alvogen PB R&D	$ 90,835	15,818
related parties	Alvogen Korea	6,970	18,395
	Subsidiaries	1,316	2,193
	Indirectly owned subsidiaries	-	251
	Other related parties	4,244	-
		$ 103,365	**36,657**

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, 2022	December 31, 2021
Accounts payable－	Lotus International Pte. Ltd.	$ 179,067	52,363
related parties	Alvogen Inc.	82,267	32,853
	NCS	9,089	48,462
	Alvogen Korea	-	129,690
		$ 270,423	**263,368**
Other payables－	Adalvo Limited	$ 144,184	19,529
related parties	Alvogen Inc.	117,291	10,896
	Alvogen PB R&D	23,504	12,580
	Subsidiaries	12,348	5,072
	Alvogen EMH	2,127	556,897
	Alvogen Korea	-	96,897
	Other related parties	348	13,820
		$ 299,802	**715,691**

E. Acquisition of financial asset

The financial asset was summarized as follows:

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

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):

	For the year ended December 31, 2022				
Names of related parties	**Highest balance**	**Ending balance**	**Interest rate**	**Interest Expenses**	**Interest payables**
Alvogen EMH	**$ 594,144** (USD20,000)	**-**	**1.0%** (Note)	**4,170**	**-**

	For the year ended December 31, 2021				
Names of related parties	**Highest balance**	**Ending balance**	**Interest rate**	**Interest Expenses**	**Interest payables**
Alvogen EMH	**$ 554,939** (USD 20,000)	**554,939** (USD 20,000)	**1.0%** (Note)	**1,959**	**1,958**

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

G. Others

(a)

Accounts	Names of related parties	For the years ended December 31, 2022	2021
Capitalization of development expenses	Alvogen PB R&D	$ 23,661	19,915
	Adalvo Limited	7,932	9,752
	NCS	13,932	38,508
		$ 45,525	**68,175**
Cost of sales	Other related parties	$ 151,775	244,358
	Subsidiaries	20,623	835
		$ 172,398	**245,193**
Operating expenses	Subsidiaries	$ 18,856	11,538
	Indirectly owned subsidiaries	(12,207)	7,475
	Parent company	5,425	-
	Other related parties	84,755	50,089
		$ 96,829	**69,102**
Other income	Adalvo Limited	$ 10,769	7,545
	Subsidiaries	46	67
	Indirectly owned subsidiaries	75	707
		$ 10,890	**8,319**
Reimbursed income for development costs recognized as an offset to research and development expense	Alvogen PB R&D	**$ (92,677)**	**(31,397)**

(b)

Accounts	Names of related parties	December 31, 2022	December 31, 2021
Contract assets－current	Adalvo Limited	$ 133,479	82,050
	Alvogen Inc.	120,195	-
		$ 253,674	**82,050**

(c)

Accounts	Names of related parties	December 31, 2022	December 31, 2021
Contract liabilities－current	Adalvo Limited	$ 94,367	87,971
	Fuji Pharma Co., Ltd.	46,189	-
		$ 140,556	**87,971**

(4) Key management personnel compensation

	For the years ended December 31,	
	2022	**2021**
Short-term employee benefits	$ 123,623	86,757
Share-based payments	21,705	33,929
	$ 145,328	**120,686**

8. Assets pledged as security

The carrying amounts of pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2022	December 31, 2021
Bank demand deposits (classified as other current assets)	Compensation balances	$ 9,000	26,250
Land	Long-term borrowings	261,192	261,192
Buildings and plant equipment	Long-term borrowings	585,844	548,677
		$ 856,036	**836,119**

In addition, as of December 31, 2021, the entire shares of Lotus International Pte. Ltd. and the intellectual property rights related to Buprenorphine/Naloxone were pledged as collaterals to secure the Company's bank loan facility. The bank accounts of Lotus International Pte. Ltd. were also pledged by a floating charge. In July 2022, these assets were released from the pledge as a result of repayment of bank borrowings; please refer to note 6(11).

9. Commitments and contingencies

(1) The Company had entered into an agreement to buy machines, as well as buildings and plant equipment for $153,335, where in the amount of $20,436 has yet to be paid as of December 31, 2022.

(2) 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, 2022.

(3) 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.

(4) As of December 31, 2022, the Company was involved in the following lawsuits:

Plaintiff	Defendant	Cause of Action	Status
Indivior Inc, Indivior UK Ltd., Aquestive Therapeutics Inc.	Alvogen Inc. (refer to Note 1 below)	Buprenorphine / Naloxone patent infringement	Only one claim is under trial and others are found non-infringement and overruled (refer to Note 2 below)

Note 1: The Company is the owner of the intellectual property rights to the product in the United States. The Company appointed Alvogen Inc. as its agent and attorney-in-fact with respect to the litigation in the United States concerning the product.

Note 2: The Company does not expect the matter to have a material impact on its business and financial condition and operations.

