

Sinphar Pharmaceutical Co., Ltd.
2024 Shareholders' Meeting Minutes

Time: 10:00 a.m. on Wednesday, June 19, 2024

Venue: No. 95, Xinliao Rd., Zhongshan Village, Dongshan Township, Yilan County
269, Taiwan (R.O.C.) (Vocational Training Center)

Attendance: The total issued shares were 167,722,022 shares, and the total shares outstanding were 167,722,022 shares. There were 114,418,498 shares represented by attending shareholders (including 11,953,592 shares of electronic voting). The attendance rate was 68.21%, and the attending shares had reached the number legally required for the shareholders' meeting. The attending directors were Chih Wen Lee (Chairman), Yi Ta Lee (Vice Chairman), Ching Lung Lee (Independent Director and Convener of Audit Committee), Yau Yuan Wen (Independent Director), Hsin Yu Chou (Independent Director), Hsiu Min Lin (Director), Hsiu Chi Kuo (Director), Ling Mo Chao (Director), Jehng Jer Guan (Director), Hung Chih Lin (Director), Neng Chun Yu (Director). All the directors totaling 11 directors attended the shareholders' meeting.

Other Attendees: Qing Chen (CPA)

Chairperson: Chih Wen Lee

Recorder: Yi Mei Lou

I. Call the Meeting to Order

(The total shareholding of the shareholders present in person or by proxy constituted a quorum. The chairperson called the meeting to order.)

II. Chairperson Remarks: (omitted)

III. Company Reports

1. 2023 Business Report (Please refer to Attachment 1)
2. Audit Committee's Review Report on the 2023 Financial Statements
(Please refer to Attachment 2)
3. Report on 2023 Remuneration Distribution for Directors and Employees
(Please refer to the handbook)

4. Report on Amendment to the Rules and Procedures of Board of Directors Meeting (Please refer to the handbook)
5. Status Report of Endorsements and Guarantees for Subsidiaries (Please refer to the handbook)
6. Other Matters (Please refer to the handbook)

IV. Ratifications

1.

Proposed by the Board

Proposal:

Adoption of the 2023 Business Report and Financial Statements

Explanation:

The Company's Parent Company Only Financial Statements and Consolidated Financial Statements for 2023 were audited by the CPAs, Ya Quan Zhang and Jin Shu Pan of Crowe (TW) CPAs. Also, the business report and financial statements have been approved by the Board and reviewed by the Audit Committee of the Company. Please refer to Attachment 1 and Attachment 3 for the documents mentioned above.

Voting Results:

Voting rights represented by the presence of shareholders: 114,418,498 votes 100%

In favor: 106,328,377 votes 92.92% (including votes casted electronically 3,871,471 votes)

Against and invalid: 22,025 votes 0.01% (including votes casted electronically 22,025 votes)

Abstained: 8,068,096 votes 7.05% (including votes casted electronically 8,060,096 votes)

Resolution:

The proposal was approved as proposed.

2.

Proposed by the Board

Proposal:

Adoption of 2023 Earnings Distribution

Explanation:

The 2023 earnings distribution table has been passed by the Board of Directors. The distribution status is as follows.

**Sinphar Pharmaceutical Co., Ltd.
2023 Earnings Distribution Table**

Unit: NT\$

Items	Total
Unappropriated retained earnings at the beginning of period	12,337,250
Add (minus):	
Other comprehensive income (benefit plans)	(3,735,526)
Unappropriated retained earnings at the beginning of period after adjusted	8,601,724
Add (minus): Net income after tax in 2023	375,169,591
Add (minus): Adjustment to retained earnings from share of changes of changes in equities of subsidiaries	(13,969,151)
Unappropriated retained earnings after adjusted	369,802,164
Allocation:	
Legal reserves	(36,980,216)
Special reserves	(15,803,609)
Retained earnings available for distribution	317,018,339
Distributable Items:	
Dividend	(301,899,642)
Stock dividend	(134,177,620)
Cash dividend	(167,722,022)
Unappropriated retained earnings	15,118,697

Chairman: Chih Wen Lee General Manager: Yu Liang Pei Accounting Manager: Li Jung Hsieh

1. The Company will distribute dividends of NT\$301,899,642 from retained earnings, with cash dividend of NT\$167,722,022, which is NT\$1 per share, and stock dividend of NT\$134,177,620, which is 80 shares per thousand shares.
2. The cash dividends is calculated to the nearest NT dollar. The remainder will be transferred into the account of Employee Welfare Committee. The Board of Directors was authorized to determine the ex-dividend date after the proposal was approved by the Shareholders' Meeting.
3. If the number of total shares outstanding changed which may cause a fluctuation of the ratios of dividend, therefore requiring adjustments, the Board of Director was

proposed to be authorized to make such adjustments.

Voting Results:

Voting rights represented by the presence of shareholders: 114,418,498 votes 100%

In favor: 106,431,022 votes 93.01% (including votes casted electronically 3,974,116 votes)

Against and invalid: 25,170 votes 0.02% (including votes casted electronically 25,170 votes)

Abstained: 7,962,306 votes 6.95% (including votes casted electronically 7,954,306 votes)

Resolution:

The proposal was approved as proposed.

V. Discussion

1.

Proposed by the Board

Proposal:

Proposal for Issuing New Shares through Capitalization of Retained Earnings

Explanation:

1. To provide working capital, the Company will distribute stock dividend of NT\$134,177,620 from retained earnings, amounting to 13,417,762 shares, to issue new shares through capitalization. The par value shall be NT\$10 per share.
2. Based on the shareholding status inscribed on the shareholders list as of the record date, the stock distribution shall be 80 shares per thousand shares. Shareholders can request to consolidate fractional shares with the Company's shareholder service agent within the period of five days from the share transfer suspension date. In the event that fractional shares are not consolidated within such time period, or where consolidation produces a fraction of less than one share, then such fractional shares will be converted to cash rounded to the nearest NT dollar in accordance with its par value and distributed to the shareholder. The remaining uncombined shares and fractional shares will be subscribed by persons designated by the chairman. If any distribution is conducted by book entry transfer, the fees will be paid by such fractional shares.
3. The rights and obligations of these newly issued shares from retained earnings of 2023 are the same as the outstanding shares. If the distribution conditions shall be revised based on competent authority assessment or any factors, the Chairman was authorized to make such adjustment.
4. If the number of total shares outstanding has changed which may cause a fluctuation in the ratios of dividend, therefore requiring adjustments, the Board of Directors was proposed to be authorized to make such adjustments.

Voting Results:

Voting rights represented by the presence of shareholders: 114,418,498 votes 100%

In favor: 106,319,877 votes 92.92% (including votes casted electronically 3,862,971 votes)

Against and invalid: 137,980 votes 0.12% (including votes casted electronically 137,980 votes)

Abstained: 7,960,641 votes 6.95% (including votes casted electronically 7,952,641 votes)

Resolution:

The proposal was approved as proposed.

