Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Consolidated financial statements and Auditor's Report

2020 and 2019

(Stock Code: 1762)

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

The 2020 and 2019 Consolidated Financial Report and Independent Auditor's Report

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Chunghwa Chemical Synthesis & Biotech Co., Ltd.

The Affiliate's Declaration of Consolidated Financial Statements

In 2020 (from January 1 to December 31, 2020), the companies that should be included in the consolidated financial reports of affiliated companies based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that should be included in the consolidated financial reports of subsidiaries based on the "Consolidated and separate financial statements" of IFRS 10 were the same. The related information that should be disclosed in the consolidated financial statements of affiliated companies are also already disclosed in the consolidated financial reports for subsidiaries, so that the consolidated financial statements of affiliated companies would not be published separately.

Declared by:

Company name: Chunghwa Chemical Synthesis & Biotech Co., Ltd.

March 29, 2021

Auditor's Report

(2021) Cai-Shen-Bao-Zi No. 20002837

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

Audit opinion

We have audited the accompanying proprietary consolidated balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries (hereinafter referred to as Chunghwa Group) as of December 31, 2020 and 2019 and the related consolidated statements of income, of changes in shareholders’ equity and of cash flows and Notes to consolidated financial statement (including significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Group as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” and IFRS that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

Basis of an audit opinion

We conducted our audit in accordance with the “Rules Governing the Examination of Financial Statements by Certified Public Accountants” and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of “independent auditor’s responsibility for consolidated financial statements.” The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Group in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The “key audit matters” means that the independent auditor has used their professional judgment to audit the most important matters on the 2020 consolidated financial statements of Chunghwa Group. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items from the 2020 consolidated financial statement of Chunghwa Chemical Synthesis and Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (12) in the consolidated financial report regarding the accounting policy on inventory valuation, Note 5 (2) for the accounting assessment and hypothetical uncertainty on inventory valuation, and Note 6 (4) for the description of the inventory account.

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

The responsive auditing process

Our key audit procedures performed in respect of the above area included the following:

1. Assessing the policy on allowance to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the business.
2. Performing sampling tests to examine if the market price of net realized value is consistent with the Company's policy, and randomly examining the accuracy of the selling price of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

See Note 4 (26) in the consolidated financial report for the accounting policy on income recognition. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers' acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

Our key audit procedures performed in respect of the above area included the following:

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

Other matters - individual financial report

Chunghwa Group has compiled its 2020 and 2019 individual financial statements, for which we issued unqualified opinion.

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

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and IFRS that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC); also, maintain the necessary internal controls related to the consolidated financial statements in order to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or errors.

While preparing the consolidated financial statements, the management’s responsibility also includes assessing the continuing operation of Chunghwa Group, the disclosure of the relevant matters, and the adoption of the accounting base for continuing operation, unless the management intends to liquidate Chunghwa Group or cease the business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Group are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the consolidated financial statements

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

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

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

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

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2020 consolidated financial statements of Chunghwa Group. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PricewaterhouseCoopers, Taiwan

March 29, 2021

Notice to Readers

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

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2020 and 2019

Unit: NTD thousand

	Assets	Additional notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 148,625	5	$ 101,220	3
1140	Contract assets - Current	6 (16)	21	-	452	-
1150	Notes receivable-net	6(3)	344	-	345	-
1170	Net accounts receivable	6(3)	315,610	10	125,268	4
1180	Account receivables-Related Parties-net	7	41,952	2	24,293	1
1200	Other receivable	4(3)	9,653	-	20,908	-
1220	Current income tax assets		21	-	431	-
130X	Inventory	6 (4)	481,244	15	412,184	12
1410	Prepayments		4,132	-	2,480	-
11XX	**Total of Current Assets**		1,001,602	32	687,581	20
	Non-Current assets					
1510	Financial assets that are measured at fair value through profit or loss-non-current	6 (2)	32,456	1	28,160	1
1550	Investments accounted for by the equity method	6 (5)	511,434	16	478,894	14
1600	property , plant, and equipment	6 (6) and 8	1,539,251	49	2,180,308	63
1755	Right-of-use assets		3,110	-	5,418	-
1760	Real property for investment- net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		1,293	-	1,250	-
1840	Deferred income tax assets	6 (22)	16,758	1	19,075	1
1900	Other current non-assets	6 (12)	30,536	1	27,461	1
15XX	**Total of Non-Current Assets**		2,145,538	68	2,751,266	80
1XXX	**Total assets**		$ 3,147,140	100	$ 3,438,847	100

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Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2020 and 2019

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (8)	$ -	-	$ 70,000	2
2110	Short-term bills payable	6 (9)	-	-	219,740	6
2130	Contract liabilities - Current	6 (16)	3,657	-	61,640	2
2150	Payable notes		1,215	-	1,192	-
2170	Accounts payable		96,495	3	77,226	2
2200	Other payable	6 (10)	187,686	6	125,399	4
2230	Current Income Tax Liability		106,544	4	15,948	1
2280	Lease liabilities – Current		2,252	-	2,657	-
2399	Other current liabilities- other		2,310	-	2,620	-
21XX	**Total of current liabilities**		400,159	13	576,422	17
	Non-current liabilities					
2540	Long-term borrowings	6 (11) and 8	-	-	600,000	17
2570	Deferred income tax liabilities	6 (22)	247,499	8	244,584	7
2580	Lease liabilities – Non-current		819	-	2,709	-
25XX	**Total of non-current liabilities**		248,318	8	847,293	24
2XXX	**Total liabilities**		648,477	21	1,423,715	41
	Attributable to owners of the parent company					
	Share capital	6 (13)				
3110	Ordinary shares capital		775,600	25	775,600	23
	Capital reserve	6 (14)				
3200	Capital reserve		334,323	10	334,323	10
	Retained earnings	6 (15)				
3310	Legal earnings reserve		171,229	5	159,344	5
3320	Special earnings reserve		183,296	6	183,296	5
3350	Undistributed earnings		1,030,235	33	556,306	16
	Other equity					
3400	Other equity		3,719	-	6,031	-
31XX	**Equity attributable to owners of the parent Company**		2,498,402	79	2,014,900	59
36XX	**non-controlling interests**		261	-	232	-
3XXX	**Total equity**		2,498,663	79	2,015,132	59
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Major post-balance sheet events	6 (15) and 11				
3X2X	**Total liabilities and equity**		$ 3,147,140	100	$ 3,438,847	100

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated comprehensive income statements
January 1 to December 31, 2020 and 2019

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenues	6(16) and 7	$ 1,543,589	100	$ 1,156,642	100
5000	Operating cost	6(4)(21)	(856,836)	(56)	(688,013)	(60)
5900	Operating gross profit		686,753	44	468,629	40
	Operating expenses	6 (21)				
6100	Marketing expenses		(109,696)	(7)	(75,614)	(6)
6200	Administrative expenses		(92,408)	(6)	(76,446)	(7)
6300	Research and development expenses		(215,729)	(14)	(195,461)	(17)
6000	Total operating expenses		(417,833)	(27)	(347,521)	(30)
6900	Operating profit		268,920	17	121,108	10
	Non-operating revenues and expenses					
7100	Interest income	6 (17)	424	-	808	-
7010	Other revenue	6 (7) (18)	10,834	1	8,422	1
7020	Other profits and losses	6 (2)(19)	336,980	22	(4,199)	-
7050	Financial costs	6 (20)	(4,757)	-	(10,617)	(1)
7060	Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	37,896	2	28,221	2
7000	Total non-operating revenues and expenses		381,377	25	22,635	2
7900	**Earnings before tax**		650,297	42	143,743	12
7950	Income tax expense	6 (22)	(118,234)	(8)	(26,619)	(2)
8200	**Current period net profit**		$ 532,063	34	$ 117,124	10