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 function / By item	For the years ended December 31,					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	273,781	391,549	665,330	193,320	289,559	482,879
Labor and health insurance	21,128	22,747	43,875	17,014	19,763	36,777
Pension	9,726	10,711	20,437	7,969	9,671	17,640
Board compensation	-	9,323	9,323	-	10,992	10,992
Others	13,171	58,005	71,176	14,770	85,319	100,089
Depreciation	79,979	39,560	119,539	70,021	37,208	107,229
Amortization	5,637	476,767	482,404	5,637	300,836	306,473

	2022	2021
The average number of employees	**605**	**537**
Directors not concurrently employee number	**7**	**5**
The average of employee benefits	**$ 1,339**	**1,198**
The average of salaries	**$ 1,113**	**908**
The average of salary adjust rate	**23%**	
Supervisor's remuneration (Note)	**$ -**	**-**

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.

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, 2022:

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, 2022 (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:

Shareholding Shareholder's Name	Shares	Percentage
Alvogen EMH	134,064,369	51.16 %
Innobic LL Holding Company Limited	17,517,348	6.69 %

14. Segment information

Please refer to consolidated financial statements for the years ended December 31, 2022 and 2021.

Lotus Pharmaceutical Co., Ltd.

Guarantees and endorsements for other parties

For the year ended December 31, 2022

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	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	18,593,864	5,783,215	5,000,000	5,000,000	-	36.05 %	18,593,864	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 1,300% of the Lotus International Pte. Ltd.'s audited equity as of the latest period.

Lotus Pharmaceutical Co., Ltd.

Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2022

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	1,869,650	-	1,869,650	

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, 2022

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		Sales				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	
The Company	NAGH	FVTPL－non-current	NAGH	Other related party	-	-	55	1,582,842	-	-	-	-	55	1,869,650	Note

Note: The ending balance includes the gain on valuation of the financial asset.

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, 2022

Table 4 (Amounts in Thousands)

Company Names	Related Parties	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amounts	Percentages of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	Alvogen Inc.	Other related party	Sales	5,859,828	67.02%	90~150 days	-	-	2,724,490	76.68%	
The Company	Adalvo Limited	Other related party	Sales	1,184,372	13.55%	90 days	-	-	289,702	8.15%	

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, 2022

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	2,724,490	2.92	-		1,131,564	-
The Company	Adalvo Limited	Other related party	289,702	1.74	91,181	Expect collect in the first quarter next year	62,162	-

Note: As of February 24, 2023.

Lotus Pharmaceutical Co., Ltd.

Information on investees (excluding information on investees in Mainland China)

For the year ended December 31, 2022

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, 2022			Net Income (Losses) of Investee	Investment Income (Losses)	Notes (Note 1)
				December 31, 2022	December 31, 2021	Shares	Percentages of Ownership	Carrying Amount			
The Company	Lotus International Pte. Ltd.	Singapore	Investment business and sale of medicine	1,496,148 (USD 48,450)	612,358 (USD 20,600)	48,450	100.00 %	1,247,435	(87,898)	(123,453)	
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 %	138	(36,321)	(995)	
The Company	Alvogen Korea Holdings	Korea	Investment business	4,147,815 (USD 135,032)	4,147,815 (USD 135,032)	1,192	100.00 %	2,443,100	632,746	449,628	Note 2
The Company	Alvogen India	India	Investment business	298,509 (USD 9,950)	298,509 (USD 9,950)	512	100.00 %	150,823	33,107	29,843	Note 2
The Company	Lotus Japan Holdings Co., Ltd.	Japan	Sale of medicine, clinical machine retail	623,647	623,647	-	100.00 %	300,563	6,949	6,949	
The Company	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	3,859 (USD 131)	3,859 (USD 131)	40	3.81 %	(6,568)	(7,004)	(8,921)	
The Company	Avos Pharma Science Co., Ltd.	Taiwan	Biotech technological consulting services, clinical machine retail and related consulting services	100	100	-	100.00 %	246	206	206	
Lotus International Pte. Ltd.	Lotus Support Services SRL	Romania	Pharmaceutical regulatory affairs project management services	3,010	3,010	44	100.00 %	7,239	1,681	1,681	
Lotus International Pte. Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	94,544 (USD 3,154)	94,544 (USD 3,154)	1,000	96.15 %	57,394	(7,004)	(6,597)	
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 %	403	1,007	1,007	
Lotus International Pte. Ltd.	Lotus Pharmaceutical, HK Ltd.	Hong Kong	Data collection and agent services in Hong Kong	59,029 (HKD 15,749)	29,033 (HKD 8,083)	15,749	98.44 %	8,734	(36,321)	(35,326)	