VI. Election

1. Proposed by the Board

Proposal:

Election of Directors

Explanation:

1. The term of the current Directors expired on June 22, 2024. The eleven Directors (including three Independent Directors) were elected at the Shareholders' Meeting. The term of newly elected Directors is from June 19, 2024 to June 18, 2027.
2. From April 12, 2024 to April 22, 2024, the Company accepted the nomination of candidates for Directors. Except for the candidates submitted by the Board of Directors on May 6, 2024, no shareholders made a nomination of candidates.
3. The election of Directors (including Independent Directors) was adopted by candidate nomination system. Shareholders voted for Directors from the candidates list. Please refer to Attachment 4 of the meeting minutes for candidate profiles.

Voting results and newly elected Directors are as follows:

No.	Shareholder Account Number or Personal ID No.	Shareholder Account Number or Name	Voting Result	Note
1	1	Chih Wen Lee	115,192,130	
2	39	Xing-Da Capital Corp. Representative: Yi Ta Lee	107,748,509	
3	G10077XXXX	Ching Lung Lee	107,351,481	Independent Director
4	T10057XXXX	Yau Yuan Wen	107,513,278	Independent Director
5	A22525XXXX	Hsin Yu Chou	107,477,395	Independent Director
6	2	Hsiu Min Lin	106,392,854	

No.	Shareholder Account Number or Personal ID No.	Shareholder Account Number or Name	Voting Result	Note
7	127328	Good Tree Investment Co., Ltd. Representative: Hsiu Chi Kuo	105,921,951	
8	34188	Ling Mo Chao	105,604,887	
9	15	Neng Chun Yu	104,644,042	
10	328	Hung Chi Lin	104,508,917	
11	G10041XXXX	Jehng Jer Guan	92,437,628	

VII. Other Proposal

1.

Proposed by the Board

Proposal:

Proposal for Release of Prohibition on Directors from Participation in Competitive Business

Explanation:

1. According to Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. For the candidates for Directors (including Independent Directors) who invest in other companies or on behalf of others in the same or similar business scope of the Company and serve as directors, the Company proposed for the approval of releasing the non-competition restriction by the shareholders at this Shareholders Meeting.
3. The information is as follows:

Name	Company Name and Concurrent Position	Main Business Scope and Conflict of Interest
Chairman, Chih Wen Lee	Chairman, SynCore Biotechnology Co., Ltd. Chairman, ZuniMed Biotech Co., Ltd. Chairman, SUNETIC BIOTECH INC Chairman, UNIVERSAL NEXT TECHNOLOGIES INC	Drugs, functional food, medical devices Similar industry, submit to permit to lift the restriction.

Name	Company Name and Concurrent Position	Main Business Scope and Conflict of Interest
Vice Chairman, Yi Ta Lee	Vice Chairman, SynCore Biotechnology Co., Ltd. Director, ZuniMed Biotech Co., Ltd. Director, SUNETIC BIOTECH INC Chairman, CanCap Pharmaceutical Ltd. Representative, SynCore Biotechnology Europe GmbH Independent Director, Bionet Corp.	Drugs, functional food, medical devices, cell therapy, regenerative medicine, big data in healthcare Similar industry, submit to permit to lift the restriction.
Director, Hsiu Chi Kuo	Chairman, Glory Nutria Ltd. Chairman, Vit-Gute Nutrition Ltd.	Sales agency for health supplements Similar industry, submit to permit to lift the restriction.
Independent Director, Hsin Yu Chou	Accounting Manager, Nice Garden Industrial Co., Ltd.	Agricultural biotechnology, manufacturing and wholesale of veterinary drugs Similar industry, submit to permit to lift the restriction.
Independent Director, Ching Lung Lee	Independent Director, VISGENEER INC Chairman, BELX Bio-Pharmaceutical Co., Ltd.	Medical devices, new drug R&D, biotechnology, skincare products Similar industry, submit to permit to lift the restriction.

Voting Results:

Voting rights represented by the presence of shareholders: 114,418,498 votes 100%

In favor: 106,230,080 votes 92.84% (including votes casted electronically 3,773,174 votes)

Against and invalid: 166,007 votes 0.14% (including votes casted electronically 166,007 votes)

Abstained: 8,022,411 votes 7.01% (including votes casted electronically 8,014,411 votes)

Resolution:

The proposal was approved as proposed.

VIII. Extraordinary Motions: None

IX. Adjournment (The meeting was closed at 10:35 a.m., June 19, 2024)

No shareholders raised questions or spoke in the shareholders' meeting.

Chairperson: Chih Wen Lee

Recorder: Yi Mei Lou

2023 Business Report

2023 marks the 47th year since Sinphar was founded. The Company has continuously achieved breakthrough innovation, diversified the development of generic drugs, enhanced capabilities in new drugs R&D, and strengthened the strategies and development of natural botanical products. In 2023, the operational performance sustained growth, not only in revenue, but also in the earnings per share (EPS) at NT\$2.24, which was the highest record in recent years. This is a result from Sinphar's commitment to investing in new products, new projects, process and quality management, and digital transformation, and building a foundation with active market channels expansion and strategic alliances.

Because the Company implemented preventative measures and prepared safety stocks, drug shortages that impacted this industry did not affect Sinphar, resulting in a gradual growth of customers and revenue. As Sinphar's health supplements grows in popularity with the elderly, the Company introduced health products for hypertension, hyperlipidemia, hyperglycemia, and chronic diseases targeting the needs of Taiwan's growing aging population. "Memoregain Capsules" a TFDA approved antiaging health product, was the top-selling product this year. In addition, in partnership with 1,300 Sinphar Counters and 2,000 pharmacists located in local neighborhoods, six other health foods such as "Potent Plus Soft Capsules" for antifatigue, "Lipucan Capsules" for boosting immunity, and drugs for hypertension, hyperlipidemia and hyperglycemia, are expected to grow in sales. In international business, in addition to the original co-development of drugs and functional food and OEM for other global companies, the Company obtained organic certifications in the United States, Europe, and China, which are beneficial to the future development of natural botanical materials that hold 163 patents in 19 countries.

SynCore is in a better financial state after a capital reduction then a capital increase this year. Years of domestic and overseas new cancer drugs R&D has given SynCore a wealth of knowledge and experience in this field. For operational outlook, SynCore will strategically select international projects in the area of development and agency of global cancers generic drugs, agency of global new drugs for cancers, development of API for cancers and development of new dosage forms and new drugs. If the projects can be successfully completed and commercialized, SynCore will have an extensive comprehensive product line.

In addition to abovementioned development and investments, with giving back to society in mind, Sinphar spends tens of millions of dollars in energy saving and carbon reduction. The Company also participates in charitable activities such as

organizing the Sinphar Yilan Marathon to promote public healthcare education. In recent years, the public has paid more attention to ESG criteria. The Company dedicates itself to ESG and integrates them in its business strategy that is built-in at the foundation of daily operations.

Looking ahead, Sinphar will continue to uphold the philosophy of “life, health, and technology” to invest in and develop our business. Furthermore, the Company will strengthen vertical integration and establish strategic alliances with other companies to increase synergy of partners and stakeholders. Sinphar hopes to contribute to Taiwan’s pharmaceutical industry and live up to the expectations of shareholders.

