

**COWEALTH MEDICAL HOLDING CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

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Independent Auditors' Report

To the Board of Directors of Cowealth Medical Holding Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Cowealth Medical Holding Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation, as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Valuation of accounts receivable

Please refer to Note 4(g) "financial instruments" for accounting policy of accounts receivable, Note 5(a) for accounting estimations and assumption uncertainty of accounts receivable valuation, and Note 6(b) "note and trade receivables" for the explanations of accounts receivable valuation.

Description of key audit matter

The majority customers and the sales region of the Group are hospitals located in China and some of the contracts are recognized under installment sale method which leads to longer accounts receivable turnover days. Since the allowance of accounts receivable valuation was based on the management's judgement, we will need to pay close attention to this matter during the audit of financial statement.

How the matter was addressed in our audit

We tested the effectiveness of the Group's controls related to receivables collection and reviewed the received payments after the collection period; evaluated whether the Group's accounts receivable valuation was consistent with the accounting standards; analyzed accounts receivable aging report, collection records, recent customers' credit status, and other related documents to assess the reasonableness of the Group's allowance of accounts receivable valuation. Furthermore, we also assessed the appropriateness of the Group's relevant disclosure of accounts receivable.

2. Inventory valuation

Please refer to Note 4(h) for accounting policy of inventory, Note 5(b) for accounting estimations and assumption uncertainty of inventory valuation, and Note 6(d) for the explanations of inventory valuation.

Description of key audit matter

As a result of rapidly changing market and technology update, its current inventories may become out of date and can no longer meet market needs, resulting in a fluctuation in the price of these products. The fluctuation results in a risk that inventory cost may exceed its net realizable value.

How the matter was addressed in our audit

The primary audit procedures for the above matter include evaluating the valuation of inventory to assess the reasonableness of the Group's inventory provision, reviewing the inventory aging reports and analyzing the changes in inventory age. We reviewed the inventory sales and evaluated the net realizable value basis for the inventory age to assess the reasonableness of both the Group's and the Subsidiary's estimation on the allowance for inventory valuation. Furthermore, we also assessed the appropriateness of the Group's relevant disclosure of inventories.

3. Revenue recognition

Refer to Note 4(o) "Revenue recognition" and Note 6(s) "Revenue from contracts with customers" to the consolidated financial statements.

Description of key audit matter

Revenue is an important indicator to measure the business performance of the Group. Whether the amount and time of revenue recognition is correct significantly affects the quality of financial statement and the operation of the capital market. It is one of the important assessment matters for us to perform the audit of the financial reports of the Group.

How the matter was addressed in our audit

We tested the effectiveness of the Group's controls on sales and receivable cycles; evaluated whether the Group's and the Subsidiary's revenue recognition provisions were consistent with the accounting standards; Checked related vouchers around the selected balance sheet date to confirm the appropriateness and the cutoff date of the recorded sales revenue. Besides, we checked the sales contracts and related documents between the major subsidiaries and the customers of the Group, reviewed customer evaluation documents, and performed sales analysis on each product to assess the reasonableness of revenue recognition.

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

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

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

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

Auditor's 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 auditor's 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 generally accepted in 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 auditing standards generally accepted in 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, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Chou, Pao Lian and Hsieh, Chiu-Hua.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2021</u>		<u>December 31, 2020</u>				<u>December 31, 2021</u>		<u>December 31, 2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$ 842,684	16	1,211,166	24	2100	Short-term borrowings (notes 6(k) and 9)	\$ 744,164	14	720,246	13
1150	Notes receivable, net (note 6(b))	50,823	1	172,019	3	2130	Current contract liabilities (note 6(s))	55,663	1	48,951	1
1170	Accounts receivable, net (note 6(b))	2,563,092	47	2,478,684	46	2170	Accounts payable	555,233	10	611,991	11
1200	Other receivables, net (note 6(c))	14,641	-	23,463	-	2200	Other payables (note 7)	258,838	5	198,116	4
1220	Current tax assets	4,264	-	4,275	-	2230	Current tax liabilities	17,972	-	50,368	2
1300	Inventories, merchandising business, net (note 6(d))	770,986	14	589,418	11	2250	Current provisions (note 6(m))	2,112	-	2,212	-
1429	Prepayments (note 7)	78,871	1	53,339	1	2280	Current lease liabilities (note 6(n))	14,145	-	9,606	-
1421	Prepayments to suppliers	302,098	6	93,070	2	2310	Advance receipts	3,231	-	418	-
1470	Other current assets (notes 7 and 8)	<u>95,837</u>	<u>2</u>	<u>76,921</u>	<u>1</u>	2322	Long-term borrowings, current portion (notes 6(l) and 9)	67,482	1	162,482	3
		<u>4,723,296</u>	<u>87</u>	<u>4,702,355</u>	<u>88</u>	2399	Other current liabilities, others	<u>389</u>	<u>-</u>	<u>2,055</u>	<u>-</u>
								<u>1,719,229</u>	<u>31</u>	<u>1,806,445</u>	<u>34</u>
Non-current assets:											
1551	Investments accounted for using equity method (note 6(e))	864	-	432	-		Non-Current liabilities:				
1600	Property, plant and equipment (note 6(h))	223,799	4	234,598	4	2540	Long-term borrowings (notes 6(l) and 9)	52,069	1	55,563	1
1755	Right-of-use assets (note 6(i))	161,833	3	163,674	3	2570	Deferred tax liabilities (note 6(p))	24,915	-	14,105	-
1780	Intangible assets (note 6(j))	4,092	-	4,818	-	2580	Non-current lease liabilities (note 6(n))	35,478	1	36,822	1
1840	Deferred tax assets (note 6(p))	134,270	3	106,353	2	2640	Net defined benefit liability, non-current (note 6(o))	<u>43,887</u>	<u>1</u>	<u>35,354</u>	<u>1</u>
1990	Other non-current assets, others (note 8)	<u>152,561</u>	<u>3</u>	<u>167,262</u>	<u>3</u>			<u>156,349</u>	<u>3</u>	<u>141,844</u>	<u>3</u>
		<u>677,419</u>	<u>13</u>	<u>677,137</u>	<u>12</u>		Total liabilities	<u>1,875,578</u>	<u>34</u>	<u>1,948,289</u>	<u>37</u>
							Stockholder' equity attributable to parent:(note 6(q))				
						3110	Ordinary share	<u>774,496</u>	<u>14</u>	<u>774,496</u>	<u>14</u>
						3200	Capital surplus	<u>1,007,738</u>	<u>19</u>	<u>1,007,215</u>	<u>19</u>
							Retained earnings:				
						3320	Special reserve	478,275	9	465,835	9
						3350	Unappropriated retained earnings	<u>537,444</u>	<u>10</u>	<u>510,759</u>	<u>9</u>
								<u>1,015,719</u>	<u>19</u>	<u>976,594</u>	<u>18</u>
						3410	Exchange differences on translation of foreign financial statements	<u>(230,099)</u>	<u>(4)</u>	<u>(213,160)</u>	<u>(4)</u>
							Total equity attributable to owners of parent:	2,567,854	48	2,545,145	47
						36XX	Non-controlling interests (note 6(g))	<u>957,283</u>	<u>18</u>	<u>886,058</u>	<u>16</u>
							Total stockholders' equity	<u>3,525,137</u>	<u>66</u>	<u>3,431,203</u>	<u>63</u>
Total assets		\$ 5,400,715	100	5,379,492	100		Total liabilities and stockholders' equity	\$ 5,400,715	100	5,379,492	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(s))	\$ 5,139,748	100	4,721,939	100
5000	Operating costs (note 6(d))	<u>4,081,821</u>	<u>79</u>	<u>3,698,107</u>	<u>78</u>
	Gross profit	1,057,927	21	1,023,832	22
	Operating expenses (notes 6(b)(c)(o)(t)(u) and 7):				
6100	Selling expenses	283,963	6	275,051	6
6200	Administrative expenses	403,660	8	342,876	7
6450	Expected credit loss (gain)	<u>29,315</u>	<u>1</u>	<u>67,888</u>	<u>1</u>
		<u>716,938</u>	<u>15</u>	<u>685,815</u>	<u>14</u>
	Operating income	<u>340,989</u>	<u>6</u>	<u>338,017</u>	<u>8</u>
	Non-operating income and expenses:				
7100	Interest income	10,575	-	12,868	-
7190	Other income, others (note 7)	9,769	-	8,639	-
7210	Gains on disposals of property, plant and equipment	(16)	-	(13,473)	-
7228	Gain on lease modification	-	-	53	-
7235	Gains on financial assets at fair value through profit or loss	-	-	4,314	-
7630	Foreign exchange gain (loss)	(1,590)	-	1,458	-
7050	Finance costs, net	(24,385)	-	(36,166)	(1)
7590	Miscellaneous disbursements	(541)	-	(688)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note 6(e))	<u>(65)</u>	<u>-</u>	<u>(84)</u>	<u>-</u>
		<u>(6,253)</u>	<u>-</u>	<u>(23,079)</u>	<u>(1)</u>
7900	Profit from continuing operations before tax	334,736	6	314,938	7
7950	Less: Income tax expenses (note 6(p))	<u>118,824</u>	<u>2</u>	<u>106,022</u>	<u>2</u>
	Profit	<u>215,912</u>	<u>4</u>	<u>208,916</u>	<u>5</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(p))	<u>(7,400)</u>	<u>-</u>	<u>1,337</u>	<u>-</u>
		<u>(7,400)</u>	<u>-</u>	<u>1,337</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(22,410)	-	39,367	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>248</u>	<u>-</u>	<u>(412)</u>	<u>-</u>
8300	Other comprehensive income	<u>(29,562)</u>	<u>-</u>	<u>40,292</u>	<u>1</u>
8500	Comprehensive income	<u>\$ 186,350</u>	<u>4</u>	<u>249,208</u>	<u>6</u>
	Net income attributable to:				
8610	Owners of the parent	\$ 139,464	3	124,394	3
8620	Non-controlling interests	<u>76,448</u>	<u>1</u>	<u>84,522</u>	<u>2</u>
		<u>\$ 215,912</u>	<u>4</u>	<u>208,916</u>	<u>5</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 115,125	3	147,761	4
8720	Non-controlling interests	<u>71,225</u>	<u>1</u>	<u>101,447</u>	<u>2</u>
		<u>\$ 186,350</u>	<u>4</u>	<u>249,208</u>	<u>6</u>
	Basic earnings per share (note 6(r))				
9750	Basic earnings per common share (NT dollars)	<u>\$ 1.80</u>		<u>1.61</u>	
9850	Diluted earnings per common share (NT dollars)	<u>\$ 1.80</u>		<u>1.61</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital		Retained earnings		Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements			
Balance at January 1, 2020	\$ 737,615	966,148	323,230	653,028	(235,190)	2,444,831	899,891	3,344,722
Profit	-	-	-	124,394	-	124,394	84,522	208,916
Other comprehensive income	-	-	-	1,337	22,030	23,367	16,925	40,292
Total comprehensive income	-	-	-	125,731	22,030	147,761	101,447	249,208
Appropriation and distribution of retained earnings:								
Special reserve appropriated	-	-	142,605	(142,605)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(88,514)	-	(88,514)	-	(88,514)
Stock dividends of ordinary share	36,881	-	-	(36,881)	-	-	-	-
Changes in ownership interests in subsidiaries	-	41,067	-	-	-	41,067	(41,067)	-
Changes in non-controlling interests	-	-	-	-	-	-	(74,213)	(74,213)
Balance at December 31, 2020	774,496	1,007,215	465,835	510,759	(213,160)	2,545,145	886,058	3,431,203
Profit	-	-	-	139,464	-	139,464	76,448	215,912
Other comprehensive income	-	-	-	(7,400)	(16,939)	(24,339)	(5,223)	(29,562)
Total comprehensive income	-	-	-	132,064	(16,939)	115,125	71,225	186,350
Appropriation and distribution of retained earnings:								
Special reserve appropriated	-	-	12,440	(12,440)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(92,939)	-	(92,939)	-	(92,939)
Fair value differences of associates and joint ventures under equity method	-	523	-	-	-	523	-	523
Balance at December 31, 2021	<u>\$ 774,496</u>	<u>1,007,738</u>	<u>478,275</u>	<u>537,444</u>	<u>(230,099)</u>	<u>2,567,854</u>	<u>957,283</u>	<u>3,525,137</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 334,736	314,938
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	67,033	104,576
Amortization expense	2,825	3,437
Expected credit loss	29,315	67,888
Net gain on financial assets or liabilities at fair value through profit or loss	-	(4,314)
Interest expense	24,385	36,166
Interest income	(10,575)	(12,868)
Share of loss of associates and joint ventures accounted for using equity method	65	84
Loss on disposal of property, plant and equipment	16	13,473
Gain on lease modification	-	(53)
Provision for loss on inventory market price decline	5,088	2,680
Total adjustments to reconcile profit (loss)	118,152	211,069
Changes in operating assets and liabilities:		
Decrease in Financial assets at fair value through profit or loss, mandatorily measured at fair value	-	661,364
Decrease (increase) in notes receivable	121,196	(134,563)
Increase in accounts receivable	(114,876)	(148,509)
Decrease in other receivable	9,975	38,448
Increase in inventories	(186,682)	(172,052)
Decrease (increase) in prepayments	(234,560)	174,778
Increase in other current assets	(2,591)	(367)
Increase in other operating assets	(24,640)	(32,211)
(Decrease) increase in accounts payable	(56,758)	141,256
Increase (decrease) in other payable	64,649	(188,062)
Decrease (increase) in provisions	(100)	473
Increase in receipts in advance	9,525	12,580
Decrease in other current liabilities	(1,666)	(2,178)
Increase in net defined benefit liability	1,133	1,210
Total adjustments	(297,243)	563,236
Cash inflow generated from operations	37,493	878,174
Interest received	10,575	10,891
Income taxes paid	(166,445)	(84,310)
Net cash flows from (used in) operating activities	(118,377)	804,755
Cash flows from investing activities:		
Proceeds from repayments of financial assets at amortised cost	-	317,939
Acquisition of property, plant and equipment	(34,537)	(27,444)
Proceeds from disposal of property, plant and equipment	133	30,670
Decrease (Increase) in refundable deposits	15,807	(20,497)
Acquisition of intangible assets	(2,124)	(641)
Decrease in other financial assets	7,209	57,049
Net cash flows from (used in) investing activities	(13,512)	357,076
Cash flows from financing activities:		
Increase (decrease) in short term loans	27,236	(105,289)
Repayments of long-term debt	(94,799)	(41,042)
Cash dividends paid	(92,939)	(88,514)
Interest paid	(21,839)	(34,507)
Payment of lease liabilities	(16,214)	(11,637)
Net cash flows used in financing activities	(198,555)	(280,989)
Effect of exchange rate changes on cash and cash equivalents	(38,038)	3,086
Net (decrease) increase in cash and cash equivalents	(368,482)	883,928
Cash and cash equivalents at beginning of period	1,211,166	327,238
Cash and cash equivalents at end of period	\$ 842,684	1,211,166