Investor Companies	Investee Companies	Locations	Main Businesses and Products	Original Investment Amounts		Balance as of December 31, 2022			Net Income (Losses) of Investee	Investment Income (Losses)	Notes (Note 1)
				December 31, 2022	December 31, 2021	Shares	Percentages of Ownership	Carrying Amount			
Lotus International Pte. Ltd.	Lotus Healthcare Malaysia Sdn. Bhd.	Malaysia	Marketing activities and healthcare consultancy	7 (MYR 1)	7 (MYR 1)	1	100.00 %	(50)	53	53	
Lotus International Pte. Ltd.	Lotus Healthcare Philippines Corp.	Philippines	Marketing activities and healthcare consultancy	5,332 (PHP 9,590)	5,332 (PHP 9,590)	9,590	100.00 %	5,896	540	540	
Lotus International Pte. Ltd.	Lotus Pharma Bulgaria EOOD	Bulgaria	Marketing activities and healthcare consultancy	8,503 (BGN 538)	-	538	100.00 %	10,285	1,231	1,231	
Lotus International Pte. Ltd.	Lotus Pharma ehf.	Iceland	Marketing activities and healthcare consultancy	106 (ISK 500)	-	500	100.00 %	1,063	756	756	
Lotus International Pte. Ltd.	Meishi Pharma Services Private Limited	India	Management consultancy service	37 (INR 100)	-	10	100.00 %	37	-	-	
Lotus International Pte. Ltd.	Meishi Pharma Service Pte. Ltd.	Singapore	Management consultancy service	-	-	-	100.00 %	-	-	-	
Lotus Pharmaceutical, HK Ltd.	Alvogen (Thailand) Ltd.	Thailand	Sale of pharmaceuticals and medicinal chemical products	30 (USD 1)	30 (USD 1)	-	0.04 %	24	(7,004)	(3)	

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.

Information on investment in Mainland China

For the year ended December 31, 2022

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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Percentages of Ownership	Investment Income (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings as of December 31, 2022
					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	(2,056)	100.00%	(2,056)	(2,784)	-
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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
21,011	21,011	8,320,734

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.

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	2021	2022	Difference	
			Amount	%
Current assets	8,333,335	10,661,076	2,327,741	27.93%
Financial asset at fair value through profit or loss－non-current	-	1,869,650	1,869,650	-
Financial assets at fair value through other comprehensive income – non current	301,728	288,673	(13,055)	(4.33)%
Property, plant and equipment	2,541,975	3,046,727	504,752	19.86%
Right-of-use assets	99,862	101,516	1,654	1.66%
Goodwill	5,585,847	5,667,605	81,758	1.46%
Other intangible assets	3,863,034	7,315,373	3,452,339	89.37%
Deferred tax assets	310,816	390,119	79,303	25.51%
Other non-current assets	185,353	185,334	(19)	(0.01)%
Total assets	21,221,950	29,526,073	8,304,123	39.13%
Current liabilities	4,325,941	5,893,018	1,567,077	36.23%
Long-term borrowings	4,667,047	8,596,290	3,929,243	84.19%
Deferred tax liabilities	304,147	448,397	144,250	47.43%
Other non-current liabilities	856,105	720,478	(135,627)	(15.84)%
Total liabilities	10,153,240	15,658,183	5,504,943	54.22%
Share capital	2,627,963	2,625,913	(2,050)	(0.08)%
Capital surplus	8,038,813	7,534,348	(504,465)	(6.28)%
Retained earnings	1,700,635	4,823,417	3,122,782	183.62%
Other equity	(1,240,947)	(1,058,434)	182,513	14.71%
Treasury shares	(57,754)	(57,354)	400	(0.69)%
Total equity	11,068,710	13,867,890	2,799,180	25.29%

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) Current assets: Mainly due to the increase of cash and account receivable from related parties.

(2) Financial assets at fair value through comprehensive income – non current: Mainly due to the acquisition of preferred shares of related parties.

(3) Other intangible assets: Mainly due to the acquisition of product rights.

(4) Deferred income tax liabilities: Mainly due to the increase of the fiscal and taxation gap recognized for intangible assets.

(5) Long-term borrowings: Mainly due to the purchase of intangible assets.

(6) Deferred tax liabilities: Mainly due to the increase of deferred income tax related to the capitalization of R&D expenses.

(7) Retained earnings: Mainly due to the increase of profit.

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	2021	2022	Increase (decrease) Amount	Increase (decrease) Percentage
Operating income	12,649,189	14,632,772	1,983,583	15.68%
Operating costs	7,009,069	6,826,623	(182,446)	(2.6)%
Operating gross profit	5,640,120	7,806,149	2,166,029	38.40%
Operating expenses	3,344,693	3,695,035	350,342	10.47%
Operating profit	2,295,427	4,111,114	1,815,687	79.10%
Non-operating income and expenditure	(425,408)	(170,902)	254,506	(59.83)%
Net profit before tax	1,870,019	3,940,212	2,070,193	110.70%
Income tax (cost) interest	(466,648)	(919,455)	(452,807)	97.03%
Net profit after tax	1,403,371	3,020,757	1,617,386	115.25%

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) Operating gross profit: Mainly due to the launched of new product.
(2) Operating profit: Mainly due to the increase of revenues from Lenalidomide's expansion of market share in USA.
(3) Non-operating income and expenditure: Mainly due to the increase of financial assets at fair value through comprehensive income.
(4) Net profit before tax: Mainly due to the increase of exchange loss.
(5) Income tax cost: Mainly due to the increase of revenue.
(6) Net profit after tax: Mainly due to the increase of revenue.