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Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated comprehensive income statements
January 1 to December 31, 2020 and 2019

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2020 Amount	2020 %	2019 Amount	2019 %
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (12)	($ 244)	-	$ 2,542	-
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		13,848	1	8,193	1
8349	Income tax related to accounts not being reclassified	6 (22)	49	-	(508)	-
8310	Total amount of items not reclassified to profit or income		13,653	1	10,227	1
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		(1,028)	-	(451)	-
8370	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss.		1,031	-	(2,473)	-
8360	Total amount of items probably reclassified to profit or loss subsequently		3	-	(2,924)	-
8300	**Other comprehensive income (net)**		$ 13,656	1	$ 7,303	1
8500	**Total comprehensive income for the period**		$ 545,719	35	$ 124,427	11
	Profit attributable to:					
8610	Owners of parent		$ 531,873	34	$ 117,003	10
8620	non-controlling interests		$ 190	-	$ 121	-
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 545,550	35	$ 124,315	11
8720	non-controlling interests		$ 169	-	$ 112	-
	Earnings per share	6 (23)				
9750	Base earnings per share		$ 6.86		$ 1.51	
9850	Diluted earnings per share		$ 6.79		$ 1.50	

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated statement of changes in equity
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

		Attributable to owners of the parent company										
			Capital reserve		Retained earnings			Other equity				
	Additional notes	Ordinary shares capital	Issuance premium	Others	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Total	non-controlling interests	Total equity
2019												
Balance as of January 1, 2019		$ 775,600	$ 333,746	$ 577	$ 135,919	$ 183,296	$ 553,954	$ 224	$ 341	$ 1,983,657	$ 246	$ 1,983,903
Current period net profit		-	-	-	-	-	117,003	-	-	117,003	121	117,124
Current other comprehensive income		-	-	-	-	-	1,846	(2,915)	8,381	7,312	(9)	7,303
Total comprehensive income for the period		-	-	-	-	-	118,849	(2,915)	8,381	124,315	112	124,427
The 2019 appropriation and distribution of earnings:	6 (15)											
Legal earnings reserve		-	-	-	23,425	-	(23,425)	-	-	-	-	-
Cash dividend		-	-	-	-	-	(93,072)	-	-	(93,072)	-	(93,072)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	(126)	(126)
Balance at December 31, 2019		$ 775,600	$ 333,746	$ 577	$ 159,344	$ 183,296	$ 556,306	($ 2,691)	$ 8,722	$ 2,014,900	$ 232	$ 2,015,132
2020												
Balance as of January 1, 2020		$ 775,600	$ 333,746	$ 577	$ 159,344	$ 183,296	$ 556,306	($ 2,691)	$ 8,722	$ 2,014,900	$ 232	$ 2,015,132
Current period net profit		-	-	-	-	-	531,873	-	-	531,873	190	532,063
Current other comprehensive income		-	-	-	-	-	(385)	24	14,038	13,677	(21)	13,656
Total comprehensive income for the period		-	-	-	-	-	531,488	24	14,038	545,550	169	545,719
The 2019 appropriation and distribution of earnings:	6 (15)											
Legal earnings reserve		-	-	-	11,885	-	(11,885)	-	-	-	-	-
Cash dividend		-	-	-	-	-	(62,048)	-	-	(62,048)	-	(62,048)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	16,374	-	(16,374)	-	-	-
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	(140)	(140)
Balance at December 31, 2020		$ 775,600	$ 333,746	$ 577	$ 171,229	$ 183,296	$ 1,030,235	($ 2,667)	$ 6,386	$ 2,498,402	$ 261	$ 2,498,663

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2020	January 1 to December 31, 2019
Cash flow from operating activities			
Pre-tax profit for the current period		$ 650,297	$ 143,743
Adjustments			
Income, expense, and loss			
Depreciation	6 (21)	129,545	127,761
Amortization	6 (21)	1,609	1,881
Interest expenses	6 (20)	4,757	10,617
Net loss (profit) from financial assets and liabilities at fair value through profit and loss	6 (2)(19)	(4,296)	1,818
Interest income	6 (17)	(424)	(808)
Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	(37,896)	(28,221)
Gain in disposal of property, plant and equipment	6 (19)	(346,826)	(69)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Contract assets - Current		431	-
Notes receivable-net		1	321
Net accounts receivable		(190,342)	(19,864)
Accounts receivable-related parties (net)		(17,659)	2,156
Other receivable		11,247	(270)
Inventory		(69,060)	(49,786)
Prepayments		(1,652)	2,507
Net defined benefit assets		(1,428)	(1,063)
Net changes in liabilities relating to operating activities			
Contract liabilities - Current		(57,982)	59,609
Payable notes		23	-
Accounts payable		19,269	16,631
Other payable		54,988	10,903
Other current liabilities-others		(311)	1,245
Net cash provided by operating activities		144,291	279,111
Interest received		432	810
Dividends received		20,235	19,478
Income tax refund		-	1,459
Interest paid		(4,864)	(11,065)
Income tax paid		(21,859)	(21,665)
Net cash inflow from operating activities		138,235	268,128

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Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2020	January 1 to December 31, 2019
Cash flow from investing activities			
Acquisition of investment under the equity method	6 (5)	$ -	($ 139,048)
Costs of property, plant and equipment acquired	6 (6) (24)	(191,612)	(113,857)
Proceeds from disposal of property, plant and equipment	6 (6) (24)	1,059,906	357
Acquisition of Intangible assets		(1,371)	(938)
Lost control in subsidiary effects		-	(15,193)
Increase in guarantee deposits paid		(1,895)	(591)
Net cash inflow (outflow) from investing activities		865,028	(269,270)
Cash flow from financing activities			
Decrease in short-term loans	6 (25)	(70,000)	(80,000)
Increase (decrease) in short-term payable notes	6 (25)	(219,740)	139,784
Proceeds from long-term loan	6 (25)	600,000	700,000
Re-payments of long-term borrowings	6 (25)	(1,200,000)	(667,440)
Lease principal repayment	6 (25)	(2,918)	(2,646)
Cash dividend distribution	6 (15)	(62,048)	(93,072)
Cash dividends paid by subsidiaries - Changes in non-controlling interests		(140)	(126)
Net cash outflow from financing activities		(954,846)	(3,500)
Effects of exchange rate fluctuation on cash		(1,012)	(505)
Increase (decrease) in cash and cash equivalents for the current period		47,405	(5,147)
Opening balance of cash and cash equivalents		101,220	106,367
Closing balance of cash and cash equivalents		$ 148,625	$ 101,220

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Notes to financial statements
2020 and 2019

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

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

2. Financial reporting date and procedures

The Board of Directors approved the consolidated financial statements for publication on March 4, 2021.

3. Application of new and revised standards and interpretation

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2020.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
IAS 1 and IAS 8 amendments, Disclosure Initiative - Definition of Material.	January 1, 2020
IFRS 3 amendments, Definition of a business	January 1, 2020
"Interest Rate Benchmark Reform (Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	January 1, 2020
An amendment to "IFRS 16: "Coronavirus (COVID-19)-related rent concession."	June 1, 2020 (Note)

Note: The Financial Supervisory Commission permits it to be applied on January 1, 2020 ahead of schedule.