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

COWEALTH MEDICAL HOLDING CO., LTD. (“the Company”) was founded on November 4, 2015 in the Cayman Islands. The registered office is located at Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands with postal address P.O. Box 712, Grand Cayman, KY1-9006, Cayman Islands. The Company's main business is reinvestment of all companies under the Cowealth Group. The Company's shares have been listed and traded on the Taipei Exchange (TPEX) on January 30, 2002. The major business activities of the Company and its Subsidiary (“the Group”) are the import and export of medical equipment, reagents and spare parts. The subsidiary of the Group- Cowealth Medical China Co., Limited (CMC) finished IPO process and became a listed company at Shanghai Stock Exchange's Main-Board market on February 16, 2022. The stock is abbreviated as CMC, whose stock code is “603122”.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the board of directors on March 21, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(ii) Functional and presentation currency

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

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

The Company and its Subsidiary in the Consolidated Financial Statements are as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding		Descriptions
			December 31, 2021	December 31, 2020	
The Company	Cowearth Investment Co., Limited (CIC)	General investing	100 %	100 %	
The Company	Mark Investment Co., Limited (MI)	General investing	100 %	100 %	
The Company	Wun Wei Investment Co., Limited (WI)	General investing	100 %	100 %	
The Company	Jie Li Investment Co., Limited (JI)	General investing	100 %	100 %	
The Company	Le Li Investment Co., Limited (LI)	General investing	100 %	100 %	
The Company, CIC, MI, WI, JI and LI	Cowearth Medical Science & Biotechnology Inc. (CMSB)	Import and export business of medical equipment, reagents and spare parts	100 %	100 %	The Company (72.71%), Cowearth Investment (9.85%), Mark Investment (3.63%), Wun Wei Investment (4.39%), Jie Li Investment (4.6%), Le Li Investment (4.75%)
The Company	Richtek Technology Limited (RT)	Sale of medical equipment and reagents	100 %	100 %	
The Company	Cowearth Holding Co., Limited (HK)(CHC)	General investing	100 %	100 %	
CMSB	Cowearth Holding Co., Ltd.(CH)	General investing	100 %	100 %	
CH	Cowearth Investment Co. Ltd.(BVI)(CI)	General investing	100 %	100 %	

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Descriptions
			December 31, 2021	December 31, 2020	
CHC	Cowearth Medical China Co., Limited (CMC)	Import and export business of medical equipment, reagents and spare parts	73.34 %	73.34 %	
CHC	Health Space Consultation & Management (Shanghai) Co., Ltd.	Nutrition, health, social and economic consulting, etc.	100 %	100 %	
CHC	U Health Business Management (Shanghai) Co. Ltd.	Consulting business	100 %	100 %	The company was established in Shanghai on November 11, 2020. As of December 31, 2021, the company's paid-in capital was CNY 0.
CMC	Colab Reserch & Development Inc.	Sale of medical equipment and regents	100 %	100 %	
CMC	Royal Seal Holding Co., Limited	General ivesting and sale of medical equipment	100 %	100 %	
CMC	Royal Seal Medical Technology (Shanghai) Co., Limited (RSMT)	Import and export of medical equipment, reagents and related parts and accessories	100 %	100 %	
CMC	Cowearth Coshine Tianjin Medical Technology Co., Ltd.	Import and export of medical equipment, reagents and related parts and accessories	60 %	-	% The company was established in Tianjin on February 23, 2021. As of December 31, 2021, the company's paid-in capital was CNY 600,000
RSMT	CHM Consulting Co., Limited	Engaged in hospital management, investment, business management, economic information consulting, etc.	100 %	100 %	

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

Bank overdrafts are shown under borrowings in current liabilities in the balance sheet.

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 18 months past due. (Before August 12, 2020, the Group considers a financial asset to be in default when the financial asset is more than 12 months past due).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 18 months past due. (Before August 12, 2020, a breach of contract such as a default or being more than 12 months past due);
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

3) Derecognition of financial assets

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

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

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Treasury shares

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

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

(i) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 “Joint Arrangements” defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS28 “Investments in Associates and Joint Ventures”, unless the Group qualifies for exemption from that Standard.

Under the equity method, the original acquisition is recognized based on cost, and investment costs include transaction costs. The book value of the investment joint venture includes the goodwill identified at the time of the original investment, less any accumulated impairment losses.

The individual financial report includes from the date of significant impact to the date of loss of significant impact. After adjustments are made for consistency with the Company’s accounting policies, the Company recognizes the amount of profits and losses of each joint venture and other comprehensive profits and losses based on the proportion of equity. When equity changes in non-profit and loss and other comprehensive gains and losses occur in the joint venture and do not affect the Company's shareholding ratio, the Company recognizes all equity changes as capital reserve based on the shareholding ratio.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Company shall recognize the loss of the joint venture on a pro rata basis equal to or exceed its equity in the joint venture, it shall stop recognizing its losses, and only within the scope of legal obligations, constructive obligations, or payments on behalf of the invested company, Recognize additional losses and related liabilities.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment on January 1, 2012, the Group's date of transition to the Standards, was determined with reference to its fair value at that date.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

1) Buildings	5~43 years
2) Mechanical equipment	5~10 years
3) Computer communication equipment	3 years
4) Transportation Equipment	5 years
5) Office equipment	3~5 years
6) Lease improvement	5 years

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

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(l) Intangible assets

(i) Recognition and measurement

The Group obtains other intangible assets with limited useful life, including customer relations, patent rights and trademark rights, etc., which are measured at the cost, less accumulated amortization and accumulated impairment.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

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

Computer software	2~8 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

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

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

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

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

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

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

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provision for warranty liabilities is recognized when selling goods or services, and the provision for such liabilities is weighted based on the equipment's future warranty period.

(o) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of test reagent. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic components are made with a credit term of 180 days, which is consistent with the market practice.

The Group's obligation to provide a warranty for sales of medical equipment under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(m).

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Group uses installment sales to collect payments for the sales of equipment. If the contract contains a significant financial component, the transaction price will be adjusted during the installment period according to the interest rate reflecting the customer's credit and the guarantee provided to reflect the impact of the time value of money. The financial component (unrealized interest income) is recognized as interest income using the effective interest method over time.

2) Labor services

The Group provides services such as corporate equipment maintenance, training, installation, or hospital management consulting and training, and recognizes related income during the reporting period of labor services.

Some contracts include equipment sales and installation services, and most of them are simple installations that do not include integrated services and can be performed by other parties. Therefore, they are regarded as a separate performance obligation and the transaction price is shared on the basis of the stand-alone selling price. If there is no directly observable price, the stand-alone selling price is estimated based on the expected cost plus profit, and the recognition time is the same as the aforementioned sale of goods.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

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

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(iii) Shortterm employee benefits

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

(q) Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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(r) Government subsidy

When the group can receive the relevant government subsidy, the unconditional subsidy is recognized as other income. For other asset-related subsidies, when the Group is reasonably confident that it will comply with the conditions attached to the government subsidy and will receive the subsidy, it shall be recognized as deferred income at fair value and within the useful life of the asset. The deferred income is recognized as other income on a systematic basis. The government subsidies to compensate the expenses or losses incurred by the Group are recognized in profit and loss on a systematic basis and related expenses at the same time.