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 continues to execute two-pronged strategy which involves expanding the Asia-Pacific market for niche products and 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.

2. Potential impacts on future finances and countermeasures

The bulk of Company revenue derives from South Korea, Taiwan and USA, Korea and Taiwan of which are affected by national health insurance policies and drug prices. The Company seeks to increase the demand for exports and to expand into global markets and secure cooperation opportunities. The Company has taken advantage of its excellent quality record accredited with successful inspections from the competent authorities of three major regulated markets to successfully expand beyond Taiwan and gain a stable footing in the Asia-Pacific region. It is now focusing on the rest of the world, thereby mitigating the risk of fluctuations when operating in a single market or region.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for the Most Recent Two Years:

	2021	2022	Increases (decrease) Percentage
Cash flow percentage (%)	2.76	63.11	2,186.59
Cash flow allowable percentage (%)	43.35	58.78	35.59
Cash reinvestment percentage (%)	0.33	33.22	9,966.67

The change in cash flow, allowable cash flow, cash reinvestment: Mainly due to the successful of operational strategy to increase revenue and net cash inflow from operating cash flow.

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
1,983,383	4,657,783	3,529,289	3,111,877	Not applicable	Not applicable
Analysis of changes in cash flow in the current year: 1. Annual net cash flow from operating activities is primarily derived from operating activities. Cash flow was stable. 2. Estimated annual cash outflow and investment activities primarily derived from capital expenditures (incl. intangible assets) and repayment of long-term borrowings. 3. 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	2022/12/31	557,000

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, 2022; Unit: NTD in thousand

Description / Item	Profits or Losses in 2022	Business Activities	Main Causes for Profits or Losses	Improvement Plans	Future Investment Plans
Alvogen Korea Holdings Ltd.	632,746	Investment business	Investment business	Investment business	None
Alvogen Pharma India Pvt Ltd.	33,107	Investment business	Investment business	Investment business	None
Lotus International Pte.Ltd.	(87,898)	Investment business and drug distribution	Expansion business	Expansion market of continuance	None
Alvogen (Thailand) Ltd.	(7,004)	Distribution of medical and chemical drugs	Sales business	None	None
Lotus Support Services SRL	1,681	Service of medical and regulatory affairs	Medical and regulatory affairs	None	None
Lotus Alvogen Malta Ltd.	1,007	Distribution of medical and chemical drugs and other consultant services	Expansion business	To decrease of expenses	None
Lotus Pharmaceutical, HK Ltd.	(36,321)	Data collection and agency business in Hong Kong	Investment business	Investment business	None
Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	(2,056)	Medical health management, trade information, and market planning and business information	Medical technology consulting services	None	None
Lotus Japan Holdings Co., Ltd.	6,949	Distribution of drug and medical equipment	Dividend income of investment	None	None
Avos Pharma Science Co., Ltd.	206	Biotechnology service, distribution of medical equipment and other consultant services	Operations in Taiwan	Clinical research and trial development; new drug applications	None
Lotus Healthcare Malaysia Sdn. Bhd.	53	Sales business and and other consultant services	Expansion business	None	None

Item \ Description	Profits or Losses in 2022	Business Activities	Main Causes for Profits or Losses	Improvement Plans	Future Investment Plans
Lotus Healthcare Philippines Corp.	540	Sales business and and other consultant services	Expansion business	Expansion business	None
Lotus Pharma Bulgaria EOOD	1,231	Sales business and and other consultant services	Expansion business	Expansion business	None
Lotus Pharma ehf.	756	Sales business and and other consultant services	Expansion business Expansion business	None	None
Meishi Pharma Service Pte. Ltd.	-	Management and consultant services	N/A	None	None
Meishi Pharma Services Private Limited	-	Management and consultant services	N/A	Become a R&D center	Capital injection plan approved

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 2022:

Units: NTD in thousands; %

Item	2022
Net interest income (expenditure)	(378,952)
Net exchange gain (loss)	(81,217)
Net interest income (expenditure) as a percentage of net revenue	-2.59%
Net interest income (expenditure) as a percentage of pre-tax net loss	-9.62%
Net exchange gain (loss) as a percentage of net revenue	-0.56%
Net exchange gain (loss) as a percentage of pre-tax net loss	-2.06%