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

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

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

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to IFRS 4 "The temporary exemption is equally applicable to the extension under IFRS 9."	January 1, 2021
Phase II amendment to "Revolution to Interest Indicators" in IFRS 9; IAS39, IFRS7, IFRS4 and IFRS16.	January 1, 2021

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

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

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to IFRS 3 "Index to Conceptual Framework."	January 1, 2022
Amendment to IFRS 10 and IAS 28 "The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures"	To be determined by the "International Accounting Standards Board (IASB).
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IAS 1 "Current or non-current classification of liabilities."	January 1, 2023
Amendment to IAS 1 "Disclosure of accounting policies."	January 1, 2023
Amendment to IAS 8 "Definition of accounting estimate."	January 1, 2023
Amendment to IAS 1 "Disclosure of accounting policies."	January 1, 2023
Amendment to IAS 8 "Definition of accounting estimate."	January 1, 2023
Amendment to IFRS 16 "Real property, factories & equipment: Pricing prior to reach of anticipated state of use."	January 1, 2022
Amendment to IAS 37 "Onerous contracts—the cost of fulfilling the contracts."	January 1, 2022
Improvements to IFRS 2018-2020	January 1, 2022

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

4. Summary of significant accounting policies

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

(1) Compliance Statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC

Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs).

(2) Basis of preparation

Except for the following items, these consolidated statements have been prepared under the historical cost convention:

(1) Financial assets at fair value through other comprehensive Income
(2) The ascertained welfare assets recognized as the net amount of the pension fund assets minus the current value of the ascertained welfare obligations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. The basis of preparation for consolidated financial statements

(1) The Group incorporates all subsidiaries for the preparation of the consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, 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. Subsidiaries are incorporated into the consolidated financial statements from the date they are controlled by the Group and cease to be consolidated on the date it is no longer controlled by the Group.
(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated from the consolidated financial statements. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.
(3) The components of profit and loss and other comprehensive income are attributable to the owner of the parent company and non-controlling interests. The total comprehensive income is also attributable to the owner of the parent company and non-controlling interests, even if it results in a loss of non-controlling interests.
(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
(5) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss

when the related assets or liabilities are disposed of.

2. Subsidiaries included in the financial statements:

Investing Company Name	Subsidiaries Name	Nature of the operation	Percentage of shareholdings December 31, 2020	December 31, 2019	Description
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Trading of API drugs	98.00%	98.00%	
"	CCSB HOLDING CO., LTD.	Engaged in shareholding and reinvestment	-	100.00%	Note 1
CCSB HOLDING CO., LTD.	CCPC Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies	-	-	Note 2

Note 1: CCSB Holding Co., Ltd. reduced its capital in 2020 and remitted the investment amount NT$14,590 back to our Company on October 6, 2020 and completed the cancellation process on December 31, 2020. Since then, the Company discontinues to count it into the consolidated financial statement and enters it into other receivables instead. As of December 31, 2020, the other receivables amounted to NT$1,500.

Note 2: Suzhou Chunghwa Biotech Trading Co., Ltd. obtained the certificate for liquidation approval from the taxation authority on November 6, 2019. From that day, it proceeded with the liquidation procedures successively. Starting from that day, the Company discontinues to count it into the consolidated financial statement and enters its assets and liabilities into other receivables instead. As of December 31, 2019, the other receivable amounted to NT$15,193. The deregistration process was completed on May 27, 2020. Subsequently the invested amount was remitted out onto CCSB Holding Co., Ltd. on September 9, 2020. That investment case was cancelled as approved by the Investment Commission, Ministry of Economic Affairs on October 30, 2020.

3. Subsidiary company not included in the consolidated financial statements are as follows: None

4. Adjustments on subsidiary companies with different accounting periods: None.

5. Significant limitations: None

6. Subsidiaries of the Group with significant non-controlling interests: None.

(4) Foreign-currency translations

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

1. Foreign Currency Transactions and Balances

(1) Transactions denominated in foreign currency are translated into a functional currency

at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.

(2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.

(3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.

(4) All foreign exchange gains and losses are presented in the statement of comprehensive income within “Other gains and losses”.

2. Translation of the financial statements of foreign operations

(1) The operating results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

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

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

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

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

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

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

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Expected to be repaid within 12 months of the balance sheet date
(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(6) Cash equivalents

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

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

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

(8) Accounts receivable and notes

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

(9) Impairment of Financial Assets

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

(10) The de-recognition of financial assets

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

(11) The lessor’s lease transaction/business lease

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

(12) Inventory

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

(13) Investments in equity method-associate companies

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
3. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Group will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Group.
5. When the Group disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Group loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property , plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the

item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	2 years ~ 60 years
Machinery equipment	2 years ~ 20 years
Transport equipment	3 years ~ 5 years
Other equipment	2 years ~ 40 years

(15) <u>The lessee's lease transaction-right-of-use assets/lease liabilities.</u>

1. Lease assets are recognized on the day of the available for use by the Group as right-of-use assets and lease liabilities. If the lease contract is a short-term lease or a lease of an underlying asset with low-value, lease payment is recognized using the straight-line method as an expense during the period of lease based.

2. The lease liability on the first day of lease is recognized at the present value after unpaid lease payments are converted into cash according to the Group's incremental borrowing interest rate. Lease payments include fixed payments deducted by any lease incentives received. According to the follow-up interest method and measurements by the amortized cost method, interest incurring during the period of lease is provisioned. In case of changes in the period of lease or lease payments not attributed to contract modifications, the lease liability will be re-evaluated, and the remeasurement will be used to readjust the right-of-use asset.

3. The right-of-use asset is recognized by cost on the starting day of lease. The costs include:

   (1) The original measured amount of lease liability;
   (2) Any original direct costs incurred;

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

(16) <u>Investment property</u>

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

(17) <u>Intangible assets</u>

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

(18) Losses in non-financial asset

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(19) Loans

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

(20) Notes and accounts payable

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

(21) De-recognition of financial liabilities

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

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

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

(23) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plan

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

(2) Defined benefit plan

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

B. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recoded as retained earnings.

C. The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Termination benefits

Resignation benefit refers to the benefit for the employee who is terminated from employment before the normal retirement date or who has decides to accept termination of employment in exchange for the benefit. The Group has resignation benefit recognized as expense when the invitation of resignation benefit can no longer be withdrawn or recognizing the related restructuring expense whichever is sooner. The benefit that is not expected to be liquidated within 12 months after the balance sheet date should be discounted.

4. Remunerations for employees and directors

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

(24) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction

other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) <u>Dividends</u>

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

(26) <u>Recognition of revenue</u>

1. Product sales

(1) The Group manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Group has no outstanding performance obligations which may affect customers’ acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.

(2) Account receivables are recognized when goods are delivered to customers. Since the Group has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.

2. Labor revenue

(1) The Group provides commissioned bio drug testing and other related services. Labor service income is recognized as income during the period of financial reporting on services provided to customers. Revenues from fixed price contracts are recognized based of the proportion of services provided in all services provided as of the balance sheet date. The percentage of service completion is based on the proportion of actual costs incurred in the total costs. The customer shall pay contract prices according to the payment time agreed. When services provided by the company exceed the

customer's accounts payable, they are recognized as contract assets; if the customer's accounts payable exceeds the services provided by the company, they are recognized as contract liability.

(2) The Group's estimates of revenues, costs, and degree of work completion are subject to amendments as circumstances change. Any increase or decrease in estimated income or cost due to changes in estimates shall be reflected in profit or loss during the period in which the circumstances leading to the amendments are known to management.

(27) Operating segments

The operating segment information and the internal management reports submitted to the mainly operational decision makers are consistent in the way of reporting. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventory

The Group measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Group must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Group assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2020, the book balance of the Group's inventories is $481,244.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 418	$ 117

Checking accounts and demand deposits	99,791	71,123
Time deposits	-	29,980
Cash equivalents- Short-term bills	48,416	-
	$ 148,625	$ 101,220

1. The financial institutions that the Group deals with are with good credit quality; also, the Group deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Group's cash and cash equivalents pledged to others as collateral.