1.1 2023 Business Report

1.1.1 2023 Operational Performance

In 2023, Company’s revenue reached NT\$2.96 billion, an increase of NT\$106.283 million over the previous year. Net profit after taxes was NT\$359.776 million, up from 117.32% in 2022. Net profit attributed to the parent company was NT\$375.17 million and the earnings per share was NT\$2.24, increased by 67.01% and 67.16% respectively from the previous year.

1.1.2 Financial and Profitability Analysis

Unit: NT\$ thousand

		Year		
		2023	2022	Increase (Decrease) (%)
Item				
Financial Status	Revenue	2,962,934	2,856,651	3.72
	Gross Profit	1,091,243	1,091,300	(0.01)
	Net Profit (Loss)	356,776	164,174	117.32
	Net Profit (Loss)- Parent Company	375,170	224,644	67.01
	Net Loss- Non-controlling Interest	(18,394)	(60,470)	69.58
Profitability	Net Profit Margin (%)	12.04	5.75	109.39
	Earnings Per Share (NTD)	2.24	1.34	67.16

1.1.3 Research and Development

A. Research and Development Expenses in Recent Two Years

Unit: NT\$ thousand

Item	Year	2023	2022
	R&D Expenses		132,580
Revenue		2,962,934	2,856,651
%		4.47%	9.53%

B. Main Research and Development Activities in 2023

- (A) Food: 8 products
- (B) Cosmetics: 2 products
- (C) Drugs: 4 products
- (D) Product Improvement: 58 products
- (E) 5 Technical Projects

C. Research and Development Progress

Item	Category	Code	Indication/ Application	R&D Progress/ Current Situation
1	Botanical new drugs/ Natural botanical materials	ST01	Dementia/ Brain Health/ Vitality/ Health food	Approved for phase II clinical trial by TFDA and U.S. FDA. Preparing for clinical trial. Acquired the health food certification for anti-aging.
2	Botanical new drugs	ST02	Drugs for chronic stable angina	Approved for phase II clinical trial by TFDA and U.S. FDA. Follow-up development is in progress
3	Botanical new drugs/ Natural botanical materials	SF01	Cancer adjuvant treatment agent/ Health food	Completed Druggability Research Part I and Part II in progress. Acquired the health food certification of assisting in modulating allergy constitution and immune modulation.
4	Natural botanical materials	GF159	Brain Health	Completed clinical efficacy trial proving the product has the function of improving memories, learning abilities, and sleep quality.

Item	Category	Code	Indication/ Application	R&D Progress/ Current Situation
5	New small molecular drugs	SB01	Head and neck cancers	Received project funding from MOEA. Completed phase I clinical trial in Taiwan. Approved for phase II clinical trial by U.S. FDA. Approved for and completed phase II clinical trial by TFDA. The efficacy of drug and dose adjustment is under discussion.
6	New small molecular drugs	SB02	Cancer treatment	Formulation development before clinical trial. Deprescribing is under discussion.
7	Botanical new drugs	SB03 VEREGEN®	Genital wart (condyloma)	Acquired TFDA drug license to sell drug products in specialized channels (hospitals, clinics, and pharmacies).
8	Eye drops	SB04	Dry age-related macular degeneration	Successful international cooperation with South Korean AJU Pharm in granting authorization right to the Company. Approved for phase II/III clinical trial by TFDA. Dose adjustment is under discussion
9	Positively charged liposome	SB05 TNBC	Triple-negative breast cancer	Approved for the phase III clinical trial by FAMHP and TGA. Approved for the phase III clinical trial by TFDA. Received project funding from MOEA. Feasibility study is under discussion
		SB05PC	Pancreatic cancer	Approved for phase III clinical trial in the U.S., Taiwan, France, Hungary, South Korea, Russia, and Israel. Received the grant of A+ Industrial Innovation R&D Program by MOEA. Completed final analysis of phase III clinical trial. Project is under discussion.
				Approved for phase III clinical trial by NMPA.

1.2 Business Plan for 2024

Management Guideline and Marketing Strategies

“Public’s health is the ideal of Sinphar.” Sinphar upholds the philosophy of “life, health, and technology,” and develop drugs, health supplements, and aesthetic medicine products to guard public’s health and quality of life.

Sinphar is pays equal attention to R&D, production, and marketing. Based on the professional research and development, the group combines the resources of the subsidiaries at home and aboard to make a comprehensive one-stop industry chain of R&D, production, packaging supplies and sales.

In recent year, the three major developments of the group are new drugs R&D, natural botanical materials, and drugs. Sinphar develops specific products through efficient production and strengthened quality monitoring. Additionally, the group enters global health market and maximizes value with diverse marketing tools and channels.

Operation and Marketing Strategies in 2024

A. New Drugs Research and Development

- (A) SynCore Bio’s pipeline is still in progress.
- (B) Development and agency of global cancers generic drugs, agency of global new drugs for cancers, development of API for cancers and development of new dosage forms and new drugs.

B. Natural Botanical Materials

- (A) Based on long-term R&D and scientific data from the group, Sinphar combines and develops natural botanical materials that strengthen brain health, muscle energy and immune system and improve sleep quality to create a niche.
- (B) Develop or introduce unique health supplement/functional food, focus on preventive medicine, accelerate product innovation, and improve various diseases caused by aging population and stress.
- (C) Develop monopolistic API, in addition to internal-use, Sinphar actively expands the supply markets.
- (D) Independent research and development of natural materials with patent protected raw materials, control the source of raw materials, in order to develop market-differentiated health supplements.
- (E) Develop unique skincare ingredients to actively expand cosmeceutical market.

C. Drugs

- (A) Develop preventive and niche products for all ages.
- (B) Focus on niche generic drug products. Through drug repurposing, develop new indication. The group can shorten development schedule and reduce costs for better NHI price.
- (C) Diversify product development. Except for self-production, Sinphar also actively collaborates with foreign pharmaceutical companies. Recently, Sinphar introduced gastrointestinal and hypolipidemic drugs from Japan and entered the market successfully. With a growing aging population, Sinphar will further develop drugs for chronic illnesses to expand market share.
- (D) Expand technical cooperation with global pharmaceutical companies, Sinphar introduces manufacturing technologies in generic drugs to expedite product development.

D. Strengthen Quality System to Lay the Foundation for Sustainable Development

- (A) Import digital integrated management system and establish routine digital management.
- (B) Handle abnormal quality with automated report which forward the report to related departments for timely investigation, and start a cross-departmental quality committee to establish improvement measures.
- (C) Continue to strengthen the manufacturing quality system and corresponding measures of laws.
- (D) Cooperate with external quality agencies to inspect quality and process of production to strengthen quality management system and quality monitoring.

E. Diversified Marketing and Foreign Business

- (A) After the steady growth of generic drugs market in Japan, Sinphar also obtained the GMP certification of food plant and HALAL certification from MUI, actively captures market shares of South East Asia and Islam in Asia.
- (B) Using different product strategies between Blue Ocean and Red Ocean to capture hospital and clinic market shares and create better profit structure.
- (C) In the post-pandemic era, online shopping became one of the most popular consumer sales channels. Sinphar actively expands e-commerce,

telemarketing, and experiential marketing with Sinphar Health Park to integrate online and offline sales. This provides consumers with greater convenience in purchasing Sinphar's health and skincare products.