1. Interest rate changes: The Company's 2022 interest expenditure was -2.59% of its net operating income. Interest expenses accounted for -2.30% of the Company’s net revenues of 2021 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 2022, the Company listed a conversion loss worth NT$81,217 thousand, which was -0.56% of the annual operating income. Therefore, the impact of changes in the exchange rate was minimal. In the future, the Company may use foreign exchange or options as a hedge against the exchange rate.
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) For future accounts receivable and payable in foreign currencies, the Company shall buy/sell foreign exchange in advance to avoid the risk of changes in exchange rates.
   (4) The Company shall regularly collect financial information and foreign exchange reports from financial institutions and consolidate the dates to determine foreign exchange and interest rate trends, and adjust foreign exchange and capital strategies as necessary.
   (5) 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 cost of capitalization excluding R&D expenses in 2023 is projected to be more than NTD $500 million. 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:

Both the Taiwanese and South Korean markets are restricted and influenced by national health insurance, like all other national pharmaceutical markets. Taiwan's National Health Insurance continues to lower and control drug prices, limiting overall business growth and development from existing portfolio. The Company, therefore, focuses on introducing new products into its portfolio in order to claim bigger market share at its primary markets and increasing export activities outside of its primary markets, thereby offsetting any adverse effects of prevailing market tendencies. In addition, the Company commits to expanding into foreign markets and securing cooperation opportunities. The Company has taken advantage of its accreditation certificates obtained from the competent authorities of three major advanced markets to successfully expand beyond Taiwan and gain a stable footing in the Asia-Pacific region. It now focuses on the rest of the world, thereby mitigating the risk of fluctuations inherent in operating in a single market or limited number of markets within region.

Former Director of the FDA, Scott Gottlieb, announced that the FDA should accelerate the approval of generic drugs. The Good ANDA Submission Practices and Good ANDA Assessment Practices are designed to help pharmaceutical applicants avoid common pitfalls that lead to delays in approval. These initiatives will further push into (Market Entry) cycle, especially for difficult generic drugs, whose value cannot be ignored.

7.6.5 Potential Impacts of Disruptive Technology (including information security) and Industry Change on Corporate Finance and Business and Their Countermeasures:

1. As Chinese people attach importance to health care and hygiene, the demand for biotech drugs continues to increase, and due to the rapid advancement of technology, the company continues to upgrade the manufacturing plant that meets the standards of the United States Food and Drug Administration (FDA), from strict quality control, active development Preparations, optimization of clinical trial design, and the operating purpose of leading the market demand.
2. Information security risk assessment and analysis:

   The company has formulated a computerized information system processing operation method to implement the internal control system and maintain the information security policy. Ensure its adequacy and effectiveness by reviewing and evaluating its safety regulations and procedures annually. The following sub-items are explained:

   (1) System account life cycle management and authority account management

   The user's account and authority are set according to each business scope and responsibilities. The access to the data must go through the sign-off process, and can only be used and changed after the application and approval of the responsible managers. Once the user leaves the original position, the user's account and authority will be revoked immediately to prevent unauthorized use.

   (2) Data access record keeping

   The system records the file access track, emails and other information, and archives it. Computers that have been scrapped are subjected to hardware dismantling to destroy the management system and information security policies that have been complied with laws and regulations.

(3) Continuous operation of the information system

The system and files are backed up daily, weekly and monthly, and the monthly backup data is transferred to the off-site data center for off-site backup. The system data recovery test is performed regularly every year to ensure the normal operation of the information system and data preservation, which can reduce the risk of data loss caused by unwarranted natural disasters and man-made disasters.

IT department of the company is in charge of information security and reports on a regular basis to management including the implementation of multi-layer network security system, ID life cycle and access management, data access log, and back-up. As of the publication of this report, there has been no breach in information security.

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

The corporate culture of Lotus emphasizes care, passion, and joy. The Company continues to promote close cooperation between cross-regional teams and businesses, pursue higher performance, and build brands through action.

Lotus cares deeply about its customers, communities, and colleagues. It values both quality control and service quality as well as customer service and supply chain management. The Company has not had any major problems in recent years, and its customers have expressed extreme satisfaction. Top executives of Lotus Taiwan, South Korea, and India meet both on a regular and occasional basis to resolve unexpected issues.

In recent years, Lotus has continued to implement its nine-step corporate governance policy. The long-standing principles of integrity upheld by the Company's managers have strengthened shareholder rights since it began to be publicly traded. After its IPO, the Company appointed a spokesperson and proxy to disclose its operations, vision, and prospects to the capital market, consolidate the release of information, meet the demand for investment information.

In addition, the Company’s Welfare Committee hosts Yellow Friday on the last Friday of each month, inviting underprivileged groups in the community to meet company employees. These events are a clear expression of the Company's extraordinary approach to business management.