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

Item	December 31, 2020	December 31, 2019
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
China Development Biomedical Venture Capital (limited company)	$ 30,000	$ 30,000
Evaluation adjustment	2,456	(1,840)
	$ 32,456	$ 28,160

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

	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 4,296	($ 1,818)

(3) Note receivable and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 344	$ 345
Less: Allowance for losses	-	-
	$ 344	$ 345
Accounts receivable	$ 315,876	$ 125,534
Less: Allowance for losses	(266)	(266)
	$ 315,610	$ 125,268

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

	December 31, 2020	December 31, 2019
Not overdue	$ 344	$ 345

   (2) Accounts receivable

	December 31, 2020	December 31, 2019
Not overdue	$ 246,105	$ 111,602
Overdue within 30 days	69,771	13,932
	$ 315,876	$ 125,534

The aforementioned aging analysis is based on the overdue days.

2. The accounts receivables and bills receivable balance in December 31, 2020 and 2019 were generated from the client contract. The accounts receivables balance and allowance loss in the client contract as of January 1, 2018 amount to $106,336 and $266 respectively.
3. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Group had the maximum exposure of credit risk at $315,954 and $125,613, respectively, as of December 31, 2020 and 2019.
4. The Group does not hold any collaterals.
5. Please see Note 12 (2) for the credit quality of the accounts receivable and notes receivable.

(4) Inventory

	December 31, 2020		
	Cost	Price loss allowance	Book value
Raw materials	$ 188,368	($ 21,153)	$ 167,215
Work in process	77,104	(550)	76,554
Finished products	282,773	(45,298)	237,475
	$ 548,245	($ 67,001)	$ 481,244

	December 31, 2019		
	Cost	Price loss allowance	Book value
Raw materials	$ 103,841	($ 10,615)	$ 93,226
Work in process	91,407	(5,366)	86,041
Finished products	291,921	(59,004)	232,917
	$ 487,169	($ 74,985)	$ 412,184

The Group's current inventory cost recognized as expenses:

	2020	2019
Cost of inventory sold	$ 839,956	$ 684,570
Loss of price decline of inventory and obsolescence loss	14,899	1,944
Proceeds from sale of scraps.	(3,179)	(4,669)
	$ 851,676	$ 681,845

The Group has successively cleared or sold inventory provisioned loss on falling price in the previous year, recognized as loss on inventory falling price (gain from price recovery).

(5) Investments accounted for by the equity method

	December 31, 2020	December 31, 2019
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	$ 511,434	$ 478,894

1. Affiliate business

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

Company name	Main places of business operations	Ratio of Shareholding December 31, 2020	Ratio of Shareholding December 31, 2019	Type of affiliation	Measurement
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	8.49%	8.49%	Affiliate business	Equity method

(2) The aggregated information of the Group's main affiliates is shown as follows:

Balance Sheet

	China Chemical & Pharmaceutical Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	$ 3,475,791	$ 3,174,209
Non-Current assets	7,093,226	6,698,924
Current liabilities	(1,874,262)	(1,696,771)
Non-current liabilities	(2,103,576)	(2,269,899)
Total net assets	$ 6,591,179	$ 5,906,463
Book value of affiliates	$ 511,434	$ 478,894

Comprehensive income statement

	China Chemical & Pharmaceutical Co., Ltd.	
	2020	2019
Income	$ 3,857,241	$ 3,596,186
Current net profits from continuing operations	$ 557,232	$ 384,690
Other comprehensive income (net after tax)	366,087	88,766
Total comprehensive income for the period	$ 923,319	$ 473,456

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

	2020	2019
China Chemical & Pharmaceutical Co., Ltd.	$ 37,896	$ 28,221

3. The Group obtained equity amounting to NT$139,048 from that company from the open market during 2019.
4. The Group's investment in China Chemical & Pharmaceutical has a public offer of which the fair value were $508,987 and $486,912 as of December 31, 2020 and 2019, respectively.
5. The Group holds up to 8.49% of the total shares of China Chemical & Pharmaceutical Co., Ltd. as the largest single shareholder. Given the facts that the Group lacks substantial capability to dominate the relevant events as indicated through the participation by other shareholders in that company and the voting powers in major motions, it is judged that the Group does not possess control power but only has influence toward that company.

(6) Property , plant, and equipment

2020

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1							
Cost	$ 1,454,384	$ 662,864	$ 1,128,088	$ 6,899	$ 553,846	$ 17,268	$ 3,823,349
Accumulated depreciation and impairment	-	(421,831)	(833,042)	(6,624)	(381,544)	-	(1,643,041)
	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,302	$ 17,268	$ 2,180,308
2020							
January 1	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,302	$ 17,268	$ 2,180,308
Additions	-	5,960	5,222	1,421	30,229	156,186	199,018
Disposition	(712,984)	-	(96)	-	-	-	(713,080)
Reclassification (Note)	-	5,433	50,481	-	4,970	(61,165)	(281)
Depreciation	-	(23,611)	(66,279)	(198)	(36,622)	-	(126,710)
Net exchange differences	-	-	-	-	(4)	-	(4)
December 31	$ 741,400	$ 228,815	$ 284,374	$ 1,498	$ 170,875	$ 112,289	$ 1,539,251
December 31							
Cost	$ 741,400	$ 674,256	$ 1,172,957	$ 7,448	$ 580,181	$ 112,289	$ 3,288,531
Accumulated depreciation and impairment	-	(445,441)	(888,583)	(5,950)	(409,306)	-	(1,749,280)
	$ 741,400	$ 228,815	$ 284,374	$ 1,498	$ 170,875	$ 112,289	$ 1,539,251

2019

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1							
Cost	$ 1,454,384	$ 648,624	$ 1,063,615	$ 7,488	$ 520,744	$ 24,601	$ 3,719,456
Accumulated depreciation and impairment	-	(398,676)	(770,322)	(6,649)	(348,215)	-	(1,523,862)
	$ 1,454,384	$ 249,948	$ 293,293	$ 839	$ 172,529	$ 24,601	$ 2,195,594
2019							
January 1	$ 1,454,384	$ 249,948	$ 293,293	$ 839	$ 172,529	$ 24,601	$ 2,195,594
Additions	-	3,553	4,717	-	16,867	85,028	110,165
Disposition	-	-	-	(288)	-	-	(288)
Reclassification	-	10,687	62,466	-	19,208	(92,361)	-
Depreciation	-	(23,155)	(65,430)	(281)	(36,300)	-	(125,166)
Net exchange differences	-	-	-	5	(2)	-	3
December 31	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,302	$ 17,268	$ 2,180,308
December 31							
Cost	$ 1,454,384	$ 662,864	$ 1,128,088	$ 6,899	$ 553,846	$ 17,268	$ 3,823,349
Accumulated depreciation and impairment	-	(421,831)	(833,042)	(6,624)	(381,544)	-	(1,643,041)
	$ 1,454,384	$ 241,033	$ 295,046	$ 275	$ 172,302	$ 17,268	$ 2,180,308

Note: The reclassification in the present term is to transfer out toward “intangible assets.”

1. The Group executed a contract on land transaction with Lian Hwa Foods Corporation on May 14, 2020. The aggregate total price under the transaction amounted to NT$1,063,953. After deducting essential transaction cost of NT$4,247, the benefit from the transaction amounted to NT$346,722. The ownership transfer registration was completed in June 2020.

2. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.

(7) Investment property

	December 31, 2020	December 31, 2019
Land cost	$ 10,700	$ 10,700

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

	2020	2019
Rental income of investment properties	$ 824	$ 881
Direct operating expenses incurred in investment properties that have rental income in the current period	$ 48	$ 48

2. The fair value of investment properties held by the Group for the years ended December 31, 2020 and 2019 were $50,239, based on the transaction prices of the adjacent lands.