- (D) Sinphar can quickly realize R&D results into products with business-to-business marketing, and further brings brand awareness through advertising and focuses on business-to-consumer marketing.
- (E) Establish strategic alliances with international companies and to develop global market through the co-development of various kinds of pharmaceuticals.

F. Set up Intelligent Plant to Improve Productivity to Meet Global Demand

- (A) The plants implemented SAP, MES, and WMS systems. From purchase-sales-inventory management, product manufacturing and control, warehouse management, and to real-time inventory, we reduced cost and improved operation efficiency with computerized management. Complete computerized data meets global market demand and increases international competitiveness.
- (B) Sinphar spares no expense when investing in the replacement of software and hardware and implement AI for checking production compliance and preventing human error, improving manufacturing efficiency, and monitoring quality. We combine the system with manufacturing automation, and plan to expand it to include logistics and sales and marketing systems.
- (C) In response to projected increase in customer deliveries, Sinphar plans to build a new automated warehouse, equipped with a computer system that integrates warehouse with manufacturing and increases logistic efficiency.
- (D) Sinphar simultaneously establishes an information security management system to protect enterprise resource management system, manufacturing execution system and the maintenance of machine room.

Chairman: Chih Wen Lee

General Manager: Yu Liang Pei

Accounting Manager: Li Jung Hsieh

Sinphar Pharmaceutical Co., Ltd.
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements (including Consolidated Financial Statements), and Proposal for Earnings Distribution. The above-mentioned Financial Statements have been audited by CPAs, Ya Quan Zhang and Jin Shu Pan of Crowe (TW) CPAs and they have issued an audit report. The Business Report, Financial Statements, and Proposal for Earnings Distribution have been audited and determined to be no inappropriateness by the Audit Committee. According to Article 14 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sinphar Pharmaceutical Co., Ltd.

Audit Committee

Convener: Ching Lung Lee

March 6, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
Sinphar Pharmaceutical Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Sinphar Pharmaceutical Co., Ltd. (the "Company"), which comprise the parent company only balance sheet as of December 31, 2023 and 2022 and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows:

Inventory Valuation

Please refer to Note 4(7.) and 5(2.) in the accompanying parent company only financial statements for related disclosures of the Company's valuation of inventory accounting policies and critical accounting estimate and assumption.

The Company mainly engages in the production and sales of various types of drugs and food supplements. As the regulations to the pharmaceutical industry cause the cost to increase and meanwhile selling prices are less likely to be affected as they are covered by the health insurance system. Furthermore, the price of food supplement inventory fluctuates due to market competition and the impacts aroused from advertisements. Management assesses that the net realizable value of inventory involves material judgment. Hence, it is taken as a one of the key audit matters.

Our key audit procedures in response

Our procedures in relation to inventory valuation included:

1. Understand and evaluate the design and implementation of the internal control in relation to inventory.
2. Perform inventory counts, to identify if there are any inventories which are obsolete or damaged.
3. Obtain Inventory aging reports to analyses the changes in inventory age, and check the records of inventory changes to verify the correctness of inventory.
4. Evaluate the reasonableness of its inventory valuation policy of unmarketable items and obsolescence, and check the latest inventory sales price to evaluate the reasonableness of the net realizable value of the inventory.
5. Obtain evaluation documents for subsequent measurement of inventories and assess whether they have been measured in accordance with established accounting policies and review if the management's disclosure on the evaluation of inventory is presented fairly.

Revenue Recognition

Please refer to Note 4(16.) and 5(2.) in the accompanying parent company only financial statements for related disclosures of the Company's revenue recognition accounting policies and critical accounting estimate and assumption.

Some products of the Company provide discounts or sales incentives based on the terms of the sales contract. Since the recognition of the revenue is measured on the net basis of the related discounts and incentives, we consider the revenue recognition as a key audit matter.

Our key audit procedures in response

Our procedures in relation to the revenue recognition included:

1. Evaluate the design and implementation of the internal control in relation to the revenue recognition.
2. Perform sales contract checks to verify whether the records on the recognition of sales revenue agree with the related contract, and evaluate the fairness of the management's estimated sales discounts and sales incentives.
3. Assess whether the management's accounting treatments and disclosure in relation to sales discounts and sales incentives are presented fairly.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with the auditing standards of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieve fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investee accounted for using equity method within the Company to express an opinion on the parent company only financial statements. We are responsible for direction, supervision and performance of the investee audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya Quan Zhang and Jin Shu Pan.

Crowe (TW) CPAs

Taipei, Taiwan

The Republic of China

March 6, 2024

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.

Sinphar Pharmaceutical Co., Ltd.
PARENT COMPANY ONLY BALANCE SHEETS
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6 (1)	\$ 700,998	12	\$ 703,055	13
Notes receivable, net	6 (2)	163,900	3	178,825	3
Accounts receivable, net	6 (3) 、 6(17) and 7 (3)	426,002	7	456,586	8
Inventories	6 (4)	705,774	12	615,056	11
Prepayments		35,781	1	36,598	1
Other current assets	7 (3)	4,773	-	4,105	-
Total current assets		<u>2,037,228</u>	<u>35</u>	<u>1,994,225</u>	<u>36</u>
NONCURRENT ASSETS					
Financial assets at fair value through profit and loss, non-current	6 (5)	2,394	-	1,219	-
Financial assets at fair value through other comprehensive income, non-current	6 (5)	10,136	-	9,608	-
Investments accounted for using equity method	6 (6)	1,136,111	20	1,161,753	21
Property, plant and equipment	6 (7), 7 (3) and 8	2,279,559	39	2,020,278	36
Investment property, net	6 (8) and 8	111,388	2	237,961	4
Intangible assets	6 (9) and 8	20,711	-	28,466	1
Deferred tax assets	6 (22)	170,856	3	52,108	1
Prepayments for equipment		19,954	-	57,626	1
Refundable deposits		24,736	-	17,830	-
Other non-current assets		30,762	1	19,147	-
Total non-current assets		<u>3,806,607</u>	<u>65</u>	<u>3,605,996</u>	<u>64</u>
TOTAL		<u>\$ 5,843,835</u>	<u>100</u>	<u>\$ 5,600,221</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6 (10)	\$ 360,000	6	\$ 360,000	6
Contract liabilities-current	6 (17)	84,352	1	93,235	2
Accounts payable	7 (3)	302,196	5	313,721	5
Other payable	7 (3)	290,614	5	281,867	5
Current tax liabilities		-	-	39,774	1
Long-term loans - current portion	6 (11) and 8	48,490	1	48,116	1
Other current liabilities, others		37,254	1	42,614	1
Total current liabilities		<u>1,122,906</u>	<u>19</u>	<u>1,179,327</u>	<u>21</u>
NONCURRENT LIABILITIES					
Long-term loans	6 (11) and 8	1,486,473	25	1,404,819	25
Net defined benefit liability, non-current	6 (12)	35,552	1	35,978	1
Other non-current liabilities, others	6 (22) and 7(3)	100,566	2	49,867	1
Total non-current liabilities		<u>1,622,591</u>	<u>28</u>	<u>1,490,664</u>	<u>27</u>
Total liabilities		<u>2,745,497</u>	<u>47</u>	<u>2,669,991</u>	<u>48</u>
EQUITY					
Capital stock	6 (13)	1,677,221	29	1,677,221	30
Capital surplus	6 (14)	924,140	16	929,972	16
Retained earnings					
Legal capital reserve	6 (15)	142,979	2	119,606	2
Special capital reserve	6 (15)	121,367	2	91,075	2
Unappropriated retained earnings	6 (15)	369,802	6	233,724	4
Total retained earnings		<u>634,148</u>	<u>10</u>	<u>444,405</u>	<u>8</u>
Other Equity	6 (16)	(137,171)	(2)	(121,368)	(2)
Total equity		<u>3,098,338</u>	<u>53</u>	<u>2,930,230</u>	<u>52</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 5,843,835</u>	<u>100</u>	<u>\$ 5,600,221</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