The pharmaceutical industry has its own pressures and problems in terms of policy, the economy, and industry. However, the Company believes that most crises, such as price reductions in health insurance drugs and the success or failure of PIV patents, are predictable. As a general rule, risk can be predicted, and the Company actively manages risk. These foreseeable risks are strictly controlled by the Audit Committee and the Board of Directors in the annual budget, and they provide oversight when formulating preventive or remedial measures.

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

From the beginning of 2022 to the date of of the Annual Report, there have been no acquisitions.

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

In anticipation of future developments, the Company continues to expand its plants, mainly in the large-scale production of export products and the production of anti-cancer drugs. As the anti-cancer drug market continues to grow, the expansion of the Nantou plant will enhance Company performance. In addition, the Company continues to submit applications for new drug permits and permit renewals to the competent authorities in the US, Europe, Japan, China, and Brazil, thereby increasing its competitiveness in the global markets.

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

1. Risk of inbound concentration: The Company mainly commissions Company A to manage the supply chain for Buprenorphine/Naloxone sublingual film, which involves raw materials sourcing, stock management, quality and delivery guarantees, supplier selection and management, oversight of outsourced processing, packaging, quality control, and shipment of Schedule III substances. To mitigate vendor concentration risk, the Company shall continue to focus on expanding the export market for specialty generic drugs, especially cytotoxic and hormone medications. After we successfully operate the US market and our Buprenorphine/Naloxone sublingual film sales grow steadily in US, the Company will go on developing other niche products. While the sales of other products show improvement and the amount of materials purchased from other suppliers increased, the risk of centralized suppliers would be mitigated.
2. Risk of sales concentration: After the FDA approved our sublingual film in January 2019, the Company sought to accelerate the new product launch in the US market in order to stay ahead of the competition. We took into account the product's status as a controlled substance, which means that the manufacturing, storage, distribution, and prescription of the drug is heavily regulated by federal law, and appointed Company C—a company with a professional background in generic drugs that is familiar with local pharmaceutical distribution channels and dedicated to sales and management in the US market—to assist the Company in coordinating sales and shipping with midstream and downstream distributors, pharmacies, and medical institutes.

   The Company mainly focuses its R&D efforts on niche specialty generic drugs with a higher R&D threshold, and plans to adopt a strategy of licensing with international pharmaceutical companies to forge strategic alliances which can help us expand our market reach to the EU, South America, and the Middle East. This will allow us to achieve our goal of diversifying our product portfolio, expanding our market reach, and increasing our partnerships, and thus reducing the accounts receivable concentration risk.

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

As of the date of this Annual Report, there has been no significant transfers or replacements of Directors or shareholders with over 10% of company shares.

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

Fuji Pharma and Innobic LL Holding Co., Ltd. privately acquired 4,913,220 and 17,517,348 common shares at Lotus in 2019 and 2021 respectively.

There have been no changes in management rights between the beginning of 2021 and the printing date.

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: None
2. Ruled or pending litigation, non-litigation, or administrative litigation cases of Company Directors, Supervisors, 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, Supervisors, 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

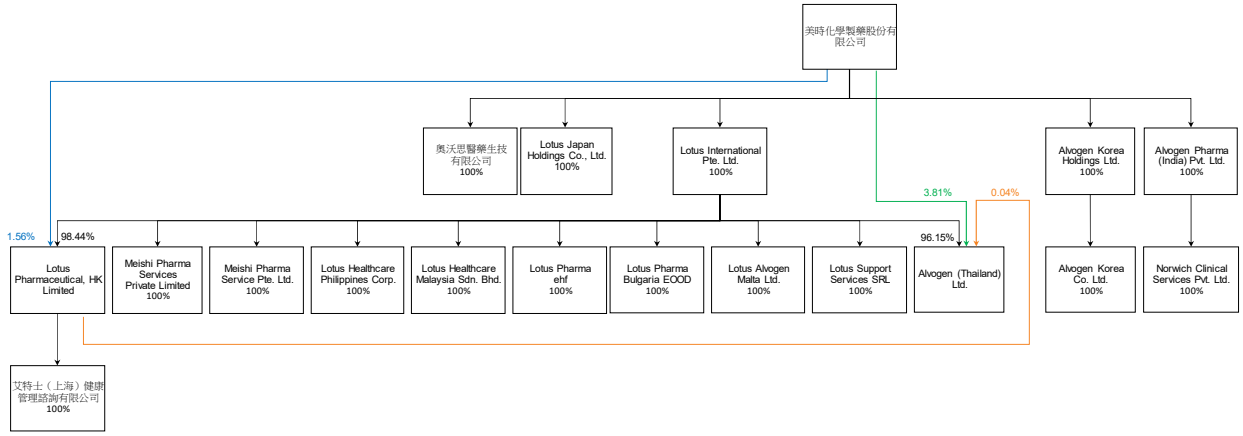
VIII. Special Notes

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, 2022)



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, 2022; Unit: NTD in thousands unless otherwise specified