The Group can be reasonably sure that it will comply with the conditions attached to the government subsidy and will receive the subsidy, it shall be recognized at fair value. If the nature of the government subsidy is to compensate the expenses incurred by the Group, the government subsidy shall be recognized as the current profit and loss on a systematic basis during the relevant expenses.

(s) Income taxes

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(t) Earnings per share

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

(u) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements causes no significant effects.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Information on accounting policies involving material judgement and having significant impact on recognized amounts of the consolidated financial statement is as follows:

- (a) Judgement on whether the related-party is materially impacted

The Group holds less than 20% of the voting rights of Med1 Ventures and LLC, except that the key management of the Group is the managing partner of Med 1, and participates in the financial and operating policy decisions of Med 1, and has significant influence on Med1 Ventures and LLC.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

- (a) Assessment of impairment of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(b).

- (b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 197	198
Check deposits	16	16
Demand deposits	791,645	1,210,952
Time deposits	<u>50,826</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 842,684</u>	<u>1,211,166</u>

Please refer to note 6(v) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Notes and trade receivables

	December 31, 2021	December 31, 2020
Notes receivable from non-operating activities	\$ 189,957	305,230
Trade receivables	2,481,420	2,607,186
Installment accounts receivable	267,882	28,078
Less: Loss allowance	(175,471)	(145,763)
Unrealized interest income	(10,739)	(10,817)
Discounted notes receivable	(139,134)	-
Transfer of notes receivable	-	(133,211)
	<u>\$ 2,613,915</u>	<u>2,650,703</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,316,834	0.17%	3,959
90 days past due	198,644	0.14%	277
91~180 days past due	42,211	0.42%	177
181~365 days past due	49,381	6.69%	3,436
More than 1 year past due	182,316	91.94%	167,622
	<u>\$ 2,789,386</u>		<u>175,471</u>

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,344,568	0.15%	3,543
90 days past due	72,678	0.36%	260
91~180 days past due	53,311	1.09%	582
181~365 days past due	154,358	7.00%	10,800
More than 1 year past due	171,551	76.12%	130,578
	<u>\$ 2,796,466</u>		<u>145,763</u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for notes and trade receivable was as follows:

	2021	2020
Balance at January 1	\$ 145,763	75,911
Impairment losses recognized	30,468	67,624
Impairment losses reversed	(139)	(265)
Foreign exchange (gain) losses	(621)	2,493
Balance at December 31	<u><u>\$ 175,471</u></u>	<u><u>145,763</u></u>

The aforementioned notes and trade receivables of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

Due to the sales installment, the Group has estimated the annual receivable installments as follows:

	December 31, 2021
less than one year	\$ 153,025
one to two years	95,013
two to three years	7,398
three to four years	8,297
four to five years	4,149
	<u><u>\$ 267,882</u></u>

On December 31, 2021 and 2020, the Group has pledged the accounts receivable of hospitals as collateral to acquire short-term loans and the amount of the uncollected value-added tax invoice was \$213,824 thousand and \$359,317 thousand, respectively. For information on the book value of the short-term loans of \$174,566 thousand and \$283,712 thousand, please refer to note 6(k) and 8.

Notes receivable used by the Group for discounting and transferring payment were all short term bankers' acceptances given by customers. According to the FAQs whether the transfer of notes receivable from mainland China can be derecognized published by the Securities and Futures Bureau on December 26, 2018, the Group evaluated the credit rating of the acceptance bank from which it received the bankers' acceptances. The bankers' acceptances from the higher credit rating acceptance bank usually bear lower credit risk and late payment risk, and the main risk associated with these bankers' acceptances is interest rate risk. In addition, that interest rate risk has been transferred with the endorsement of the notes, which allows the Group to determine that almost all risks and rewards of ownership of the bankers' acceptances have been transferred. Therefore, when the bankers' acceptances were discounted to the bank or endorsed to suppliers, they meet the derecognition criteria and were reported as a deduction from the notes receivable.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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(c) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$ 14,641	24,624
Less: Loss allowance	<u>-</u>	<u>(1,161)</u>
	<u>\$ 14,641</u>	<u>23,463</u>

The movement in the allowance for Other receivables were as follows:

	2021	2020
Balance at January 1	\$ 1,161	878
Impairment losses recognized (reversal profit)	(1,153)	264
Foreign exchange (gain) losses	<u>(8)</u>	<u>19</u>
Balance at December 31	<u>\$ -</u>	<u>1,161</u>

(d) Inventories

	December 31, 2021	December 31, 2020
Merchandise inventory	<u>\$ 770,986</u>	<u>589,418</u>

As of December 31, 2021 and 2020, inventories recognized as cost of sales amounted to \$4,081,821 thousand and \$3,698,107 thousand.

In 2021 and 2020, the write-down of inventories amounted to \$5,088 thousand and \$2,680 thousand. The write-downs and reversals are included in cost of sales.

As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

			December 31, 2021	December 31, 2020
Med1 Ventures, LLC			\$ 864	432
		Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
Name of Joint ventures	Nature of Relationship with the Group		December 31, 2021	December 31, 2020
Med1 Ventures, LLC	Medical products research and development	U.S.A	19 %	20 %

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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The Group's financial information for investments in individually insignificant joint venture accounted for using equity method at the reporting date was as follows:

	December 31, 2021	December 31, 2020
Current assets	\$ 5,173	2,791
Current liabilities	626	633
Net assets	<u>\$ 4,547</u>	<u>2,158</u>
Carrying amount of interests in joint ventures	<u>\$ 864</u>	<u>432</u>
	2021	2020
Sales revenue	<u>\$ 7,797</u>	<u>-</u>
Net income (Loss)	\$ (324)	(418)
Other comprehensive income (Loss)	(132)	(120)
Comprehensive income(Loss)	<u>\$ (456)</u>	<u>(538)</u>
Net income, attributable to non-controlling interests	<u>\$ (65)</u>	<u>(84)</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ (25)</u>	<u>(108)</u>

(f) Changes in a parent's ownership interest in a subsidiary

Adjust the organizational structure without causing loss of control

In order to coordinate with the development strategy of the Group and adjust the organizational structure, it was approved by the Investment Review Committee of the Ministry of Economic Affairs on January 14, 2020. The Company sold 100% of its subsidiary Royal Seal Holding Co., Limited to Cowealth Medical China Co., Limited, with total amount of 5,580 thousand shares and US\$2.03 per share, and a total transaction amount of US\$11,330 thousand. The Company's ownership of the subsidiary fell from 100% to 73.34%. This change did not lead to loss of control. It should be treated as an equity transaction, and the capital reserve of CNY \$41,067 thousand was recognized without affecting the profit or loss. The above equity transaction was approved by the Board of Directors on March 9, 2020, and the transaction was completed on May 28, 2020.

(g) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests	
		December 31, 2021	December 31, 2020
Cowealth Medical China Co., Limited	China	26.66 %	26.66 %

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The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

Cowearth Medical China Co., Limited's collective financial information:

	December 31, 2021	December 31, 2020
Current assets	\$ 5,103,466	3,984,504
Non-current assets	635,096	1,007,242
Current liabilities	2,055,519	1,644,853
Non- current liabilities	108,369	40,464
Net assets	<u>\$ 3,574,674</u>	<u>3,306,429</u>
Non-controlling interests	<u>\$ 957,283</u>	<u>886,058</u>
	2021	2020
Sales revenue	<u>\$ 5,139,603</u>	<u>5,026,816</u>
Net income	\$ 287,822	317,035
Other comprehensive income	(19,288)	(20,277)
Comprehensive income	<u>\$ 268,534</u>	<u>296,758</u>
Profit, attributable to non-controlling interests	<u>\$ 76,734</u>	<u>84,522</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 71,225</u>	<u>101,447</u>

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Buildings and construction	Machinery equipment	Computer communica- tion equipment	Transporta- tion equipment	Office equipment	Leasehold improve- ments	Total
Cost :							
Balance at January 1, 2021	\$ 166,064	325,106	7,225	35,784	20,405	54,646	609,230
Additions	29,086	2,520	1,491	-	1,398	42	34,537
Disposal	-	(18,800)	(1,020)	-	(925)	-	(20,745)
Reclassification	-	-	26	-	-	-	26
Effect of movements in exchange rates	(720)	4,549	(33)	(143)	(77)	(239)	3,337
Balance at December 31, 2021	<u>\$ 194,430</u>	<u>313,375</u>	<u>7,689</u>	<u>35,641</u>	<u>20,801</u>	<u>54,449</u>	<u>626,385</u>
Balance at January 1, 2020	\$ 163,504	343,266	6,167	34,454	18,266	52,147	617,804
Additions	-	14,400	960	862	3,894	7,328	27,444
Disposal	-	(66,130)	(17)	-	(2,012)	(5,619)	(73,778)
Reclassification	-	28,297	-	(1)	1	-	28,297
Effect of movements in exchange rates	2,560	5,273	115	469	256	790	9,463
Balance at December 31, 2020	<u>\$ 166,064</u>	<u>325,106</u>	<u>7,225</u>	<u>35,784</u>	<u>20,405</u>	<u>54,646</u>	<u>609,230</u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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	Buildings and construction	Machinery equipment	Computer communica- tion equipment	Transporta- tion equipment	Office equipment	Leasehold improvements	Total
Accumulated depreciation :							
Balance at January 1, 2021	\$ 21,903	264,692	5,809	26,293	12,199	43,736	374,632
Depreciation for the year	4,189	34,112	938	3,923	2,687	3,061	48,910
Disposal	-	(18,674)	(1,019)	-	(903)	-	(20,596)
Effect of movements in exchange rates	(94)	98	(29)	(91)	(43)	(201)	(360)
Balance at December 31, 2021	\$ 25,998	280,228	5,699	30,125	13,940	46,596	402,586
Balance at January 1, 2020	\$ 21,998	207,338	4,642	21,807	11,498	39,625	306,908
Depreciation for the year	3,928	76,941	1,073	4,147	2,223	2,892	91,204
Disposal	-	(24,125)	-	-	(1,675)	(3,835)	(29,635)
Reclassification	(4,360)	-	-	-	-	4,360	-
Effect of movements in exchange rates	337	4,538	94	339	153	694	6,155
Balance at December 31, 2020	\$ 21,903	264,692	5,809	26,293	12,199	43,736	374,632
Carrying amounts :							
Balance at December 31, 2021	\$ 168,432	33,147	1,990	5,516	6,861	7,853	223,799
Balance at January 1, 2020	\$ 141,506	135,928	1,525	12,647	6,768	12,522	310,896
Balance at December 31, 2020	\$ 144,161	60,414	1,416	9,491	8,206	10,910	234,598

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had not been pledged as collateral for long-term borrowings.