(8) Shot-term borrowings

In the Company, short-term loans were nonexistent as of December 31, 2020. As of December 31, 2019, the short-term loan fact was as follows:

Loans nature	December 31, 2019	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 70,000	1.10%~1.14%	None

(9) Short-term bills payable

	December 31, 2020	December 31, 2019
Face value of commercial paper	$ -	$ 220,000
Less: Discount in short-term bills payable	-	(260)
	$ -	$ 219,740
Interest rate collars	-	1.06%~1.08%

(10) Other payable

	December 31, 2020	December 31, 2019
Salary and bonus payables	$ 74,628	$ 48,783
Commission payable	12,184	7,358
Remuneration to employees and directors and supervisors payable	46,996	22,312
Equipment payables	13,183	5,777
Repair fees payable	7,103	6,445
Others	33,592	34,724
	$ 187,686	$ 125,399

(11) Long-term borrowings

	December 31, 2020	December 31, 2019
Bank loan		
Secured loans	$ -	$ 600,000
Interest rate collars	–	1.40%~1.49%

Please refer to Note 8 for details of the guarantee.

(12) Pension

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

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

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	($ 115,828)	($ 109,160)
The fair value of plan assets	139,113	131,261
Net defined benefit assets (Recognized as Other non-current assets)	$ 23,285	$ 22,101

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

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

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2019			
Balance at January 1	($ 117,386)	$ 135,882	$ 18,496
Current service cost	(1,521)	-	(1,521)
Interest (expense) income	(1,125)	1,323	198
	(120,032)	137,205	17,173
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,940	4,940
The effect of changes in financial assumptions	(2,688)	-	(2,688)
Experience adjustments	290	-	290
	(2,398)	4,940	2,542
The appropriation of pension fund	-	2,386	2,386
Pension payments	13,270	(13,270)	-
Balance at December 31	($ 109,160)	$ 131,261	$ 22,101

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with IAS 19, Paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2020	2019
Discounted rate	0.30%	0.70%
Future salary increases rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2020				
The impact on the present value of the defined benefit obligations	($ 2,319)	$ 2,395	$ 2,348	($ 2,286)
December 31, 2019				
The impact on the present value of the defined benefit obligations	($ 2,247)	$ 2,323	$ 2,287	($ 2,224)

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

(6) The Company applied on December 7, 2020 for suspension from appropriation of labor pension reserve. The Company has been approved for suspension from appropriation starting from fiscal year 2021.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular

employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) Pharmaports, LLC follows the retirement insurance system in the US and has an internal policy determining the allocation of pensions. Every month, a certain percentage of the local employees' salary is allocated to the pension fund.

(3) The pension costs under the defined contribution pension plans of the Group for the 2020 and 2019 were $9,102 and $8,734, respectively.

(13) Share capital

1. As of December 31, 2020, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was $775,600 with a par value of $10 (in dollars) per share. All issued capital of the Company were paid up.
2. The number of the Company's outstanding ordinary shares was 77,560 thousand as of 2020 and 2019.
3. The affiliation of the Company held 17,331 thousand shares of the Company as of December 31, 2020 and 2019.

(14) Capital reserve

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

(15) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than $0.1 per share, it can be given in the form of stock dividend.
2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(2) When adopting IFRSs for the first time, refer to Jin-Guan-Zheng-Fa-Zi Document 1010012865 on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.

4. (1) The appropriations of 2020 and 2019 earnings had been resolved at the shareholders' meeting on May 29, 2020 and May 31, 2019, respectively. Details are summarized below:

	2019		2018	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal earnings reserve	$ 11,885		$ 23,425	
Cash dividend	62,048	$ 0.8	93,072	$ 1.2
	$ 73,933		$ 116,497	

(2) The appropriations of 2020 earnings had been proposed by the Board of Directors on March 4, 2021. Details are summarized below:

	2020	
	Amount	Dividends per share ($)
Legal earnings reserve	$ 54,786	
Cash dividend	116,340	$ 1.5
	$ 171,126	

The aforementioned distribution of earnings of 2020 has not been passed in the shareholders' meeting.

(16) Operating revenues

	2020	2019
Revenue from Contracts with Customers	$ 1,543,589	$ 1,156,642

1. Segmentation of revenue from contracts with customers

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

2020	Taiwan	United States	Total
Revenue from contracts with external customers	$ 745,592	$ 797,997	$ 1,543,589

Time point of sales income recognition			
Revenues recognized at a specific time	$ 735,636	$ 797,997	$ 1,533,633
Revenues gradually recognized with time	9,956	-	9,956
	$ 745,592	$ 797,997	$ 1,543,589

2019	Taiwan	United States	Total
Revenue from contracts with external customers	$ 625,308	$ 531,334	$ 1,156,642
Time point of sales income recognition			
Revenues recognized at a specific time	$ 613,295	$ 531,334	$ 1,144,629
Revenues gradually recognized with time	12,013	-	12,013
	$ 625,308	$ 531,334	$ 1,156,642

2. Contract assets and contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets			
-Labor services	$ 21	$ 452	$ -
Contract liabilities:			
-Drug sale contracts	$ 1,263	$ 59,377	$ 1,579
-Labor services	2,394	2,263	-
Total	$ 3,657	$ 61,640	$ 1,579

(2) The initial contract liabilities arising from sales and labor contracts recognized as revenues in 2020 and 2019 total $56,136 and NT$1,579 respectively.

(17) Interest income

	2020	2019
Interest from bank deposits	$ 354	$ 799
Other interest incomes	70	9
	$ 424	$ 808

(18) Other revenue

	2020	2019
Rent revenue	$ 1,296	$ 1,570
Other Revenue- other	9,538	6,852
	$ 10,834	$ 8,422

(19) Other profits and losses

	2020	2019
Gain in disposal of property, plant and equipment	$ 346,826	$ 69
Net foreign exchange loss	(11,819)	(1,687)
Net profit (loss) from financial assets and liabilities at fair value through profit and loss	4,296	(1,818)
Miscellaneous income	(2,323)	(763)
	$ 336,980	($ 4,199)

(20) Financial costs

	2020	2019
Interest expenses:		

Bank loan	$	4,704	$	10,534
Other financial expenses		53		83
	$	4,757	$	10,617

(21) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Functionality / Characteristics	2020 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 124,930	$ 191,556	$ 316,486
Labor insurance and national health insurance	9,748	12,242	21,990
Pension expenses	3,565	6,447	10,012
Other employee expenses	8,177	13,068	21,245
Depreciation	96,564	32,981	129,545
Amortization	-	1,609	1,609

Functionality / Characteristics	2019 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 101,768	$ 148,791	$ 250,559
Labor insurance and national health insurance	9,582	11,741	21,323
Pension expenses	3,547	6,559	10,106
Other employee expenses	7,539	10,348	17,887
Depreciation	94,489	33,272	127,761
Amortization	10	1,871	1,881

2. Remunerations for employees and directors:

(1) According to the articles of incorporation of the Company, a portion of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

(2) A. For the 2020, employees' compensation was accrued at $39,296 while directors' remuneration was accrued at $7,481. The aforementioned amounts were recognized in salary expenses.

B. For the 2019, employees' compensation was accrued at $18,835 while directors' remuneration was accrued at $1,884. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration were estimated and accrued based on 5.67% and 1.08% of profit of current year distributable for the

2020, respectively.

D. The employees' compensation and directors' remuneration resolved by the Board of Directors for 2019 were $18,835 and $1,884, respectively, consistent with the amount recognized in the 2019 financial report.

E. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(22) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2020	2019
Current income tax:		
Current income tax	$ 121,952	$ 24,521
Additional levy on undistributed earnings	112	492
Over provision of prior year's income tax	(8,832)	(43)
Total Current income tax	113,232	24,970
Deferred income tax:		
Origin and reversal of temporary differences	5,002	1,649
Income tax expense	$ 118,234	$ 26,619

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

	2020	2019
Defined benefit obligation revaluation amount and volume	$ 49	$ 508

2. Reconciliation between income tax expense and accounting profit:

	2020	2019
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 133,094	$ 30,821
Tax-free income by Income Tax Law	(9,504)	(5,644)
Impact on income tax from items excluded according to the tax law	66	374
Realizable changes from deferred income tax assets	1,546	-
Additional levy on undistributed earnings	112	492
Over provision of prior year's income tax	(8,832)	(43)
Foreign dividend withholding tax rate difference	686	619
The land value increment tax payable for land sold	1,066	-
Income tax expense	$ 118,234	$ 26,619

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

2020

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

2019

	January 1	Recognized in the profit or loss	Recognized in other comprehensive net profit	December 31
Temporary differences				
- Deferred income tax assets:				
Falling price of inventory	$ 16,556	($ 1,560)	$ -	$ 14,996
Unrealized exchange loss	60	204	-	264
Impairment loss of fixed assets	2,339	(681)	-	1,658
Bonus payable for paid leave not taken	1,037	233	-	1,270
Profit and loss recognized by using equity method	293	315	-	608
Others	226	53	-	279
Subtotal	20,511	(1,436)	-	19,075
- Deferred income tax liabilities				
Determined benefit obligation	(3,699)	(213)	(508)	(4,420)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(243,863)	(213)	(508)	(244,584)
Total	($ 223,352)	($ 1,649)	($ 508)	($ 225,509)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2018.

5. The Company has duly evaluated the substantial investment amount in 2020 in accordance with the Statute for Industrial Innovation and entered it as deduction for the unappropriated retained earnings with additional levy of profit-seeking enterprise income tax.

(23) Earnings per share

	2020		
	After-tax amount	Weighted average outstanding shares (thousand shares)	Earnings per share (NT$)
Base earnings per share			
Net income attributable to the parent company	$ 531,873	77,560	$ 6.86
Diluted earnings per share			
Net income attributable to the parent company	$ 531,873	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	771	
Net income attributable to the parent company			
Potential effect on ordinary shares	$ 531,873	78,331	$ 6.79

	2019		
	After-tax amount	Weighted average outstanding shares (thousand shares)	Earnings per share (NT$)
Base earnings per share			
Net income attributable to the parent company	$ 117,003	77,560	$ 1.51
Diluted earnings per share			
Net income attributable to the parent company	$ 117,003	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	644	
Net income attributable to the parent company			
Potential effect on ordinary shares	$ 117,003	78,204	$ 1.50

(24) Supplemental cash flow information

1. Investment activities with partial cash payments:

	2020	2019
Purchase of property, plant, and equipment	$ 199,018	$ 110,165
Add: Opening balance of payable on equipment	5,777	9,469
Less: Ending balance of payable on equipment	(13,183)	(5,777)
Cash Paid for the Period	$ 191,612	$ 113,857

2. Investment activities with partial cash collection:

	2020	2019
Disposal of property, plant, and equipment	$ 1,064,153	$ -
Less: Relevant expenses	(4,247)	-
Cash received during the year	$ 1,059,906	$ -

(25) Changes in liabilities arising from financing activities

2020

	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$ 70,000	$ 219,740	$ 600,000	$ 5,366	$ 895,106
Borrowing	340,000	190,306	600,000	-	1,130,306
Repayment	(410,000)	(410,046)	(1,200,000)	(2,918)	(2,022,964)
Other non-cash changes	-	-	-	623	623
December 31	$ -	$ -	$ -	$ 3,071	$ 3,071

2019

	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$ 150,000	$ 79,956	$ 567,440	$ 7,570	$ 804,966
Borrowing	590,000	230,059	700,000	-	1,520,059
Repayment	(670,000)	(90,275)	(667,440)	(2,646)	(1,430,361)
Other non-cash changes	-	-	-	442	442
December 31	$ 70,000	$ 219,740	$ 600,000	$ 5,366	$ 895,106

7. Related party transactions

(1) Name and relationship of related parties

Name	Relationship with the Group
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Group's main affiliates

Chunghwa Yuming Healthcare Co., Ltd. (CYH)	The Group's main affiliates
Tairung Development Co., Ltd.	The Group's main affiliates

(2) Major transactions with related parties

1. Operating revenue

	2020	2019
Product sales:		
Affiliate business	$ 95,737	$ 50,893

(1) The transaction price of the Group's sales to related parties is based on the price agreed by both parties.

(2) The Group's payment period is 30–120 days (monthly) for non-stakeholders and 120 days (monthly) for stakeholders after shipment.

(3) The Group signed a raw material production and sales contract with China Chemical & Pharmaceutical Co., Ltd. in 2016 and renewed the contract in 2019. The Group sold raw materials to the said party at the net cost +30% profit for processing into goods; the Group is entitled to a differential profit ratio of 50% profit from actual sales (China Chemical & Pharmaceutical Co., Ltd. gross profit and the Group's sales gross profit).

2. Receivable from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
CCPC	$ 41,998	$ 24,339
Less: Allowance for losses	(46)	(46)
	$ 41,952	$ 24,293

3. The Group's business supplies purchased in 2020 and 2019 totaled NT$2,128 and NT$2,219, respectively, and are listed as miscellaneous fees.

(3) Remuneration to key management

	2020	2019
Salaries and other short-term employee benefits	$ 40,862	$ 27,829
Termination benefits	-	1,246
Retirement benefits	538	705
	$ 41,400	$ 29,780

8. Pledged assets

The assets of the Group are offered as collateral as follows:

	Book Value		
Asset Item	December 31, 2020	December 31, 2019	Purpose of guarantee

property , plant, and equipment	$ -	$ 712,984	Long-term borrowings
Deposits paid (Recognized as Other non-current assets)	4,000	2,000	Tariff guarantee bond
	$ 4,000	$ 714,984	

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingencies

none.

(2) Commitments

Capital expenditures that have been signed but not yet incurred

	December 31, 2020	December 31, 2019
property , plant, and equipment	$ 445,400	$ 24,027

10. Significant disaster loss

none.

11. Major post-balance sheet events

Please refer to Note 6 (15) 4 for a description on distribution of surplus for 2020.

12. Others

(1) Capital management

The Group's capital risk management objectives are to ensure that the Group is capable of continuing operations, to maintain the most appropriate capital structure in order to reduce cost of capital and to maximize returns for shareholders. The Group may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Group's capital structure. The Group uses the debt-to-equity ratio to monitor its capital. The ratio is calculated by dividing net debts by total capital. Net debts are calculated as total debts (including "current and non-current borrowings" presented in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" presented in the consolidated balance sheet plus net debts.

The Group maintained the same strategy in 2020 as in 2019. It is committed to keeping the debt-to-capital ratio between 20% and 45%.

(2) Financial instruments

1. Types of financial instrument

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at fair value through profit and loss		

Financial assets mandatorily measured at fair value through profit or loss	$ 32,456	$ 28,160
Financial assets based on cost after amortization		
Cash and cash equivalents	148,625	101,220
Notes receivable	344	345
Accounts receivable (including related parties)	357,562	149,561
Other receivable	9,653	20,908
Deposits paid (Recognized as Other non-current assets)	7,251	5,360
	$ 555,891	$ 305,554

Financial liabilities	December 31, 2020	December 31, 2019
Financial liability measured at the amortized cost		
Shot-term borrowings	$ -	$ 70,000
Short-term bills payable	-	219,740
Payable notes	1,215	1,192
Accounts payable	96,495	77,226
Other payable	187,686	125,399
Long-term borrowings	-	600,000
Deposits received (Recognized as other current liabilities-others)	266	522
	$ 285,662	$ 1,094,079
Lease liabilities (including current and non-current)	$ 3,071	$ 5,366

2. Risk management policies

   (1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial market, and the Group seeks to mitigate potential adverse effect on the financial position and performance.