Business Name	Date of Establishment	Address	Paid-In Capital	Business Activities
Alvogen Korea Holdings Ltd.	Sep, 2012	10, Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, Korea	KRW $5,961,260K	Investment company
Alvogen Korea Co., Ltd.	Jan, 1958	10, Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, Korea	KRW $50,109,040K	Pharmaceutical production and sales
Alvogen Pharma India Pvt Ltd.	Apr, 2010	No.147/F, 8th Main, 3rd Block, Koramangala, Bangalore-560034, Karnataka, India	INR $5,118K	Investment business and drug distribution
Norwich Clinical Services Private Limited	Nov, 2009	No.147/F, 8th Main, 3rd Block, Koramangala, Bangalore-560034, Karnataka, India	INR $2,032K	Clinical trials and technical services
Lotus International Pte. Ltd.	May, 2003	80 Robinson Road #02-00 Singapore 068898	USD $48,450K	Investment company
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 $104,000K	Distribution of medical and chemical drugs
Lotus Support Services SRL	Feb, 2020	Bucuresti Sectorul 3, Bulevardul THEODOR PALLADY, Nr. 47, Biroul 2, Scara B, Etaj 1	RON $445K	Service of medical and regulatory affairs

Business Name	Date of Establishment	Address	Paid-In Capital	Business Activities
Lotus Alvogen Malta Ltd.	Sep, 2020	Malta life sciences park, building1, level 4, sir temi Zammit buildings, San Gwann industrial estate, SGN3000, Malta	EUR $42K	Distribution of medical and chemical drugs and other consultant services
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 agency business 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	Medical health management, trade information, market planning and business information
Lotus Japan Holdings Co., Ltd.	Feb, 2019	2-4-3, Suido, Bunkyo-ku, Tokyo, Japan	623,647	Distribution of drug and medical equipment
Avos Pharma Science Co., Ltd.	Aug, 2020	No. 30, Chenggong 1st Rd., Nantou City, Nantou County, Taiwan	100	Biotechnology service, distribution of medical equipment and other consultant services
Lotus Healthcare Malaysia Sdn. Bhd.	May, 2021	UOA Business Park, Tower 3, 5th 9th Floor, K03-0513A09-11, 1 Jalan Pengaturcara U1/51A, Section U1 40150 Shah Alam, Selangor, Darul Ehsan, Malaysia	RM $1K	Sales business and other consultant services
Lotus Healthcare Philippines Corp.	Aug, 2021	Level 10th, IBP Tower, Jade Dr, San Antonio, Pasig City, Philippines	PHP $9,590K	Sales business and other consultant services
Lotus Pharma Bulgaria EOOD	Nov, 2021	102D Cherni Vrah Blvd., Floor 6, Sofia, District Triaditsa, 1407, Bulgaria	BGN $538K	Sales business and other consultant services
Lotus Pharma ehf.	Dec, 2021	Smáratorgi 3 201 Kópavogur	ISK $500K	Sales business and other consultant services
Meishi Pharma Services Private Limited	Nov, 2022	705, Kailash Corporate Lounge, Vikhroli, Hiranandani Link Road, Vikhroli W, Mumbai - 400 076, India	IN$ $100K	Management and consultant services
Meishi Pharma Service Pte. Ltd.	Nov, 2022	80 Robinson Road #02-00 Singapore 068898	-	Management and consultant services

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, 2022; Unit: shares, %

Business Name	Title	Name or Representative	Shareholding	
			Shares	%
Alvogen Korea Holdings Ltd.	Director/ Representative Director Director Supervisor	Petar Vazharov Thor Kristjansson Eun Sun Choi Árni Hardarson	1,192,252	100%
Alvogen Korea Co., Ltd.	Representative Representative Director Director Director Supervisor	Jun Su Lee Hee Kyun, Lim Thor Kristjansson Petar Vazharov Bjartur Shen Árni Hardarson	10,021,808	100%

Business Name	Title	Name or Representative	Shareholding	
			Shares	%
Alvogen Pharma India Pvt Ltd.	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 Director	Petar Vazharov Bjartur Shen Tan Boon Chong, Dennis	48,450,000	100%
Alvogen (Thailand) Ltd.	Director Director Director	Jantana Khanobthamchai Petar Vazharov Bjartur Shen	1,040,000	100%
Lotus Support Services S.R.L.	Director	David Iuliana	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 Petar Vazharov Eeling Chan	-	100%
Lotus Japan Holdings Co., Ltd.	Director Director	Bjartur Shen Petar Vazharov	-	100%
Avos Pharma Science Co., Ltd.	Director	Bjartur Shen	-	100%
Lotus Healthcare Malaysia Sdn. Bhd.	Director Director Director	Bjartur Shen Petar Vazharov Lee Huey Ping	1,000	100%
Lotus Healthcare Philippines Corp.	Director Director Director Director Director	Bjartur Shen Petar Vazharov Charlotte A. Goco Lesley Anne Mondez Joemyl J. Baloro	9,589,915	100%
Lotus Pharma Bulgaria EOOD	Director Director Director	Bjartur Shen Petar 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 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, 2022