(i) Right-of-use assets

The Group leases many assets including land, buildings, office equipment and machinery equipment. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings	Office equipment	Machinery equipment	Total
Cost:					
Balance at January 1, 2021	\$ 126,517	61,191	-	-	187,708
Additions	-	9,494	1,196	5,236	15,926
Disposal	-	(1,851)	-	-	(1,851)
Lease modification	-	1,097	-	-	1,097
Effect of movements in exchange rates	(600)	(234)	3	12	(819)
Balance at December 31, 2021	\$ 125,917	69,697	1,199	5,248	202,061
Balance at January 1, 2020	\$ 124,567	58,428	-	-	182,995
Effects of retrospective application	-	-	-	-	-
Balance at January 1, 2021	124,567	58,428	-	-	182,995
Additions	-	7,826	-	-	7,826
Disposal	-	(5,887)	-	-	(5,887)
Effect of movements in exchange rates	1,950	824	-	-	2,774
Balance at December 31, 2020	\$ 126,517	61,191	-	-	187,708

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Machinery equipment</u>	<u>Total</u>
Accumulated depreciation :					
Balance at January 1, 2021	\$ 6,244	17,790	-	-	24,034
Depreciation for the year	3,129	12,761	597	1,636	18,123
Disposal	-	(1,851)	-	-	(1,851)
Effect of movements in exchange rates	(22)	(60)	1	3	(78)
Balance at December 31, 2021	<u>\$ 9,351</u>	<u>28,640</u>	<u>598</u>	<u>1,639</u>	<u>40,228</u>
Balance at January 1, 2020	\$ 3,045	9,895	-	-	12,940
Depreciation for the year	3,091	10,281	-	-	13,372
Disposal	-	(2,676)	-	-	(2,676)
Effect of movements in exchange rates	108	290	-	-	398
Balance at December 31, 2020	<u>\$ 6,244</u>	<u>17,790</u>	<u>-</u>	<u>-</u>	<u>24,034</u>
Carrying amount:					
Balance at December 31, 2021	<u>\$ 116,566</u>	<u>41,057</u>	<u>601</u>	<u>3,609</u>	<u>161,833</u>
Balance at January 1, 2020	<u>\$ 121,522</u>	<u>48,533</u>	<u>-</u>	<u>-</u>	<u>170,055</u>
Balance at December 31, 2020	<u>\$ 120,273</u>	<u>43,401</u>	<u>-</u>	<u>-</u>	<u>163,674</u>

The land use right was generated when the Group purchased offices and warehouses in China. The use period of the land use right is from 2011 to 2054.

(j) Intangible assets

The cost and accumulated amortization of the intangible assets of the Group for the years ended December 31, 2021 and 2020, were as follows:

	<u>Software</u>
Costs :	
Balance at January 1, 2021	\$ 53,584
Additions	2,124
Effect of movements in exchange rates	(250)
Balance at December 31, 2021	<u>\$ 55,458</u>
Balance at January 1, 2020	\$ 54,495
Additions	641
Disposal	(2,372)
Effect of movements in exchange rates	820
Balance at December 31, 2020	<u>\$ 53,584</u>
Accumulated amortization:	
Balance at January 1, 2021	\$ 48,766
Amortization for the year	2,825
Effect of movements in exchange rates	(225)
Balance at December 31, 2021	<u>\$ 51,366</u>

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Software
Balance at January 1, 2020	\$ 46,945
Amortization for the year	3,437
Disposal	(2,372)
Effect of movements in exchange rates	756
Balance at December 31, 2020	<u><u>\$ 48,766</u></u>
Carrying value :	
Balance at December 31, 2021	<u><u>\$ 4,092</u></u>
Balance at January 1, 2020	<u><u>\$ 7,550</u></u>
Balance at December 31, 2020	<u><u>\$ 4,818</u></u>

(k) Short-term loans

The details of short-term loans of the Group are as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 129,818	52,378
Guaranteed bank loans	614,346	667,868
Total	<u><u>\$ 744,164</u></u>	<u><u>720,246</u></u>
Unused credits	<u><u>\$ 1,743,580</u></u>	<u><u>1,720,138</u></u>
Interest rate range	<u><u>1.40%~4.35%</u></u>	<u><u>1.40%~4.85%</u></u>

For the details of the Group's pledged assets as collateral for bank loans, please refer to note 8.

(l) Long-term Loans

The terms and conditions of the loans of the Group are as follows:

Contract period	Contract period	Collateral	Other important restrictions	December 31, 2021	December 31, 2020
Bank loan					
Hua Nan Bank	2018.12.25~2021.12.25	Fixed deposit	Interest and principal paid per installment. Foreign deposit loan: US\$0 thousand	-	42,720
CTBC Bank	2020.7.28~2022.7.28	Fixed deposit	Interest and principal paid per installment.	15,620	35,620
CTBC Bank	2020.10.16~2022.10.14	Fixed deposit	Interest and principal paid per installment. Foreign deposit loan: US\$1,122 thousand	31,075	64,080
Cathay United Bank	2019.1.30~2021.1.25	Reserved savings account	Interest and principal paid per installment.	-	21,000
Cathay United Bank	2021.9.22~2024.6.22	Fixed deposit	Interest and principal paid per installment. Foreign deposit loan: US\$2,350 thousand	65,087	-

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Contract period</u>	<u>Contract period</u>	<u>Collateral</u>	<u>Other important restrictions</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Chang Hwa Commercial Bank	2019.2.1~2021.2.1	Fixed deposit	Interest and principal paid per installment.	-	12,500
Subtotal				<u>111,782</u>	<u>175,920</u>
Other loans					
CIFSC	2020.3.17~2022.3.17	Refundable Deposit	Interest and principal paid per installment. Foreign deposit loan:US\$88 thousand	2,424	14,596
CIFSC	2019.3.25~2022.3.25	Refundable Deposit	Interest and principal paid per installment. Foreign deposit loan:US\$193 thousand	5,345	27,529
Subtotal				<u>7,769</u>	<u>42,125</u>
				119,551	218,045
Subtract: Due within one year				<u>(67,482)</u>	<u>(162,482)</u>
Total				<u>\$ 52,069</u>	<u>55,563</u>
Unused quotas				<u>\$ -</u>	<u>-</u>
Interest rate range					
Bank loans				<u>1.61%~1.79%</u>	<u>1.01%~1.95%</u>
Other loans				<u>0.79%~1.04%</u>	<u>0.86%~1.10%</u>

Please refer to Note 8 for details of the Group's assetbased collateral for bank borrowings.

(m) Provisions-Current

	<u>Warranty</u>
Balance at January 1, 2021	\$ 2,212
Provisions made during the year	616
Provisions used during the year	(711)
Effect of exchange rate changes	<u>(5)</u>
Balance at December 31, 2021	<u>\$ 2,112</u>
Balance at January 1, 2020	\$ 1,739
Provisions made during the year	1,394
Provisions used during the year	<u>(942)</u>
Effect of exchange rate changes	<u>21</u>
Balance at December 31, 2020	<u>\$ 2,212</u>

The provision for warranties relates mainly to equipment sold during for the years ended December 31, 2021 and 2020. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next business cycle.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The lease liabilities of the Group are as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>14,145</u>	<u>9,606</u>
Non-Current	\$ <u>35,478</u>	<u>36,822</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss are as follows:

	2021	2020
Interest expense on lease liabilities	\$ <u>2,449</u>	<u>2,212</u>
Expenses relating to short term leases	\$ <u>1,951</u>	<u>1,486</u>
Expenses relating to leases of low value assets, excluding short term leases of low value assets	\$ <u>24</u>	<u>32</u>
Covid 19 related rent concessions	\$ <u>-</u>	<u>1,249</u>

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

	2021	2020
Total cash outflow for leases	\$ <u>18,189</u>	<u>13,155</u>

(i) Land and real estate leases

The Group leases land and buildings for its office space and warehouse. The leases of office space typically run for a period of 35 to 43 years for land, 2 to 6 years for office space and 2 to 8 years for warehouse. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group also leases machinery and vehicles with contract terms of 1 to 3 years. These leases are short-term and low value items. The Group has elected not to recognize its right of use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2021	December 31, 2020
Defined benefit obligations	\$ 43,887	35,354
Fair value of plan assets	-	-
Net of defined benefit obligations	\$ <u>43,887</u>	<u>35,354</u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. On September 7, 2018, the Group has paid the remaining balance of labor pension fund at Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of defined benefit obligations:

As of December 31, 2021 and 2020, the movements in present value of defined benefit obligations for the Group are as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 35,354	35,481
Current service costs and interest costs	1,133	1,210
Remeasurements of defined benefit liability (asset)		
— Actuarial gains and losses arising from demographic assumptions	-	44
— Actuarial gains and losses arising from experience adjustment	<u>7,400</u>	<u>(1,381)</u>
Defined benefit obligation at December 31	<u><u>\$ 43,887</u></u>	<u><u>35,354</u></u>

3) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the year ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 1,000	1,033
Net interest of net liabilities for defined benefit obligations	<u>133</u>	<u>177</u>
	<u><u>\$ 1,133</u></u>	<u><u>1,210</u></u>
Administrative Expense	<u><u>\$ 1,133</u></u>	<u><u>1,210</u></u>

4) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ 49,535	50,872
Recognized during the period	<u>7,400</u>	<u>(1,337)</u>
Accumulated amount at December 31	<u><u>\$ 56,935</u></u>	<u><u>49,535</u></u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Discount rate	0.375 %	0.375 %
Future salary increasing rate	4.000 %	4.000 %

The weighted average lifetime of the defined benefit plans for the years ended December 31, 2020 and 2019 is 0 and 1 years, respectively.

6) Sensitivity analysis

As of December 31, 2021 and 2020, the effects of changes in major actuarial assumption adopted to defined benefit obligation are as follows:

	<u>Influences to defined benefit</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2021		
Discount rate (0.375% Change)	\$ -	-
Future salary increasing rate (4% Change)	-	-
December 31, 2020		
Discount rate (0.375% Change)	88	(88)
Future salary increasing rate (4% Change)	85	(85)

The sensitivity analysis above is based on the analysis for single assumption change effects while other assumptions remain constant. In practice, many changes in assumptions are related. Sensitivity analysis method is in accordance with the method for calculating net defined benefit liability on balance sheet.

The sensitivity analysis method adopted in this period is the same as prior period.

(ii) Defined contribution plans

For the years ended December 31, 2021 and 2020, the Group's pension expenses under defined contribution plan were \$26,988 thousand and \$2,784 thousand respectively. Besides, the Group has provided additional contributions for employees that met the requirements for pension plan. Under the plan, the Group sets aside a fixed amount to the reserved account without additional legal or constructive obligations. For the years ended December 31, 2021 and 2020, the additional pension fund was \$8,979 thousand and \$6,823 thousand respectively.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Income tax

(i) Income tax expense

- 1) For the years ended December 31, 2021 and 2020, the details of income tax expense are as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expense	\$ 134,469	114,658
Deferred income tax expense (benefit)	(15,645)	(8,636)
Total income tax expense	<u>\$ 118,824</u>	<u>106,022</u>

- 2) For the years ended December 31, 2021 and 2020, the details of the income tax benefit (expense) recognized in other comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 248</u>	<u>(412)</u>

- 3) The Group's reconciliations of tax expenses and profit before tax in 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	\$ 92,659	95,883
Change in provision in prior periods	(268)	(9,888)
Change in unrecognized temporary differences	(4,808)	7,184
Change according to income tax law	10,073	12,751
Income tax on foreign investment	22,113	-
Others	(945)	92
Income tax expense	<u>\$ 118,824</u>	<u>106,022</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The carryforward of unused tax losses	\$ 25,625	22,427
Tax effect of deductible Temporary Differences	1,534	943
	<u>\$ 27,159</u>	<u>23,370</u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

The P.R.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five years for local tax reporting purposes.