Sinphar Pharmaceutical Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

ITEM	Note	2023		2022	
		Amount	%	Amount	%
NET REVENUE	6 (17) and 7 (3)	\$ 2,717,210	100	\$ 2,511,206	100
COST OF REVENUE	6 (4), 6(20) and 7 (3)	(1,684,194)	(62)	(1,577,211)	(63)
GROSS PROFIT		1,033,016	38	933,995	37
Less: Unrealized profit on sales		(568)	-	(371)	-
Add: Realized profit on sales		371	-	1,106	-
GROSS PROFIT		1,032,819	38	934,730	37
OPERATING EXPENSES	6 (20) and 7 (3)				
Selling expenses		(433,725)	(16)	(390,581)	(16)
Administrative expenses		(136,083)	(5)	(121,669)	(5)
Research and development expenses		(122,146)	(4)	(111,002)	(4)
Expected credit impairment loss	6 (3)	(1,699)	-	(1,869)	-
Total operating expenses		(693,653)	(25)	(625,121)	(25)
NET OPERATIONS INCOME		339,166	13	309,609	12
NON-OPERATING INCOME AND EXPENSES					
Interest income		7,516	-	1,744	-
Other income	6 (18) and 7 (3)	36,774	1	40,226	2
Other gains and losses	6 (19) and 7 (3)	(4,892)	-	11,707	-
Finance costs	6 (21)	(32,114)	(1)	(25,007)	(1)
Share of the loss of subsidiaries and associated and joint ventures accounted for using equity method	6 (6)	(35,189)	(1)	(51,887)	(2)
Total non-operating income and expenses		(27,905)	(1)	(23,217)	(1)
INCOME BEFORE INCOME TAX		311,261	12	286,392	11
INCOME TAX (EXPENSE) BENEFIT	6 (22)	63,909	2	(61,748)	(2)
PROFIT		375,170	14	224,644	9
OTHER COMPREHENSIVE INCOME (LOSS)	6 (23)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(3,736)	-	9,080	-
Unrealized loss from investments in equity instruments measured at fair value through other comprehensive income		(1,922)	-	(68)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method		(1,862)	-	(3,274)	-
		(7,520)	-	5,738	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(15,045)	(1)	13,919	1
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		17	-	18	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		3,009	-	(2,784)	-
		(12,019)	(1)	11,153	1
Other comprehensive income (loss) for the year, net of income tax		(19,539)	(1)	16,891	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 355,631	13	\$ 241,535	10
EARNINGS PER SHARE	6 (24)				
Basic earnings per share		\$ 2.24		\$ 1.34	
Diluted earnings per share		\$ 2.23		\$ 1.34	

The accompanying notes are an integral part of the consolidated financial statements.

Sinphar Pharmaceutical Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

ITEM	Capital Stock		Retained Earning			Other Equity Interests			Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings (Accumulated Deficit)	Foreign Currency Translation Reserve	Unrealized Gain(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
Balance, January 1, 2022	\$ 1,677,221	\$ 963,516	\$ 153,734	\$ 91,075	\$ (34,128)	\$ (91,854)	\$ (37,325)	\$ 2,722,239	
Appropriations of earnings									
Legal reserve used to offset accumulated deficits	-	-	(34,128)	-	34,128	-	-	-	
Other changes in capital surplus									
Stock dividends from capital surplus	-	(33,544)	-	-	-	-	-	(33,544)	
Net profit in 2022	-	-	-	-	224,644	-	-	224,644	
Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	9,080	11,153	(3,342)	16,891	
Total comprehensive income (loss) in 2022	-	-	-	-	233,724	11,153	(3,342)	241,535	
Balance, December 31, 2022	1,677,221	929,972	119,606	91,075	233,724	(80,701)	(40,667)	2,930,230	
Appropriations of earnings									
Legal reserve appropriated	-	-	23,373	-	(23,373)	-	-	-	
Special reserve appropriated	-	-	-	30,292	(30,292)	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(167,722)	-	-	(167,722)	
Total appropriations of earnings	-	-	23,373	30,292	(221,387)	-	-	(167,722)	
Other changes in capital surplus									
Changes in ownership interests in subsidiaries	-	(5,832)	-	-	(13,969)	-	-	(19,801)	
Net profit in 2023	-	-	-	-	375,170	-	-	375,170	
Other comprehensive loss in 2023, net of income tax	-	-	-	-	(3,736)	(12,019)	(3,784)	(19,539)	
Total comprehensive income (loss) in 2023	-	-	-	-	371,434	(12,019)	(3,784)	355,631	
Balance, December 31, 2023	\$ 1,677,221	\$ 924,140	\$ 142,979	\$ 121,367	\$ 369,802	\$ (92,720)	\$ (44,451)	\$ 3,098,338	

The accompanying notes are an integral part of the consolidated financial statements.

Sinphar Pharmaceutical Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

ITEM	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 311,261	\$ 286,392
Adjustments for:		
Depreciation expense (including investment property)	145,015	139,137
Amortization expense	29,193	41,207
Expected credit impairment loss	1,699	1,869
Interest expense	32,114	25,007
Interest income	(7,516)	(1,744)
Share of loss of subsidiaries and associates and joint ventures accounted for using equity method, net	35,189	51,887
Loss (gain) on disposal of property, plant and equipment	(5,145)	402
Unrealized profit on sales	568	371
Realized profit on sales	(371)	(1,106)
Changes in operating assets and liabilities:		
Notes receivable, net	14,771	(19,675)
Accounts receivable, net	29,039	(93,154)
Inventories	(90,718)	(55,333)
Prepayments	817	(9,889)
Other current assets	27	(1,958)
Contract liabilities	(8,883)	928
Accounts payable	(11,525)	120,199
Other payable	12,250	36,888
Other current liabilities	(5,360)	10,678
Net defined benefit liability	(4,162)	(5,831)
Other operating liabilities	(19)	(1,474)
Cash generated from operations	478,244	524,801
Interest received	7,516	1,744
Interest paid	(32,026)	(24,802)
Income taxes paid	(41,246)	(35,422)
Net cash generated from operating activities	412,488	466,321
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(119,237)	-
Acquisition of financial assets at fair value through other comprehensive income	(2,450)	(9,676)
Acquisition of property, plant and equipment	(176,243)	(69,670)
Proceeds from disposal of property, plant and equipment	5,842	87
Decrease (increase) in refundable deposits	(6,906)	7,462
Acquisition of intangible assets	(5,230)	(11,061)
Increase in other non-current assets	(27,766)	(12,219)
Increase in prepayments for equipment	(68,153)	(51,369)
Dividends received	71,824	44,405
Net cash used in investing activities	(328,319)	(102,041)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loan	-	(80,000)
Proceeds from long-term debt	160,000	150,000
Repayments of long-term debt	(77,972)	(226,888)
Decrease in long-term payables	-	(1,895)
Decrease in refundable deposits	(532)	(28)
Cash dividends paid	(167,722)	(33,544)
Net cash used in financing activities	(86,226)	(192,355)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,057)	171,925
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	703,055	531,130
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 700,998	\$ 703,055