   (2) The Group's Finance Department identifies and assesses financial risks in close collaboration with the Group's other operating units.

3. The nature and extent of significant financial risks

   (1) Market risk

   Exchange rate risk

   A. The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in US dollars. The related exchange risk from future operating activities have been recognized in assets and liabilities.

   B. The Finance Department of the Group conducts hedging for the overall exchange rate risk. Exchange rate risk is measured by highly probable transactions in US dollars. Forward foreign exchange contracts are adopted to reduce the impact of exchange rate fluctuations on expected transactions.

C. The Group’s operations involve certain non-functional currencies (the Company’s and certain subsidiaries’ functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the USD), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2020		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 13,185	28.480	$ 375,509
Financial liabilities			
Monetary items			
USD: NTD	$ 2,700	28.480	$ 76,896

	December 31, 2019		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 5,355	29.98	$ 160,543
Financial liabilities			
Monetary items			
USD: NTD	$ 1,154	29.98	$ 34,597

D. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to a gain of $11,819 and a loss of $1,687 for the years ended December 31, 2020 and 2019, respectively.

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

	2020		
	Sensitivity analysis		
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 3,755	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 769)	$ -

2019

	Sensitivity analysis		
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 1,605	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 346)	$ -

Price risk

A. The equity instruments of the Group that are exposed to price risks are those financial assets held at fair value through profit and loss. To manage the price risk of equity instruments, the Group diversifies its investment portfolio in a manner that is based on the limits set by the Group.

B. The Group invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. In case the price of the said equity instrument rises or drops by 10% while the other factors remain unchanged, the after-tax net profit for 2020 and 2019 due to the profit or loss of the equity instrument measured from fair value through profit and loss will increase or decrease by NT$3,246 and $2,816 respectively.

Cash flow and fair value interest rate risk

A. The Group's interest rate risk mainly comes from short-term borrowings issued at floating rates, short-term bills payable and long-term borrowing, which exposes the Group to cash flow interest rate risk. The Group's policy is to maintain at least 40% of the borrowings at fixed interest rates, which can be achieved through interest rate swap when necessary. For 2020 and 2019, the Group's borrowings issued at floating rates were mainly denominated in New Taiwan dollars.

B. If the interest rates of borrowing NTD and USD increases or decreases by 1%, while all other factors remain constant, the net profit after tax for 2020 and 2019 is an increase of $0 and $4,800, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

A. Credit risk refers to the risk of financial loss of the Group arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.

B. The management of credit risk is established with a Group perspective. According to the Company's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.

C. The Group uses IFRS 9 to provide an assumption that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.

D. The Group uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:

If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. The Group categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.

F. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Group will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2020 and 2019, the Group has no creditor’s rights that have been written off but are involved in recourse.

G. The Group has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2020 and 2019 are show as follows:

December 31, 2020	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.02%~0.20%	$ 105,899	$ 285
Overdue within 30 days	0.25%~2.46%	105	9
Overdue 31 to 60 days	0.25%~2.50%	-	-
Overdue 61 to 90 days	0.68%~6.67%	-	-
Overdue 91	10%~100%	-	-
		$ 106,004	$ 294

December 31, 2019	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.02%~0.24%	$ 73,047	$ 285
Overdue within 30 days	0.30%~2.95%	1,525	9
Overdue 31 to 60 days	0.30%~3.01%	-	-
Overdue 61 to 90 days	0.63%~6.34%	-	-
Overdue 91	10%~100%	-	-
		$ 74,572	$ 294

The customers of Pharmaports, LLC, one of the Company’s subsidiaries, prove very sound in credit standing. The previous experiences show no default record at all. The anticipated loss rate is, therefore, at 0.2%. In 2020 and as of December 31, 2019, the total receivable book value and the allowance for loss amounted to NT$252,214 and NT$18, and NT$75,646 and $18.

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

	2020
	Notes receivable and accounts (including interested parties)
January 1	$ 312
Impairment loss is recognized	-
December 31	$ 312

	2019
	Notes receivable and accounts (including interested parties)
January 1	$ 312
Impairment loss is recognized	-
December 31	$ 312

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2020 and 2019 are $559 and $199. Among the reversed loss in 2020 and 2019, $0 is the impairment loss reversed by payables derived from customer contracts.

(3) Liquidity risk

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

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

	December 31, 2020	December 31, 2019
Maturing in one year or less	$ -	$ 870,000
Mature beyond one year	200,000	320,000
	$ 200,000	$ 1,190,000

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

Non-derivative financial liabilities:

December 31, 2020	Within 1 year	1 to 2 years	2 to 5 years
Payable notes	$ 1,215	$ -	$ -
Accounts payable	96,495	-	-
Other payable	187,686	-	-
Lease liabilities	2,370	700	123

Deposits received (Recognized as other current liabilities-others)	266	-	-

Non-derivative financial liabilities:

December 31, 2019	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 70,000	$ -	$ -
Short-term bills payable	220,000	-	-
Payable notes	1,192	-	-
Accounts payable	77,226	-	-
Other payable	125,399	-	-
Lease liabilities	2,805	2,220	509
Long-term borrowings	8,850	608,729	-
Deposits received (Recognized as other current liabilities-others)	522	-	-

(3) Fair value information

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

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

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

   Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (7) for the fair value of investment property carried at cost.

3. Financial instrument not measured at fair value:

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

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

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				

Equity securities	$ -	$ -	$ 32,456	$ 32,456
December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 28,160	$ 28,160

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

A. The fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.

B. When assessing non-standardized and less complex financial instruments, the Group adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.

C. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Group. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Group's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the consolidated balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.

5. There were no transfers between Level 1 and 2 in 2020 and 2019.

6. The following table shows the changes in Level 3 in 2020 and 2019:

	2020	2019
	Equity instruments	Equity instruments
January 1	$ 28,160	$ 29,978
Income recognized in profit or loss (Note)	4,296	(1,818)
December 31	$ 32,456	$ 28,160

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2020 and 2019.

8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable.

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

International Financial Reporting Standards.

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

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

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 28,160	Net asset value method	Not applicable	Not applicable

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

13. Notes of disclosure

(1) Information about important transactions

In accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. the major transactions related to the Group in 2020 are as follows:

1. Loans to others: None
2. Provision of endorsements and guarantees to others: None
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: Not applicable.
5. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: Pease refer to Table 2.
7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 3.
8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 4.
9. Engaged in derivatives trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(2) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table 6.

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

1. Basic information: Please see Table 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

(4) Information of major shareholders

Information of major shareholders: Cf. Table 8 annexed hereto for details.

14. Segment information

(1) General information

Management has determined the reportable operating segments based on reports reviewed by the general manager and used to make strategic decisions. The general manager operates the business from a geographical perspective, with the production and sales of active pharmaceutical ingredients being the main sources of income. Taiwan is mainly responsible for sales and research and development, and the US mainly is involved in sales. The Group provides the operating results of entities in the consolidated statements to the chief operating decision-maker for review and uses the information to evaluate performance of the departments.

(2) Evaluation of department information

The Group presents the chief operating decision-maker with the pre-tax net profit or loss of each region which uses consistent measurement for revenue and expense in the income statements, and the performance of each operating department is evaluated based on the pre-tax net profit or loss.

The Group did not provide the chief operating decision-maker with total assets and liabilities for operational decisions.