As of December 31, 2021, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2016	\$ 14,443	2026
2017	43,319	2027
2019	34,565	2024 to 2029
2020	55,483	2025 to 2030
2021	<u>67,562</u>	2026 to 2031
	<u><u>\$ 215,372</u></u>	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	<u>Net investment income recognized under equity method</u>	<u>Unrealized exchange gain or loss</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Liabilities:				
Balance at January 1, 2021	\$ (1,837)	(1,438)	(10,830)	(14,105)
Recognized in profit or loss	1,824	(461)	(12,201)	(10,838)
Foreign currency translation differences for foreign operations	<u>13</u>	<u>-</u>	<u>15</u>	<u>28</u>
December 31, 2021	<u>\$ -</u>	<u>(1,899)</u>	<u>(23,016)</u>	<u>(24,915)</u>
Balance at January 1, 2020	\$ (1,809)	-	(18,328)	(20,137)
Recognized in profit or loss	(95)	(1,438)	5,399	3,866
Foreign currency translation differences for foreign operations	<u>67</u>	<u>-</u>	<u>2,099</u>	<u>2,166</u>
December 31, 2020	<u>\$ (1,837)</u>	<u>(1,438)</u>	<u>(10,830)</u>	<u>(14,105)</u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Allowance for bad and doubtful debts	Reserve for estimated warranty liabilities	Allowance for inventory valuation and obsolescence losses	Loss Offset	Others	Total
Deferred Tax Assets:							
Balance at January 1, 2021	\$ 12,220	36,441	231	4,686	11,959	40,816	106,353
Recognized in profit or loss	-	7,582	(108)	1,067	9,064	8,878	26,483
Recognized in other comprehensive income	248	-	-	-	-	-	248
Foreign currency translation differences for foreign operations	-	(155)	-	(14)	(9)	1,364	1,186
December 31, 2021	<u>\$ 12,468</u>	<u>43,868</u>	<u>123</u>	<u>5,739</u>	<u>21,014</u>	<u>51,058</u>	<u>134,270</u>
Balance at January 1, 2020	\$ 12,632	19,240	213	3,885	17,249	44,946	98,165
Recognized in profit or loss	-	16,579	18	745	(5,305)	(2,370)	9,667
Recognized in other comprehensive income	(412)	-	-	-	-	-	(412)
Foreign currency translation differences for foreign operations	-	622	-	56	15	(1,760)	(1,067)
December 31, 2020	<u>\$ 12,220</u>	<u>36,441</u>	<u>231</u>	<u>4,686</u>	<u>11,959</u>	<u>40,816</u>	<u>106,353</u>

(q) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares of the Company were \$1,575,000 thousand, consisting of 157,500 thousand shares, with par value of \$10 per share. Issued shares both years were 77,450 thousand ordinary shares. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

	(in thousands of shares)	
	Ordinary Shares	
	2021	2020
Balance at January 1	77,450	73,762
Stock dividends	-	3,688
Balance at December 31	<u>77,450</u>	<u>77,450</u>

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on 27 May 2020 for the issuance of 3,688 thousand of new shares from retained earnings with par value of \$10 per share, amounting to \$36,881 thousand. Subsequently, a resolution was passed during the Board meeting held on 29 June 2020 for the issuance with 24 July 2020 as the date of capital increase. The relevant matters have completed the statutory registration procedures.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Additional paid in capital	\$ 451,062	451,062
Employee share options	6,060	6,060
Expired stock warrants	17,268	17,268
Fair value differences of associates and joint ventures under equity method	523	-
Changes in carrying amount of associates accounted for using equity method	532,825	532,825
	<u>\$ 1,007,738</u>	<u>1,007,215</u>

Since the Company sold Royal Seal Holding Co., Limited to Cowealth Medical China Co., Limited in May 2020, the amount of capital reserve affected was \$41,067 thousand; please refer to note 6(f).

(iii) Retained earnings

1) Special reserve

The Company's article of incorporation stipulates that Company's annual net income and offset its losses in previous years that have not been previously offset, then set aside a special capital reserve at 10% of the profits left over, until the accumulated special capital reserve has equalled the total capital of the Company.

By choosing to apply exemptions granted under IFRS 1 "First time Adoption of International Financial Reporting Standards" during the Company's first time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, the increase in retained earnings amounted to \$59,260 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. As of December 31, 2021 and 2020, the carrying amount of special earnings reserve were both \$59,260 thousand, respectively.

In accordance with the guidelines of the above Ruling, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the firsttime adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the firsttime adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Earnings distribution

Earnings distribution for 2020 and 2019 were decided via the general meeting of shareholders held on July 1, 2021 and May 27, 2020 respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Amount	Amount per share	Amount
Cash dividends	\$ 1.20	92,939	1.20	88,514
Stock dividends	-	-	0.50	36,881
Total		\$ 92,939		125,395

The amount of cash dividends on appropriations of earnings for 2021 has been approved during the Board meeting on March 21, 2022, as follows:

	2021	
	Amount per share	Amount
Cash	\$ 1.50	116,174

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	
	2021	2020
Beginning of Year	\$ (213,160)	(235,190)
Exchange differences on translation of net assets of foreign operations	(16,939)	22,030
End of Year	\$ (230,099)	(213,160)

(r) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	2021	2020
Profit attributable to ordinary shareholders of the Company	\$ 139,464	124,394

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Weighted average number of ordinary shares (thousand shares)

	<u>2021</u>	<u>2020</u>
Issued ordinary shares at 1 January	\$ 77,450	73,762
Effect of shares dividends	<u>-</u>	<u>3,688</u>
Weighted average number of ordinary shares at 31 December	<u><u>\$ 77,450</u></u>	<u><u>77,450</u></u>

3) Basic earnings per share

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 139,464</u>	<u>124,394</u>
Weighted average number of ordinary shares	<u><u>77,450</u></u>	<u><u>77,450</u></u>
Basic earnings per share (Dollars)	<u><u>\$ 1.80</u></u>	<u><u>1.61</u></u>

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company (diluted EPS equals to basic EPS)	<u>\$ 139,464</u>	<u>124,394</u>

2) Weighted average number of ordinary shares (thousand shares)

	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares (diluted shares equals to basic shares)	<u><u>77,450</u></u>	<u><u>77,450</u></u>
Effect of employee share bonus	<u>54</u>	<u>40</u>
Weighted average number of ordinary shares (diluted) at December 31	<u><u>77,504</u></u>	<u><u>77,490</u></u>

3) Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company (Diluted)	<u>\$ 139,464</u>	<u>124,394</u>
Weighted average number of ordinary shares (Diluted)	<u><u>77,504</u></u>	<u><u>77,490</u></u>
Diluted earnings per share (Dollars)	<u><u>\$ 1.80</u></u>	<u><u>1.61</u></u>

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Revenue from contracts with customers

(i) Type of revenue

	2021	2020
Main product/service line:		
Sale of goods	\$ 4,993,200	4,561,819
Maintenance revenue	113,996	116,859
Service revenue	<u>32,552</u>	<u>43,261</u>
	<u>\$ 5,139,748</u>	<u>4,721,939</u>
Time of revenue recognition:		
Goods transferred at a certain point in time	\$ 4,848,047	4,561,819
Services gradually transferred over time	<u>291,701</u>	<u>160,120</u>
	<u>\$ 5,139,748</u>	<u>4,721,939</u>

(ii) Contract balance

	December 31, 2021	December 31, 2020
Notes receivable and accounts receivable	\$ 2,789,386	2,796,466
Less: allowance for loss	<u>(175,471)</u>	<u>(145,763)</u>
Total	<u>\$ 2,613,915</u>	<u>2,650,703</u>
Contract liability	<u>\$ 55,663</u>	<u>48,951</u>

Please refer to Note 6 (b) for the disclosure of notes and accounts receivable and their impairment.

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were \$44,883 thousand and \$29,956 thousand, respectively.

(t) Employee and director benefits

According to the Company's articles of charter, if there is a profit in the year, no less than 1% shall be allocated for employee benefit and no more than 3% for directors' benefits. However, when the Company still has accumulated losses, it shall retain the compensation amount in advance. The employee benefit in the preceding paragraph may include employees of affiliated companies who meet certain conditions for the payment of stocks or cash.

The estimated amount of employee benefit of the Company for the years ended December 31, 2021 and 2020 is \$1,453 thousand and \$1,296 thousand, and the estimated amount of directors' benefits is \$4,358 thousand and \$3,887 thousand, which is based on the Company's net income before tax for each period. The amount before deduction of employee and director benefits multiplied by the number of employee and director benefits as stipulated in the Company's articles of association is the basis for estimation and is reported as operating expenses for the years ended December 31, 2021 and 2020. There is no difference between the amount of benefits for employee and director

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

distributed by the Board of Directors and the amount estimated in the company's 2021 and 2020 consolidated reports. Relevant information can be found at the Market Observation Post System.

(u) Government Grants

For the years ended December 31, 2021 and 2020, the Group received the following CNY subsidies from Pudong New District and Xuhui District in Shanghai, China, respectively:

	(In Thousand)	
	<u>2021</u>	<u>2020</u>
Financial support from Government of Pudong New District in Shanghai, China	\$ 6,200	6,446
Listing subsidy from Government of Pudong New District in Shanghai, China	1,800	600
Training subsidy from Government of Pudong New District in Shanghai, China	46	-
Special fund for enterprise development from Government of Xuhui District in Shanghai, China	350	890
Special fund for interest and expense subsidy from Government of Xuhui District in Shanghai, China	43	-
Total amount in CNY dollars	<u>\$ 8,439</u>	<u>7,936</u>
Converted to NTD	<u>\$ 36,572</u>	<u>31,585</u>
Subsidy for economic impact on operation from Ministry of Economic Affairs	<u>760</u>	<u>-</u>
Total amount	<u><u>37,332</u></u>	<u><u>31,585</u></u>

The Group listed the above subsidy in the other income and operating expenses deductions based on the property.