The accompanying notes are an integral part of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
Sinphar Pharmaceutical Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sinphar Pharmaceutical Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompany consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022, in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Cash and Cash Equivalents

As of December 31, 2023, the cash and cash equivalent of the consolidated balance sheet was NT\$ 1,074,489 thousand, which represented 17% of the Group's consolidated total assets. As the Group is still in the research and development phase, it is necessary to maintain sufficient cash and cash equivalent balance to support future research and development costs. However, it is taken as a key audit matters due to cash and cash equivalent is a high-risk item.

Our key audit procedures in response

Our procedures in relation to cash and cash equivalent included:

1. Evaluate the design and implementation of internal control related to cash and cash equivalent, performed test count of cash on hand, checked the bank deposit balance with the bank statements, and send bank confirmation letter in accordance with the Auditing Standards No.505. “External confirmation”.
2. Performed a test audit of the supporting documents for large inflows and outflows of cash and bank deposits, paying attention to changes in cash and bank deposits immediately prior to and after the balance sheet date.

Inventory Valuation

Please refer to Note 4(8.) and 5(2.) in the accompanying consolidated financial statements for related disclosures of the Group’s valuation of inventory accounting policies and critical accounting estimate and assumption.

The Group mainly engages in the production and sales of various types of drugs and food supplements. As the regulations to the pharmaceutical industry cause the cost to increase and meanwhile the selling prices are less likely to be affected as they are covered by the health insurance system. Furthermore, the price of food supplement inventory fluctuates due to market competition and the impacts aroused from advertisements. Management assesses that the net realizable value of inventory involves material judgment. Hence, it is taken as a one of the key audit matters.

Our key audit procedures in response

Our procedures in relation to inventory valuation included:

1. Understand and evaluate the design and implementation of the internal control in relation to inventory.
2. Perform inventory counts, to identify if there are any inventories which are obsolete or damaged.
3. Obtain Inventory aging reports to analyses the changes in inventory age, and check the records of inventory changes to verify the correctness of inventory.
4. Evaluate the reasonableness of its inventory valuation policy of unmarketable items and obsolescence, and check the latest inventory sales price to evaluate the reasonableness of the net realizable value of the inventory.
5. Obtain evaluation documents for subsequent measurement of inventories and assess whether they have been measured in accordance with established accounting policies and review if the management’s disclosure on the evaluation of inventory is presented fairly.

Revenue Recognition

Please refer to Note 4(17.) and 5(2.) in the accompanying consolidated financial statements for related disclosures of the Group’s revenue recognition accounting policies and critical accounting estimate and assumption.

Some products of the Group provide discounts or sales incentives based on the terms of the sales contract. Since the recognition of the revenue is measured on the net basis of the related discounts and incentives, we consider the revenue recognition as a key audit matter.

Our key audit procedures in response

Our procedures in relation to the revenue recognition included:

1. Evaluate the design and implementation of the internal control in relation to the revenue recognition.

2. Perform sales contract checks to verify whether the records on the recognition of sales revenue agree with the related contract, and evaluate the fairness of the management's estimated sales discounts and sales incentives.
3. Assess whether the management's accounting treatments and disclosure in relation to sales discounts and sales incentives are presented fairly.

Intangible Assets Impairment

Please refer to Note 4(13.) and 5(2.) in the accompanying consolidated financial statements for related disclosures of the Group's intangible assets impairment accounting policies and critical accounting estimate and assumption.

The accompanying consolidated financial statements for the year ended December 31, 2023 included intangible assets amounted to NT\$ 71,823 thousand, which represented 1% of the Group's consolidated total assets. The intangible assets of the Group are mainly for the patent technology licensing of the "positively charged liposomes EndoTag-1 anti-tumor drugs". The Group will continue to develop new drugs based on these patented technologies. Because the drugs are still under development, no cash inflow can be generated. As of the balance sheet date, the Group considers external and internal information in determining whether the intangible asset is impaired. If any indication of impairment exists, an assessment of the recoverable amount of the asset is required to confirm the impairment of the intangible asset. Since the impairment assessment performed by management involves critical judgement, we consider impairment assessment of intangible asset as a key audit matter.

Our key audit procedures in response

Our procedures in relation to management's assessment of indicators of impairment included:

1. Reviewing the assessment of indicators of impairment provided by the management, and discussing with management to evaluate the following items:
 - (1)The product characteristics, target markets, technical trends, and possible derivative products of research and development projects and the patented technology licensing are still competitive in the marketplace ;
 - (2)There is no significant delay in the progress of the main research and development projects ;
 - (3)The total market value of the Group is higher than the net assets as of the balance sheet date.
2. Evaluating the reasonableness of management's adoption of the key assumption and sensitivity analysis including the cash-generating units, forecast of cash flows, the possibility for product commercialization and the discount rate.

Other Matter

We have also audited the parent company only financial statements of Sinphar Pharmaceutical Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieve fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya Quan Zhang and Jin Shu Pan.

Crowe (TW) CPAs
Taipei, Taiwan
Republic of China

March 6, 2024

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.