(3) Segment profit/loss

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

2020	Taiwan	United States	Adjustment and write-off	Total
Revenue from external clients	$ 745,592	$ 797,997	$ -	$ 1,543,589
Revenue from internal transactions	769,552	-	(769,552)	-
Department income	$ 1,515,144	$ 797,997	($ 769,552)	$ 1,543,589
Segment profit/loss	$ 636,958	$ 13,339	$ -	$ 650,297
Segment profit and loss include:				
Depreciation and amortization	$ 129,968	$ 1,186	$ -	$ 131,154

2019	Taiwan	United States	Adjustment and write-off	Total
Revenue from external clients	$ 625,308	$ 531,334	$ -	$ 1,156,642

Revenue from internal transactions	509,899	-	(509,899)	-
Department income	$ 1,135,207	$ 531,334	($ 509,899)	$ 1,156,642
Segment profit/loss	$ 135,090	$ 8,653	$ -	$ 143,743
Segment profit and loss include:				
Depreciation and amortization	$ 128,547	$ 1,095	$ -	$ 129,642

(4) Reconciliation of segment profit and loss

The reports provided to the chief operating decision-maker for the segments' operating decision are not different from the segments' profit and loss statement, so no adjustment is required.

(5) Information on types of product and labor service

The income from external customers is mainly in the forms of manufacturing and sales of APIs, and the breakdown of income balance is shown as follows:

	2020	2019
Sales revenue of biotechnology products	$ 1,045,679	$ 908,904
Sales revenue of non-biotech products	487,954	235,725
Labor revenue	9,956	12,013
	$ 1,543,589	$ 1,156,642

(6) Information by areas

Information by region for the Group in 2020 and 2019:

	2020		2019	
	Income	Non-Current assets	Income	Non-Current assets
Taiwan	$ 151,562	$ 1,552,745	$ 114,904	$ 2,194,913
U.S.	797,997	1,609	517,489	2,764
Japan	147,931	-	176,021	-
India	124,543	-	34,035	-
Croatia	-	-	67,858	-
Others	321,556	-	246,335	-
Total	$ 1,543,589	$ 1,554,354	$ 1,156,642	$ 2,197,677

(7) Information about important customers

Major clients who accounted for more than 10% of the sales in 2020 and 2019:

	2020		2019	
	Income	Department	Income	Department
Client A	$ 659,098	United States	$ 294,300	United States
Client B	93,421	Taiwan	117,903	Taiwan

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

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

January 1 to December 31, 2020

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

				At ending				
Holding company	Type and name of marketable securities (Note 1)	Relationship with the securities issuer	Account titles in book	Quantity	Book value (Note 2)	Shareholding percentage	Fair value	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Common shares China Development Biomedical Venture Capital (limited company)	None	Financial assets at fair value through profit and loss	3,000,000	$ 32,456	1.71%	$ 32,456	None

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

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Disposal of real estate reaching $300 million or 20% of paid-in capital or more

January 1 to December 31, 2020

Attached table 2

Unit: NTD thousand

(Except where otherwise stated)

Company disposing property	Asset title	Date of occurrence (Note 3)	Original acquisition date	Book value (Note 4)	Trade value	Payment status (Note 5)	Capital gain/loss from disposition	Counterparties	Relation	Purpose of disposition	Reference basis for price (Note 1)	Other stipulations of the transaction
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Lands in Guanyin District of Taoyuan City	2020/5/14	2017/09/30	$ 717,231	$1,063,953	$ 1,063,953	$ 346,722	Lian Hwa Foods Corporation	None	Activating the Company's assets	Note 6	None

Note 1: For the disposal of assets which require appraisal according to the regulations, please specify the appraisal results in the "Reference basis for price" field.

Note 2: Paid-in capital refers to the amount of paid-in capital of the parent company. In the event the issuer's shares have no par value or a par value other than NT$10, the calculation of transaction amounts of 20% of paid-in capital will be substituted by the 10% of equity attributable to owners of the parent company.

Note 3: The event date refers to the transaction date, payment date, commission date, account transfer date, board resolution date, or other dates when the trade counterparty and trade amount is confirmed, whichever is sooner.

Note 4: The carrying amount includes land cost of $712,984 and the sales expense of $4,247.

Note 5: The total transaction price for the disposal of lands was $1,063,953. The payments were received by June 24, 2020.

Note 6: After referring to the appraisal amounts of the two appraisal institutions at NT$887,089 and NT$$900,814 respectively, Party C negotiated with the counterparty of the transaction to conclude the transaction.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Purchase from or sale to related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2020

Attached table 3

Unit: NTD thousand

(Except where otherwise stated)

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes, accounts receivable (payable)	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	$ 764,003	50%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	$ 244,743	70%	None

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

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

January 1 to December 31, 2020

Attached table 4

Unit: NTD thousand

(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties: Amount	Overdue Receivables from related parties: Disposal Method	Account receivable from related parties: Amount received subsequently.	Provision for loss allowance
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	$ 73,369	7.23	$ -	-	$ -	$ -
"	"	"	3,114 (Note)	-	-	-	-	-

Note: As other receivables.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Significant inter-company transactions during the reporting periods

January 1 to December 31, 2020

Attached table 5

Unit: NTD thousand

(Except where otherwise stated)

				Transactions			
Code (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Item	Amount	Terms and conditions	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	$ 764,003	Note 4	49%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable	244,743	Note 4	8%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:
(1) Fill in "0" for parent company.
(2) Subsidiaries are numbered from number 1.

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

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

Note 4: The payment period for sales to related parties is 60 to 90 days after shipment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

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

January 1 to December 31, 2020

Attached table 6

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment: Current period-end	Sum of initial investment: The end of last year	Ending shareholding: Quantity	Ending shareholding: Ratio	Ending shareholding: Book value	Current period profit / loss of the investee	Recognized investment Income	Remarks
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	$ 4,925	$ 4,925	-	98.00%	$ 12,771	$ 9,499	$ 9,309	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	463,641	463,641	25,294,137	8.49%	511,434	557,232	37,896	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Information on investments in China - Basic information

January 1 to December 31, 2020

Attached table 7

Unit: NTD thousand

(Except where otherwise stated)

Names of investees in China	Principal business	Paid-up Capital	Investment method (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period: Outward remittance	Amount of investment remitted or recovered in current period: Recover	Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment income (loss) recognized for the year (Note 2 (2) B)	Book value of investment at ending	The vestment come ceived at end of current riod	Remarks
CCPC Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies	$ 14,827	(2)	$ 14,827	$ -	$ (14,827)	$ -	$ 249	100.00%	$ 249	$ -	$ 23,069	None

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
CCPC Suzhou	-	-	$ 1,499,198

Note 1: There are three types of investments labeled by the respective number:
(1) Direct investment in Mainland China.
(2) Investment in China through an existing company established in a third region (please specify the company): Investment in China through CCSB Holding Co., Ltd.
(3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:
(1) Please note if the investee is still under preparation and there was no investment gain or loss.
(2) The basis of recognition of investment income is classified into following three types, which should be marked out.
A. Financial statements audited by an international accounting firm which cooperates with China Accounting Firm.
B. Financial statements audited by the CPAs who audit the parent company in Taiwan.
C. Others: The investment gain or loss recognized in the financial report of the same period that have not been verified by the certified accountant.

Note 3: All amounts are expressed in New Taiwan dollars.

Note 4: Suzhou Chunghwa Biotech Trading Co., Ltd. obtained the certificate for liquidation approval from the taxation authority on November 6, 2019. Starting from that day, it proceeded with the liquidation procedures successively. After it completed the deregistration process on May 27, 2020, it remitted the invested amount to CCSB Holding Co., Ltd. on September 9, 2020 and the invested amount was remitted to our Company on October 6, 2020. That investment case was cancelled as approved by the Investment Commission, Ministry of Economic Affairs on October 30, 2020.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Information of major shareholders

December 31, 2020

Attached table 8

	Shareholding	
Name of main shareholder	Number of shares held	shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.34