(v) Financial instruments

(i) Credit risk

1) The maximum amount exposed to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Since the Group has a large customer base scattered in different geographical areas, most of which are public hospitals of a certain scale in the local area, the credit risk of accounts receivable is not likely to be significantly concentrated. In order to reduce credit risk, the Group also regularly and continuously evaluates the financial status of customers.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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3) Credit risk of receivables

For credit risk exposure of notes and trade receivables, please refer to note 6(b). Other financial assets at amortized cost is other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses (regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g)). For the years ended December 31, 2021 and 2020, the changes in the allowance loss of other receivables please refer to note 6 (c).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2021					
Non derivative financial liabilities					
Short-term borrowings	\$ 744,164	748,199	748,199	-	-
Trade payables	555,233	555,233	555,233	-	-
Other payables	258,838	258,838	258,838	-	-
Lease liabilities	49,623	59,897	18,070	41,827	-
Long-term borrowings, current portion	67,482	68,000	68,000	-	-
Long-term borrowings	<u>52,069</u>	<u>53,761</u>	<u>896</u>	<u>52,865</u>	<u>-</u>
	\$ 1,727,409	1,743,928	1,649,236	94,692	-
December 31, 2020					
Short-term borrowings	\$ 720,246	726,595	726,595	-	-
Trade payables	611,991	611,991	611,991	-	-
Other payables	198,116	198,116	198,116	-	-
Lease liabilities	46,428	48,784	10,851	37,933	-
Long-term borrowings, current portion	162,482	163,481	163,481	-	-
Long-term borrowings	<u>55,563</u>	<u>56,782</u>	<u>889</u>	<u>55,893</u>	<u>-</u>
	\$ 1,794,826	1,805,749	1,711,923	93,826	-

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: Thousand dollar in foreign currency

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	2,710	27.6964	75,062	1,343	28.4800	38,252
CNY		609,574	4.3441	2,648,047	638,863	4.3648	2,788,509
HKD		-	3.5517	-	3	3.6735	12
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		9,812	27.6964	271,736	2,213	28.4800	63,027
CNY		267,043	4.3441	1,162,674	329,290	4.3648	1,437,290

2) Sensitivity analysis

The Groups exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables etc., resulting in foreign currency exchange gains and losses during conversion. For the years ended December 31, 2021 and 2020, a strengthening (weakening) of 5% of the NTD against the USD, CNY, and HKD. While the analysis assumes that all other variables remain constant, the net profit after tax for the years ended December 31, 2021 and 2020 will decrease or increase by \$47,433 thousand and \$52,919 thousand respectively. The two-phase analysis uses the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$1,590 thousand lose and \$1,458 thousand gain respectively.

(iv) Interest rate

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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If the interest rate had increased / decreased by 1%’s net income would have increased / decreased by \$1,050 thousand and \$1,587 thousand, for the year ended December 31, 2021 and 2020 with all other variable factors remaining constant. This is mainly due to the changes in the interest rate of the Group's floating rate borrowings.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 842,684	-	-	-	-
Notes and trade receivables	2,613,915	-	-	-	-
Other receivables	14,641	-	-	-	-
Total	\$ 3,471,240	-	-	-	-
December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,211,166	-	-	-	-
Notes and trade receivables	2,650,703	-	-	-	-
Other receivables	23,463	-	-	-	-
Subtotal	3,885,332	-	-	-	-
Total	\$ 3,885,332	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

Where there is a quoted price in an active market for a financial instrument, the fair value is based on the quoted price in the active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run securities from Taipei Exchange can be used as a basis to determine the fair value of the exchange listed/OTC-listed companies' equity instrument and debt instrument with active market quotations.

A financial instrument has an active market for public quotations if public quotations of the financial instrument are obtained from an exchange, broker, underwriter, industry association, pricing service or competent authority in a timely manner and on a regular basis, and if the price represents an actual and frequent arm's length transaction. If these conditions are not met, the market is considered inactive. Generally speaking, a very

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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wide bid-ask spread, a significant increase in the bid-ask spread or a very low trading volume are all indicators of an inactive market.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by reference to quoted prices from counterparties. The fair value obtained through valuation techniques may be calculated by reference to the current fair value of other financial instruments with substantially similar terms and characteristics, by discounted cash flow techniques or by applying models using other valuation techniques, including market information available at the date of the consolidated balance sheet (eg, Taipei Exchange refers to the yield curve, Reuters average commercial paper rate quotes).

(w) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. This framework is implemented by a dedicated department to coordinate the use and operation of various financial instruments. All financial proposals and activities need to be reviewed by the appropriate level of authority in accordance with internal control procedures, and major financial proposals and activities need to be approved by the Board of Directors before being implemented.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, other receivables and bank deposits.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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1) Trade receivables and other receivables

The Group's credit risk exposure is mainly affected by the individual conditions of each customer. In order to reduce the credit risk of accounts receivable, the Group needs to evaluate the financial status of the customer before signing a contract with a new customer to determine reasonable credit conditions. During the execution of the contract, the Group regularly and continuously evaluates the financial status of each client and the possibility of recovery of accounts receivable, and assesses and sets appropriate allowances for bad debts individually or in combination according to the possibility of recovery. The Group's accounts receivable cover many customers, scattered in different geographical areas, mostly local public hospitals of a certain size, with good profit and credit records in the past, and the Group did not suffer significant credit risk loss from these customers during the reporting period.

2) Bank deposits

The credit risk of bank deposits is measured and monitored by the financial department of the Group. Since the Group's transaction partners and the performing parties are banks with good credit, there is no major performance concerns, so there is no major credit risk.

3) Guarantees

For the years ended December 31, 2021 and 2020, the Group had no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group cannot deliver cash or other financial assets to pay off financial liabilities and fails to perform related obligations. The Group's capital and working capital are sufficient to meet all contractual obligations, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

The Group manages and maintains sufficient cash and cash equivalents to meet the needs of the Group's operations and reduce the impact of cash flow fluctuations. The Group's management personnel monitor the use of bank financing lines and ensure compliance with the terms of the loan contract. For the years ended December 31, 2021 and 2020, the Group's unused short-term bank financing lines are \$1,743,580 thousand and \$1,720,138 thousand respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the CNY, US Dollar (USD), and TWD. The currencies used in these transactions are the TWD, USD, and CNY. In general, the currency of the Group's

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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borrowing is the same as the currency of the cash flow generated by the operation of the Group, mainly CNY and TWD. In this case, it provides an economic hedging effect without the need to sign derivatives. Regarding other monetary assets and liabilities denominated in foreign currencies, when short-term imbalance occurs, the combined company buys or sells foreign currencies at real-time exchange rates to ensure that the net risk of risk remains at an acceptable level.

2) Interest rate risk

The Group reasonably controls interest rate risk by negotiating reasonable interest rate levels with correspondent banks and borrowings portfolio with balancing fixed and floating interest rate.

(x) Capital management

The Company's Board of Directors regularly reviews the capital structure and considers the costs and risks that may be involved in different capital structures.

The capital management policy of the Board of Directors is to maintain a sound capital base. Before ensuring that the Group continues to operate and grow, it optimizes the balance of debt and equity to maintain the confidence of investors, creditors and the market and support future operations. Develop and provide shareholders with reasonable benefits.

(y) Investing and financing activities not affecting current cash flow

(i) For right-of-use assets under leases, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2021	Cash flows	Non-cash changes Foreign exchange movement	Others	December 31, 2021
Long-term borrowings (includes long-term borrowings, current portion)	\$ 218,045	(94,799)	(3,695)	-	119,551
Short-term borrowings	720,246	27,236	(3,318)	-	744,164
Lease liabilities	46,428	(16,214)	(62)	19,471	49,623
Total liabilities from financing activities	\$ 984,719	(83,777)	(7,075)	19,471	913,338

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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			<u>Non-cash changes</u>		
	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Foreign exchange movement</u>	<u>Others</u>	<u>December 31, 2020</u>
Long-term borrowings (includes long-term borrowings, current portion)	\$ 263,940	(41,042)	(4,853)	-	218,045
Short-term borrowings	830,702	(105,289)	(5,167)	-	720,246
Lease liabilities	50,712	(11,637)	580	6,773	46,428
Total liabilities from financing activities	<u>\$ 1,145,354</u>	<u>(157,968)</u>	<u>(9,440)</u>	<u>6,773</u>	<u>984,719</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

The Company is the ultimate controller of the Group.

- (b) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Brimming Food Ltd, Co.	The entity's director is the second immediate family of the general manager of the Company.
Lifessence Media Group (shanghai) Co., Ltd.	The entity's director is the first immediate family of the chairman of the Company.
Winning Food Ltd, Co.	The entity's director is the first immediate family of the chairman of the Company.
BeneLife Management Limited	The entity's chairman is director of the Group.
Chang Gung University of Science and Technology	The director of the Group serves as the president of the college.

- (c) Significant transactions with related parties

- (i) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trade receivables	Other related parties	<u>\$ 167</u>	<u>29</u>

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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(ii) Prepayments

The prepayments from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayments	Other related parties	\$ <u>3,582</u>	<u>273</u>

Prepayments for gifts in the festival activity and industry academia cooperation.

(iii) Payables to Related Parties

The payable from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	Other related parties	\$ <u>217</u>	<u>375</u>

(iv) Operating expenses

<u>Account</u>	<u>Relationship</u>	<u>2021</u>	<u>2020</u>
Operating expenses	Other related parties	\$ <u>4,696</u>	<u>3,223</u>

Miscellaneous expense and utility bill.

(v) Other revenue

The significant sales amount of the Company to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>2021</u>	<u>2020</u>
Other revenue	Other related parties	\$ <u>1,345</u>	<u>863</u>

Cowearth Medical China Co., Limited leased its offices to BeneLife Management Limited, Lifessence Media Group (shanghai) Co., Ltd. and Brimming Food Ltd, Co. The rental price varies according to the size of the square meters, and is subject to the rental agreement.

(vi) Lease

The Group leased the warehouse from Winning Food Ltd, Co. for two to three years in 2021 and 2020, with reference to the rental rate of the nearby warehouses, and obtained the right-to-use assets with a total value of \$6,293 thousand and \$0 thousand, respectively. For the years ended December 31, 2021 and 2020, the related interest expense on lease liabilities amounted to \$161 thousand and \$35 thousand, and the related depreciation expense lease liabilities amounted to \$1,455 thousand and \$787 thousand. As of December 31, 2021 and December 31, 2020, the balance of the lease liabilities amounted to \$5,199 thousand and \$280 thousand.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 55,462	55,821
Post-employment benefits	5,992	4,762
	<u>\$ 61,454</u>	<u>60,583</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Fixed deposits and reserved saving account(Other current and other non-current assets)	Short-term and long-term loans	\$ 97,935	108,813
Fixed deposits(Other current assets)	Performance bond	3,668	-
Trade receivable	Short-term loans	213,824	359,317
Refundable deposit (Other non-current assets)	Long-term loans	11,079	11,392
		<u>\$ 326,506</u>	<u>479,522</u>

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments

- (i) For the years ended December 31, 2021 and 2020, the Group provided guarantees for bank credit line, issuing promissory notes or providing bill endorsements amounting to \$1,324,724 thousand and \$1,390,948 thousand, respectively.
- (ii) For the years ended December 31, 2021 and 2020, the Group entered into a contract to purchase equipment. The Company is liable to the purchase commitment amounting to \$173,103 thousand and \$331,222 thousand for the years ended 2021 and 2020. The prepaid amount for this contract amounted to \$11,079 thousand and \$14,240 thousand, respectively.

(b) Commitments of the capital increase agreement

Cowearth Holding Co., Limited (HK), a subsidiary of the Company, signed a supplementary agreement on the capital increase of Cowearth Medical China Co., Limited with the investor, promising that if the following matters occur in Cowearth Medical China Co., Limited, the investor has the right to exercise the share repurchase rights in accordance with the agreed content.