Sinphar Pharmaceutical Co., Ltd and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6 (1)	\$ 1,074,489	17	\$ 1,237,556	20
Financial assets at fair value					
through profit or loss, current	6 (2)	6,660	-	6,660	-
Notes receivable, net	6 (3)	166,213	3	179,136	3
Accounts receivable, net	6 (4) 、6(19)	477,252	8	506,053	8
Inventories	6 (5)	839,194	13	737,013	12
Prepayments	6 (6)	79,050	1	107,172	2
Other current assets	8	5,747	-	4,861	-
Total current assets		<u>2,648,605</u>	<u>42</u>	<u>2,778,451</u>	<u>45</u>
NONCURRENT ASSETS					
Financial assets at fair value					
through profit or loss, non-current	6 (2)	-	-	-	-
Financial assets at fair value through					
other comprehensive income, non-current	6 (7)	22,212	-	24,695	-
Property, plant and equipment	6 (8), 7(3) and 8	3,228,305	52	3,119,747	51
Right-of-use assets	6 (9) and 8	18,574	-	19,562	-
Intangible assets	6 (10) and 8	71,823	1	86,983	2
Deferred tax assets	6 (24)	170,856	3	52,108	1
Prepayments for equipment		30,855	1	65,075	1
Refundable deposits		26,324	-	19,400	-
Other non-current assets		33,527	1	19,170	-
Total non-current assets		<u>3,602,476</u>	<u>58</u>	<u>3,406,740</u>	<u>55</u>
TOTAL		<u>\$ 6,251,081</u>	<u>100</u>	<u>\$ 6,185,191</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6 (11) and 8	\$ 400,000	6	\$ 447,000	7
Current contract liabilities	6 (19)	85,654	1	96,559	2
Notes payable		162	-	558	-
Accounts payable		291,208	5	323,182	5
Other payable		336,506	5	426,424	7
Current tax liabilities		3,087	-	45,407	1
Long-term loans - current portion	6 (12) and 8	50,716	1	50,341	1
Other current liabilities, others		37,361	1	56,440	1
Total current liabilities		<u>1,204,694</u>	<u>19</u>	<u>1,445,911</u>	<u>24</u>
NONCURRENT LIABILITIES					
Long-term loans	6 (12) and 8	1,494,142	24	1,415,618	23
Net defined benefit liability, non-current	6 (13)	35,552	1	35,978	-
Other non-current liabilities, others	6 (24)	118,819	2	70,836	1
Total non-current liabilities		<u>1,648,513</u>	<u>27</u>	<u>1,522,432</u>	<u>24</u>
Total liabilities		<u>2,853,207</u>	<u>46</u>	<u>2,968,343</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital stock	6 (14)	<u>1,677,221</u>	<u>27</u>	<u>1,677,221</u>	<u>27</u>
Capital surplus	6 (15)	<u>924,140</u>	<u>14</u>	<u>929,972</u>	<u>15</u>
Retained earnings	6 (16)				
Appropriated as legal capital reserve		142,979	2	119,606	2
Appropriated as special capital reserve		121,367	2	91,075	1
Unappropriated retained earnings		369,802	6	233,724	4
Total retained earnings		<u>634,148</u>	<u>10</u>	<u>444,405</u>	<u>7</u>
Others equity interests	6 (17)	<u>(137,171)</u>	<u>(2)</u>	<u>(121,368)</u>	<u>(2)</u>
Total equity attributable to					
shareholders of the parent		3,098,338	49	2,930,230	47
non-controlling interests	6 (18)	299,536	5	286,618	5
Total equity		<u>3,397,874</u>	<u>54</u>	<u>3,216,848</u>	<u>52</u>
Total liabilities and equity		<u>\$ 6,251,081</u>	<u>100</u>	<u>\$ 6,185,191</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

Sinphar Pharmaceutical Co., Ltd and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars)

ITEM	Note	2023		2022	
		Amount	%	Amount	%
OPERATING REVENUE	6 (19)	\$ 2,962,934	100	\$ 2,856,651	100
OPERATING COSTS	6 (5, 22)	(1,871,691)	(63)	(1,765,351)	(62)
GROSS PROFIT		1,091,243	37	1,091,300	38
OPERATING EXPENSES	6 (22) and 7 (3)				
Selling expenses		(446,775)	(15)	(408,272)	(14)
Administrative expenses		(224,151)	(8)	(213,063)	(7)
Research and development expenses		(132,580)	(4)	(272,163)	(10)
Expected credit impairment loss	6(4)	(1,681)	-	(467)	-
Total operating expenses		(805,187)	(27)	(893,965)	(31)
NET OPERATIONS INCOME		286,056	10	197,335	7
NON-OPERATING INCOME AND EXPENSES					
Interest income		12,307	-	5,776	-
Other income	6 (20)	34,736	1	48,707	2
Other gains and losses	6 (21)	6,320	-	21,041	1
Finance costs	6 (23)	(33,711)	(1)	(27,813)	(1)
Total non-operating income and expenses		19,652	-	47,711	2
INCOME BEFORE INCOME TAX		305,708	10	245,046	9
INCOME TAX (EXPENSE) BENEFIT	6 (24)	51,068	2	(80,872)	(3)
PROFIT		356,776	12	164,174	6
OTHER COMPREHENSIVE INCOME (LOSS)	6 (25)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(3,736)	-	9,080	-
Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income		(4,933)	-	(5,340)	-
		(8,669)	-	3,740	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(18,186)	(1)	16,874	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		3,009	-	(2,784)	-
		(15,177)	(1)	14,090	-
Other comprehensive income (loss) for the year, net of income tax		(23,846)	(1)	17,830	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		\$ 332,930	11	\$ 182,004	6
PROFIT (LOSS) ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 375,170	13	\$ 224,644	8
Non-controlling interests		(18,394)	(1)	(60,470)	(2)
		\$ 356,776	12	\$ 164,174	6
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Shareholders of the parent		\$ 355,631	12	\$ 241,535	8
Non-controlling interests		(22,701)	(1)	(59,531)	(2)
		\$ 332,930	11	\$ 182,004	6
EARNINGS PER SHARE	6 (26)				
Basic earnings per share		\$ 2.24		\$ 1.34	
Diluted earnings per share		\$ 2.23		\$ 1.34	

The accompanying notes are an integral part of the consolidated financial statements.

Sinphar Pharmaceutical Co., Ltd and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

ITEM	Equity Attributable to Owners of Parent										
	Capital Stock		Retained Earning				Other Equity Interests			Non-Controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings (Accumulated Deficit)	Foreign Currency Translation Reserve	Unrealized Gain(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
Balance, January 1, 2022	\$ 1,677,221	\$ 963,516	\$ 153,734	\$ 91,075	\$ (34,128)	\$ (91,854)	\$ (37,325)	\$ 2,722,239	\$ 354,944	\$ 3,077,183	
Appropriations of earnings											
Legal reserve used to offset accumulated deficits	-	-	(34,128)	-	34,128	-	-	-	-	-	
Other changes in capital surplus											
Stock dividends from capital surplus	-	(33,544)	-	-	-	-	-	(33,544)	-	(33,544)	
Net profit (loss) in 2022	-	-	-	-	224,644	-	-	224,644	(60,470)	164,174	
Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	9,080	11,153	(3,342)	16,891	939	17,830	
Total comprehensive income (loss) in 2022	-	-	-	-	233,724	11,153	(3,342)	241,535	(59,531)	182,004	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(8,795)	(8,795)	
Balance, December 31, 2022	1,677,221	929,972	119,606	91,075	233,724	(80,701)	(40,667)	2,930,230	286,618	3,216,848	
Appropriations of earnings											
Legal reserve appropriated	-	-	23,373	-	(23,373)	-	-	-	-	-	
Special reserve appropriated	-	-	-	30,292	(30,292)	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(167,722)	-	-	(167,722)	-	(167,722)	
Total appropriations of earnings	-	-	23,373	30,292	(221,387)	-	-	(167,722)	-	(167,722)	
Other changes in capital surplus											
Changes in ownership interests in subsidiaries	-	(5,832)	-	-	(13,969)	-	-	(19,801)	49,844	30,043	
Net profit (loss) in 2023	-	-	-	-	375,170	-	-	375,170	(18,394)	356,776	
Other comprehensive loss in 2023, net of income tax	-	-	-	-	(3,736)	(12,019)	(3,784)	(19,539)	(4,307)	(23,846)	
Total comprehensive income (loss) in 2023	-	-	-	-	371,434	(12,019)	(3,784)	355,631	(22,701)	332,930	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(14,225)	(14,225)	
Balance, December 31, 2023	\$ 1,677,221	\$ 924,140	\$ 142,979	\$ 121,367	\$ 369,802	\$ (92,720)	\$ (44,451)	\$ 3,098,338	\$ 299,536	\$ 3,397,874	

The accompanying notes are an integral part of the consolidated financial statements.