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)	146,198	8,180,582	4,578,704	3,601,878	5,336,011	662,264	632,746	530.72
Alvogen Pharma India Pvt Ltd. (Note 2)	1,998	233,867	47,810	186,057	228,429	36,522	33,107	64.69
Lotus International Pte. Ltd.	1,496,148	1,808,155	377,858	1,430,297	1,128,065	(42,593)	(51,243)	(1.06)
Alvogen (Thailand) Ltd.	98,458	158,556	99,006	59,550	146,247	(5,382)	(7,004)	(6.73)
Lotus Support Services SRL	3,010	9,090	1,851	7,239	21,327	815	1,681	37.38
Lotus Alvogen Malta Ltd.	1,419	4,065	3,662	403	4,724	(105)	1,007	23.97
Lotus Pharmaceutical, HK Ltd.	59,996	10,605	675	9,930	-	(34,202)	(34,262)	(3.73)
Lotus Pharmaceutical (Shanghai) Health Management Consulting Limited	911	2,064	4,848	(2,784)	25,904	(3,312)	(2,056)	-
Lotus Japan Holdings Co., Ltd.	623,647	301,181	618	300,563	-	(82)	6,949	-
Avos Pharma Science Co., Ltd.	100	1,366	1,120	246	3,600	251	206	-
Lotus Healthcare Malaysia Sdn. Bhd.	7	868	918	(50)	4,749	30	53	52.51
Lotus Healthcare Philippines Corp.	5,332	5,896	-	5,896	-	(255)	540	0.06
Lotus Pharma Bulgaria EOOD	8,503	12,613	2,328	10,285	18,466	1,638	1,231	2.88
Lotus Pharma ehf.	106	12,184	11,122	1,063	18,618	1,176	756	1.51
Meishi Pharma Services Private Limited	37	-	-	-	-	-	-	-
Meishi Pharma Service Pte. Ltd.	-	-	-	-	-	-	-	-

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 Businesse: Please refer to Page 104.

8.1.3 Business Relationship Report: Please refer to Page 266.

8.2 Private Placement of Securities in the Most Recent Year as of the Date of this Annual Report: Please refer to Page 70.

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 2022 Affiliation (from January 1st, 2022 to December 31st, 2022) 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, 2023

Independent Auditors' Report on the Affiliation Report

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

We have conducted the review on the 2022 Affiliation Report of Lotus Pharmaceutical Co., Ltd. The review is conducted in order to provide our comments on whether the 2022 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 2022 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.
2022 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 (acquired half of the shares of Lotus Pharmaceutical Co., Ltd.)	134,064,369	51.16	67,032,184	Chairman Director Director Director/ General Manager Director Director Director Director	Vilhelm Róbert Wessman Thor Kristjansson Yves Hermes Petar Vazharov Krisana Winitthumkul Phannalin Mahawongtikul Oranee Tangphao Daniels Árni Hardarson
Aztiq II Bidco Limited	Holding Alvogen Emerging Markets Holdings Limited	222	100%	222	Director Director Director Director Director	Vilhelm Róbert Wessman Amporn Charoensomsak Chanamas Sasnanand Nat Ativitavas Árni Hardarson
Aztiq II Holdco Limited	Holding Aztiq II Bidco Limited	351,000,100	100%	351,000,100	Director Director Director Director Director	Vilhelm Róbert Wessman Amporn Charoensomsak 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	71.23%	None	Director Director Director	Panithita Vithayasricharoen Amporn Charoensomsak Jaruchai Sutjarittam
PTT Global Management Company Limited	Holding Innobic (Asia) Co., Ltd.	135,307,997	100%	None	Director Director Director Director Director Director Director	Buranin Rattanasombat Chanamas Sasnanand Manu Sawangjaeng Suttipong Wacharasindhu Anan Manomaipiboon Krisana Winitthumkul Akkharawit Kanjana-Opas

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
					Director	Nat Ativitavas
PTT Public Company Limited	Holding PTT Global Management Company Limited	1,190,224,677	100%	None	Director Director	Cherdchai Boonchoochauy 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

Units: NTD in thousands; %

Transaction Type (loan or borrow)	Maximum Balance	Ending Balance	Interest Rate Collar	Total Interests	Financing Period	Reason for Financing	Collateral		Process of Transaction Approval (Note 1)	Allowance for Bad Debts (Note 2)
							Name	Amount		
Borrow	594,144	-	1%	4,170	1 Year	Working capital needs	None	None	Approved by the Board of Directors	Not applicable

Note 1: The decision-making hierarchy for the transaction should be stated.

Note 2: Fund borrowing is exempt.

5. Asset leases: None

6. Endorsements and guarantees: None

Lotus Pharmaceutical Co., Ltd.

Chairman: Vilhelm Róbert Wessman