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COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES

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- (i) Cowealth Medical China Co., Limited failed to obtain the IPO application acceptance notice from the China Securities Regulatory Commission or other competent regulatory agencies before December 31, 2020, or the Company withdraws the application after the Company obtained the IPO application acceptance notice from the China Securities Regulatory Commission or other competent regulatory agencies, or the Company's IPO application is rejected by the China Securities Regulatory Commission or other competent regulatory agencies.
- (ii) Cowealth Medical China Co., Limited failed to obtain the IPO application acceptance notice from the China Securities Regulatory Commission or other competent regulatory agencies before December 31, 2020, or the Company withdraws the application after the Company obtained the IPO application acceptance notice from the China Securities Regulatory Commission or other competent regulatory agencies, or the Company's IPO application is rejected by the China Securities Regulatory Commission or other competent regulatory agencies.
- (c) Cowealth Medical China Co., Limited. (“CMC” or “Issuer”), a subsidiary of the Company, applied to the main Board of the Shanghai Stock Exchange for listing on December 18, 2020. The Company and Cowealth Holding Co., Limited (HK) are the controlling shareholders of CMC (“Controlling shareholders and concerted actors”). According to the requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and other securities regulatory authorities, CMC, controlling shareholders and concerted actors need to make relevant commitments. Information about relevant commitments has been posted on the Market Observation Post System website.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

The subsidiary of the Group Cowealth Medical China Co., Limited finished IPO process and became a listed company at Shanghai Stock Exchange’s Main Board market on February 16, 2022, at an issue price of CNY 4.19 per share. The stock is abbreviated as CMC, whose stock code is “603122”, and the total stock capital is 398,052,633 shares after the IPO.

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(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		5,271	315,208	320,479	-	250,446	250,446
Labor and health insurance		-	2,163	2,163	-	1,849	1,849
Pension		852	36,248	37,100	-	10,817	10,817
Others		751	75,346	76,097	-	64,577	64,577
Depreciation		35,269	31,764	67,033	76,706	27,870	104,576
Amortization		-	2,825	2,825	-	3,437	3,437

- (b) Donation:

For the years ended December 31, 2021 and 2020, the Group donated \$22,915 thousand and \$26,024 thousand, respectively, to academic institutions and hospitals for teaching and research, prevention of COVID, and other projects.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	Cowealth Medical Holding Co., Limited	Cowealth Medical China Co., Limited	Other receivables related parties	Yes	142,669	-	-	-	2	-	Operational capital	-		-	1,027,141	1,027,141
0	Cowealth Medical Holding Co., Limited	Richtek Technology Limited	Other receivables related parties	Yes	56,780	-	-	-	2	-	Operational capital	-		-	1,027,141	1,027,141
0	Cowealth Medical Holding Co., Limited	Cowealth Medical Holding Co., Limited (HK)	Other receivables related parties	Yes	142,669	138,482	-	-	2	-	Operational capital	-		-	1,027,141	1,027,141
0	Cowealth Medical Holding Co., Limited	Royal Seal Holding Co., Limited	Other receivables related parties	Yes	228,270	-	-	-	2	-	Operational capital	-		-	1,027,141	1,027,141
1	Richtek Technology Limited	Cowealth Medical China Co., Limited	Other receivables related parties	Yes	25,551	-	-	-	2	-	Operational capital	-		-	8,187	8,187
1	Richtek Technology Limited	Royal Seal Holding Co., Limited	Other receivables related parties	Yes	57,067	-	-	-	2	-	Operational capital	-		-	40,933	204,663
1	Richtek Technology Limited	Cowealth Medical Holding Co., Limited (HK)	Other receivables related parties	Yes	55,860	55,393	-	-	2	-	Operational capital	-		-	40,933	204,663
1	Richtek Technology Limited	Cowealth Medical Holding Co., Limited	Other receivables related parties	Yes	69,916	41,517	41,517	1.81	2	-	Operational capital	-		-	204,663	204,663
2	Cowealth Medical Science & Biotechnology Inc.	Cowealth Medical Holding Co., Limited	Other receivables related parties	Yes	80,000	35,004	35,004	1.81	2	-	Operational capital	-		-	76,901	76,901
2	Cowealth Medical Science & Biotechnology Inc.	Cowealth Medical Holding Co., Limited (HK)	Other receivables related parties	Yes	75,000	35,000	30,409	1.81	2	-	Operational capital	-		-	76,901	76,901
3	Cowealth Investment Co. Ltd. (BVI)	Cowealth Medical Holding Co., Limited	Other receivables related parties	Yes	251,372	115,778	115,778	1.81	2	-	Operational capital	-		-	1,295,008	1,295,008
3	Cowealth Investment Co. Ltd. (BVI)	Cowealth Medical Holding Co., Limited (HK)	Other receivables related parties	Yes	446,883	110,786	62,989	1.81	2	-	Operational capital	-		-	259,002	1,295,008
4	Cowealth Holding Co. Ltd.	Cowealth Medical Holding Co., Limited	Other receivables related parties	Yes	41,641	30,191	30,191	1.81	2	-	Operational capital	-		-	1,333,642	1,333,642
5	Colab Reserch & Developme nt Inc.	Cowealth Medical China Co., Limited	Other receivables related parties	Yes	34,798	34,753	34,753	4.35	2	-	Operational capital	-		-	38,064	38,064

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Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
6	CHM Consulting Co., Limited	Cowealth Medical China Co., Limited	Other receivables related parties	Yes	10,530	10,426	10,426	4.35	2	-	Operational capital	-		-	15,671	15,671
6	CHM Consulting Co., Limited	Colab Reserch & Developme nt Inc.	Other receivables related parties	Yes	43,873	43,441	17,376	4.35	2	-	Operational capital	-		-	78,355	391,776
7	Cowealth Medical China Co., Limited	Royal Seal Medical Technology (Shanghai) Co., Limited	Other receivables related parties	Yes	43,873	43,441	-	-	2	-	Operational capital	-		-	1,429,985	1,429,985
7	Cowealth Medical China Co., Limited	Colab Reserch & Developme nt Inc.	Other receivables related parties	Yes	175,492	173,764	-	-	2	-	Operational capital	-		-	1,429,985	1,429,985
7	Cowealth Medical China Co., Limited	Royal Seal Holding Co., Limited	Other receivables related parties	Yes	175,492	173,764	-	-	2	-	Operational capital	-		-	1,429,985	1,429,985
7	Cowealth Medical China Co., Limited	Health Space Consultatio n & Manageme nt (Shangha i) Co., Ltd.	Other receivables related parties	Yes	219,365	-	-	-	2	-	Operational capital	-		-	1,429,985	1,429,985
7	Cowealth Medical China Co., Limited	CHM Consulting Co., Limited	Other receivables related parties	Yes	43,873	43,441	-	-	2	-	Operational capital	-		-	1,429,985	1,429,985
8	Royal Seal Medical Technology (Shanghai) Co., Limited	Cowealth Medical China Co., Limited	Other receivables related parties	Yes	43,873	43,441	43,441	4.35	2	-	Operational capital	-		-	58,791	58,791
8	Royal Seal Medical Technology (Shanghai) Co., Limited	Colab Reserch & Technology Developme nt Inc.	Other receivables related parties	Yes	131,619	130,323	56,473	4.35	2	-	Operational capital	-		-	293,953	1,469,767
9	Royal Seal Holding Co., Limited	Cowealth Medical Holding Co., Limited	Other receivables related parties	Yes	57,067	-	-	-	2	-	Operational capital	-		-	3,120,062	3,120,062
9	Royal Seal Holding Co., Limited	Cowealth Medical Holding Co., Limited (HK)	Other receivables related parties	Yes	141,950	-	-	-	2	-	Operational capital	-		-	624,012	3,120,062
9	Royal Seal Holding Co., Limited	Cowealth Medical China Co., Limited	Other receivables related parties	Yes	55,932	55,393	-	-	2	-	Operational capital	-		-	124,802	124,802
10	Cowealth Holding Co., Limited (HK)	Cowealth Medical Holding Co., Limited	Other receivables related parties	Yes	285,337	78,172	78,172	1.81	2	-	Operational capital	-		-	27,679,989	27,679,989
10	Cowealth Holding Co., Limited (HK)	Royal Seal Holding Co., Limited	Other receivables related parties	Yes	142,669	-	-	-	2	-	Operational capital	-		-	5,535,998	27,679,989

Note 1 : The related capital loans have been written off in the consolidated report.

Note 2 : The description of the nature of the fund loan is as follows :

1.Be a Business dealings.

2.It is necessary for short-term financing.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD.

Notes to Consolidated Financial Statements

Note 3 : For companies or bank numbers that have business dealings with the Company and its subsidiaries, the total amount loaned by an individual object shall not exceed the total amount of business dealings between the two parties during the previous 12 months of the fund loan; for all companies and The total amount of the bank account loan and its total amount shall not exceed the total amount of its individual object fund loan and the total amount of business transactions during the previous twelve months.

Note 4 : The Company directly and indirectly holds voting shares or 100% of the total capital contribution between non-ROC subsidiaries that engage in capital loans due to business relationships are not restricted by Note 3, but each of the subsidiaries previously opened individual loans and totals The amount shall not exceed the total unliquidated accounts of the two parties due to business transactions; the total amount of loans to all the subsidiaries shall not exceed the total of the total unliquidated accounts of their individual business transactions.

Note 5 : For companies or bank numbers that need short-term financing, the total amount of loans to individual objects must not exceed 40% of the net value of the Company's latest financial statement; for all companies and bank numbers that need short-term financing The amount shall not exceed 40% of the net value of the Company's most recent financial statement.

Note 6 : The Company directly or indirectly holds voting shares or 100% of the total capital contribution between non-ROC subsidiaries, and the Company engages in capital loans due to the need for short-term financing, and is not subject to Note 5, but the former subsidiaries are capital loans The loan amount for a single enterprise's funds shall not exceed twice the net value of the lending company's most recent financial statements; the Company's non-ROC subsidiary that directly and indirectly holds 100% of the voting shares engages in funds for The Company due to the need for short-term financing The loan is also not restricted by Note 5, but the loan amount to The company shall not exceed ten times the net value of the lending Company's latest financial statement. The lending company's capital loan based on this paragraph and the total amount is limited to ten times the net value of the lending company's latest financial statement.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsement s/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Cowealth Medical Holding Co., Limited	Royal Seal Holding Co., Limited	2	5,135,707	883,837	460,524	311,282	-	17.93 %	7,703,561	Y	N	N
0	Cowealth Medical Holding Co., Limited	Cowealth Medical China Co., Limited	2	5,135,707	1,491,682	825,379	86,882	-	32.14 %	7,703,561	Y	N	Y
1	Cowealth Medical China Co., Limited	Royal Seal Holding Co., Limited	2	7,149,927	877,460	868,820	-	-	24.30 %	10,724,891	Y	N	N
1	Cowealth Medical China Co., Limited	Colab Reserch & Development Inc.	2	7,149,927	219,365	217,205	-	-	6.08 %	10,724,891	Y	N	Y
1	Cowealth Medical China Co., Limited	Royal Seal Technology (Shanghai) Co., Limited	2	7,149,927	175,492	173,764	-	-	4.86 %	10,724,891	Y	N	Y
1	Cowealth Medical China Co., Limited	CHM Consulting Co., Limited	2	7,149,927	43,873	43,441	-	-	1.22 %	10,724,891	Y	N	Y
2	Cowealth Holding Co., (HK)	Cowealth Medical China Co., Limited	2	5,535,998	157,943	-	-	-	- %	8,303,997	Y	N	Y

Note 1 : The method of filling in the number column is as follows :

- 1.The issuer fills in 0
- 2.The investee companies are numbered sequentially from number 1 according to the Company type.