Sinphar Pharmaceutical Co., Ltd and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

ITEM	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 305,708	\$ 245,046
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation expense	206,727	200,849
Amortization expense	36,797	65,865
Expected credit impairment loss	1,681	467
Interest expense	33,711	27,813
Interest income	(12,307)	(5,776)
Loss (gain) on disposal of property, plant and equipment	(5,126)	811
Other adjustments to reconcile loss	(60,370)	-
Changes in operating assets and liabilities:		
Notes receivable, net	12,769	(19,138)
Accounts receivable, net	27,285	(73,590)
Inventories	(102,181)	(39,620)
Prepayments	25,232	50,897
Other current assets	(148)	1,320
Contract liabilities	(10,905)	2,922
Notes payable	(396)	395
Accounts payable	(31,974)	121,921
Other payable	(26,522)	(99,220)
Other current liabilities	(19,079)	20,571
Net defined benefit liability	(4,162)	(5,831)
Other operating liabilities	(1,648)	(1,413)
Cash generated from operations	375,092	494,289
Interest received	12,301	5,751
Interest paid	(33,651)	(27,644)
Income taxes paid	(57,372)	(47,098)
Net cash generated from operating activities	296,370	425,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(2,450)	(9,676)
Proceeds from disposal of financial assets at amortised cost	-	43,440
Acquisition of property, plant and equipment	(198,725)	(82,166)
Proceeds from disposal of property, plant and equipment	6,300	243
Decrease (increase) in refundable deposits	(6,924)	7,418
Acquisition of intangible assets	(5,426)	(11,963)
Increase in other non-current assets	(30,553)	(12,218)
Increase in prepayments for equipment	(96,785)	(59,316)
Net cash used in investing activities	(334,563)	(124,238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loan	(47,000)	(140,000)
Proceeds from long-term debt	160,000	180,000
Repayments of long-term debt	(81,101)	(259,065)
Decrease in refundable deposits	(666)	(25)
Decrease in long-term payables	-	(1,896)
Cash dividends paid	(167,722)	(33,544)
Proceeds from issuing shares by subsidiaries	30,043	-
Change in non-controlling interests	(14,225)	(8,795)
Net cash generated used in financing activities	(120,671)	(263,325)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(4,203)	5,036
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(163,067)	42,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
	1,237,556	1,194,785
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
	\$ 1,074,489	\$ 1,237,556

The accompanying notes are an integral part of the consolidated financial statements.

List of Candidates for Directors

Name	Shareholder Account Number	Shareholding	Current Position	Education	Experience	Name of Government or Company Represented by Shareholders	Category	Reason for Re-election of Independent Director
Chih Wen Lee	1	3,149,791	Director, Sinphar Pharmaceutical Co., Ltd.	Bachelor Degree in Pharmacy, Kaohsiung Medical University (pharmacist)	Director, Institute for Biotechnology and Medicine Industry Chairman, Sinphar Pharmaceutical Co., Ltd.	None	Director	Not applicable
Hsiu Min Lin	2	1,336,876	Director, Sinphar Pharmaceutical Co., Ltd.	National Ilan Institute, Agriculture and Technology	Director, Sinphar Pharmaceutical Co., Ltd.	None	Director	Not applicable
Good Tree Investment Co., Ltd. Representative: Hsiu Chi Kuo	127328	919,000	None	Not applicable	None	Good Tree Investment Co., Ltd.	Director	Not applicable
Ling Mo Chao	34188	1,489,547	Chairman, Giant Goal Leather MFG. Inc. Director, Sinphar Pharmaceutical Co., Ltd.	Taichung Municipal Sha-Lu Industrial High School	Chairman, Giant Goal Leather MFG. Inc. Director, Sinphar Pharmaceutical Co., Ltd.	None	Director	Not applicable

Name	Shareholder Account Number	Shareholding	Current Position	Education	Experience	Name of Government or Company Represented by Shareholders	Category	Reason for Re-election of Independent Director
Xing-Da Capital Corp. Representative: Yi Ta Lee	39	15,729,464	Corporate Director, Sinphar Pharmaceutical Co., Ltd.	Not applicable	Corporate Director, Sinphar Pharmaceutical Co., Ltd.	Xing-Da Capital Corp.	Director	Not applicable
Hung Chih Lin	328	1,000,128	Director, Sinphar Pharmaceutical Co., Ltd.	Bachelor Degree in Chemical and Materials Engineering, Chinese Culture University	Chairman, Daxie Boutique Department Store Co., Ltd. Chairman, Jian-Sheng Co., Ltd.	None	Director	Not applicable
Jehng Jer Guan	-	0	Director, Sinphar Pharmaceutical Co., Ltd.	Ph.D. in Graduate Institute for Sun Yat-Sen Thoughts, Chinese Culture University	Deputy Director-general, National Police Agency, Ministry of the Interior	None	Director	Not applicable
Neng Chun Yu	15	999,763	Director, Sinphar Pharmaceutical Co., Ltd. Superintendent, NENG-CHUN DIABETES CLINIC	China Medical University, Taiwan	President, Taiwanese Association of Diabetes Educators Honorary President, Yilan Association of Diabetes Supporters	None	Director	Not applicable

Name	Shareholder Account Number	Shareholding	Current Position	Education	Experience	Name of Government or Company Represented by Shareholders	Category	Reason for Re-election of Independent Director
Ching Lung Lee	-	0	<p>Professor, National Taiwan University</p> <p>Chair Professor, National Chung Hsing University</p> <p>National Policy Advisor to the President</p> <p>Chairman, BELX Bio-Pharmaceutical Co., Ltd.</p> <p>Independent Director, Sinphar Pharmaceutical Co., Ltd.</p> <p>Independent Director, VISGENEER INC</p> <p>Independent Director, Tatung Company</p>	Ph.D. in Horticulture, Leibniz University Hannover	<p>Chairperson, Council of Agriculture, Executive Yuan</p> <p>Chairman, Taiwan Fertilizer Co., Ltd.</p>	None	Independent Director	The Company considers his experiences in natural products, industry-government-academia-research and public company management beneficial to the Company.

Name	Shareholder Account Number	Shareholding	Current Position	Education	Experience	Name of Government or Company Represented by Shareholders	Category	Reason for Re-election of Independent Director
Yau Yuan Wen	-	0	Independent Director, Sinphar Pharmaceutical Co., Ltd. Independent Director, AMIDA Technology, Inc.	Master Degree in Law, National Taiwan University	Administrative Chief Judge, Division-Chief Judge of Taiwan High Court Chief Judge, Taiwan Miaoli District Court	None	Independent Director	Not applicable
Hsin Yu Chou	-	0	Independent Director, Sinphar Pharmaceutical Co., Ltd. Accounting Manager, Nice Garden Industrial Co., Ltd.	Bachelor Degree in Accounting, Aletheia University	Assistant General Manager, Crowe (TW) CPAs Senior Accounting Manager, Sabrina Fashion Industrial Corp.	None	Independent Director	Not applicable