Note 2 : The relationship between the endorsed guarantor and the endorsed guarantor has the following 7 types, just indicate the type :

- 1.Companies with business dealings.
- 2.A company in which the Company directly or indirectly holds more than 50% of the voting shares.
- 3.A company that directly or indirectly holds more than 50% of the voting rights in the Company.
- 4.Between companies where the Company directly or indirectly holds more than 90% of the voting shares.
- 5.Based on the needs of contracting projects, companies in the same industry or jointly create mutual insurance companies in accordance with contractual provisions.
- 6.Companies that are endorsed and guaranteed by all capital shareholders based on their shareholding ratio due to a joint investment relationship.
- 7.The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3 : According to the operating procedures of the Company's endorsement and guarantee, the company directly or indirectly holds shares or contributes 100% of the total capital to the Company, the Company directly or indirectly holds shares or contributes 100% of the total capital to the Company or the Company directly or indirectly If a company that holds 100% of the shares or total capital contribution is an endorsement guarantee, the amount of endorsement guarantee to a single enterprise shall not exceed 300% of the net value of the Company's latest financial statement. The total amount of endorsement guarantee shall be 100% of the net value of the Company's most recent financial statement. The Company's endorsement is limited to 500%. If the Company directly or indirectly holds shares or contributes more than 50% but less than 100% of the total capital of the Company as an endorsement guarantee, the amount of endorsement guarantee to a single enterprise shall not exceed the Company's The limit is 200% of the net value of the most recent financial statement.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD.

Notes to Consolidated Financial Statements

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Cureus Inc.	-	Financial asset or at fairvalue through profit or loss(non-current)	317	-	2.59 %	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Colab Reserch & Development Inc.	Cowealth Medical China Co., Limited	Affiliated company	Sale	181,036	3.52 %	Net 180 days	-	Not significantly different from general customers	40,819	1.56%	Amount already offset when compiling the consolidated report.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
Cowealth Medical China Co., Limited	Royal Seal Holding Co., Limited	Affiliated company	Prepayment in advance 152,330	-	-		-	-	Amount already offset when compiling the consolidated report.
Cowealth Investment Co. Ltd. (BVI)	Cowealth Medical Holding Co., Limited	Affiliated company	Other receivable 116,413	-	-		-	-	Amount already offset when compiling the consolidated report.

Note 1 : Please fill in separately according to accounts receivable, notes, other receivables... etc.

Note 2 : Paid-in capital refers to the paid-in capital of the parent company. If the issuer's shares have no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-up capital shall be based on assets and liabilities. The table is calculated based on the 10% equity attributable to the owner of the parent company.

(ix) Trading in derivative instruments:None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Cowealth Medical Holding Co., Limited	Richtek Technology Limited	1	Accrued income	21,547	(Note 3)	0.40%
0	Cowealth Medical Holding Co., Limited	Richtek Technology Limited	1	Other payables	42,168	(Note 3)	0.78%
0	Cowealth Medical Holding Co., Limited	Cowealth Holding Co., Limited (HK)	1	Other payables	78,983	(Note 3)	1.46%
0	Cowealth Medical Holding Co., Limited	Cowealth Medical Science & Biotechnology Inc.	1	Other payables	35,159	(Note 3)	0.65%

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD.
Notes to Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Cowearth Medical Holding Co., Limited	Cowearth Holding Co. Ltd.	1	Other payables	30,263	(Note 3)	0.56%
0	Cowearth Medical Holding Co., Limited	Cowearth Medical China Co., Limited	1	Sales	1,325	Net 180 days	-%
1	Cowearth Investment Co., Limited	Cowearth Medical Science & Biotechnology Inc.	1	Other receivables	16,508	(Note 3)	0.31%
2	Wun Wei Investment Co., Limited	Cowearth Medical Science & Biotechnology Inc.	1	Other receivables	8,530	(Note 3)	0.16%
3	Jie Li Investment Co., Limited	Cowearth Medical Science & Biotechnology Inc.	1	Other receivables	9,067	(Note 3)	0.17%
4	Le Li Investment Co., Limited	Cowearth Medical Science & Biotechnology Inc.	1	Other receivables	8,893	(Note 3)	0.16%
5	Mark Investment Co., Limited	Cowearth Medical Science & Biotechnology Inc.	1	Other receivables	7,011	(Note 3)	0.13%
6	Cowearth Holding Co., Limited (HK)	Cowearth Medical Science & Biotechnology Inc.	1	Other payables	30,532	(Note 3)	0.57%
6	Cowearth Holding Co., Limited (HK)	Cowearth Investment Co. Ltd. (BVI)	1	Other payables	63,267	(Note 3)	1.17%
7	Cowearth Medical Science & Biotechnology Inc.	Cowearth Holding Co. Ltd.	1	Accrued income	75,795	(Note 3)	1.40%
8	Cowearth Holding Co. Ltd.	Cowearth Investment Co. Ltd. (BVI)	3	Accrued income	50,961	(Note 3)	0.94%
9	Cowearth Investment Co. Ltd. (BVI)	Cowearth Medical Holding Co., Limited	3	Other receivables	116,413	(Note 3)	2.16%
10	CHM Consulting Co., Limited	Cowearth Medical China Co., Limited	3	Other receivables	10,426	(Note 3)	0.19%
10	CHM Consulting Co., Limited	Cowearth Medical China Co., Limited	3	Service revenue	5,877	Net 180 days	0.11%
10	CHM Consulting Co., Limited	Colab Reserch & Development Inc.	1	Other receivables	17,376	(Note 3)	0.32%
11	Cowearth Medical China Co., Limited	CHM Consulting Co., Limited	3	Other income	344	(Note 3)	0.01%
11	Cowearth Medical China Co., Limited	Colab Reserch & Development Inc.	3	Other payables	34,753	(Note 3)	0.64%
11	Cowearth Medical China Co., Limited	Colab Reserch & Development Inc.	3	Other income	2,229	(Note 3)	0.04%
11	Cowearth Medical China Co., Limited	Colab Reserch & Development Inc.	3	Sales	6,406	Net 180 days	-%
11	Cowearth Medical China Co., Limited	Royal Seal Medical Technology (Shanghai) Co., Limited	3	Other payables	43,441	(Note 3)	0.80%
11	Cowearth Medical China Co., Limited	Royal Seal Medical Technology (Shanghai) Co., Limited	3	Other income	573	(Note 3)	0.01%
11	Cowearth Medical China Co., Limited	Royal Seal Holding Co., Limited	3	Other receivables	3,000	(Note 3)	0.06%
11	Cowearth Medical China Co., Limited	Royal Seal Holding Co., Limited	3	Accounts payable	2,079	(Note 3)	0.04%
11	Cowearth Medical China Co., Limited	Royal Seal Holding Co., Limited	3	Prepayment in advance	152,330	(Note 3)	2.82%
11	Cowearth Medical China Co., Limited	Health Space Consultation & Management (Shanghai) Co., Ltd.	3	Other income	57	(Note 3)	-%
12	Colab Reserch & Development Inc.	Cowearth Medical China Co., Limited	3	Other income	811	(Note 3)	0.02%
12	Colab Reserch & Development Inc.	Cowearth Medical China Co., Limited	3	Sales	181,036	Net 180 days	0.04%
12	Colab Reserch & Development Inc.	Royal Seal Medical Technology (Shanghai) Co., Limited	3	Other payables	56,473	(Note 3)	1.05%
13	Royal Seal Holding Co., Limited	Cowearth Medical China Co., Limited	1	Service revenue	13,966	Net 180 days	0.27%
14	Royal Seal Medical Technology (Shanghai) Co., Limited	Cowearth Medical China Co., Limited	1	Other income	312	(Note 3)	0.01%
14	Royal Seal Medical Technology (Shanghai) Co., Limited	Cowearth Medical China Co., Limited	3	Service revenue	18,428	Net 180 days	0.36%

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD.

Notes to Consolidated Financial Statements

Note 1 : The way to fill in the serial number is as follows :

1.0 represents the parent company.

2.Subsidiaries are numbered sequentially starting from number 1 according to the Company.

Note 2 : The type of relationship with the trader is marked as follows :

1.Parent company to subsidiary.

2.Subsidiary to parent company.

3.Subsidiary to subsidiary company.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Cowealth Medical Holding Co., Limited	Cowealth Investment Co., Limited	Taiwan	General investment	34,571	34,571	2,655,033	100.00 %	35,440	(888)	(888)	Subsidiary
Cowealth Medical Holding Co., Limited	Mark Investment Co., Limited	Taiwan	General investment	14,089	14,089	995,000	100.00 %	14,154	(351)	(351)	Subsidiary
Cowealth Medical Holding Co., Limited	Wun Wei Investment Co., Limited	Taiwan	General investment	17,029	17,029	1,369,500	100.00 %	17,240	(418)	(418)	Subsidiary
Cowealth Medical Holding Co., Limited	Jie Li Investment Co., Limited	Taiwan	General investment	18,080	18,080	1,301,000	100.00 %	18,346	(440)	(440)	Subsidiary
Cowealth Medical Holding Co., Limited	Le Li Investment Co., Limited	Taiwan	General investment	17,913	17,913	1,267,497	100.00 %	18,028	(456)	(456)	Subsidiary
Cowealth Medical Holding Co., Limited	Cowealth Medical Science & Biotechnology Inc.	Taiwan	Import and export business of medical equipment, reagents and spare parts	174,109	174,109	17,410,904	72.71 %	139,785	(8,609)	(6,260)	Subsidiary
Cowealth Medical Holding Co., Limited	Richtek Technology Limited	Hong Kong	Sale of medical equipment and reagents	11,705	11,705	2,317,000	100.00 %	20,467	1,592	2,253	Subsidiary
Cowealth Medical Holding Co., Limited	Cowealth Holding Co., Limited (HK)	Hong Kong	General investment	723,707	723,707	26,130,000	100.00 %	2,768,204	172,089	172,278	Subsidiary
Cowealth Medical Holding Co., Limited	MED1 Ventures LLC.	USA	Research and develop medical products	6,924	6,924	250,000	19.00 %	864	(324)	(65)	Joint venture
Cowealth Investment Co., Limited	Cowealth Medical Science & Biotechnology Inc.	Taiwan	Import and export business of medical equipment, reagents and spare parts	23,576	23,576	2,357,568	9.85 %	18,928	(8,609)	(848)	Subsidiary
Mark Investment Co., Limited	Cowealth Medical Science & Biotechnology Inc.	Taiwan	Import and export business of medical equipment, reagents and spare parts	8,697	8,697	869,721	3.63 %	6,983	(8,609)	(313)	Subsidiary
Wun Wei Investment Co., Limited	Cowealth Medical Science & Biotechnology Inc.	Taiwan	Import and export business of medical equipment, reagents and spare parts	10,522	10,522	1,052,154	4.39 %	8,447	(8,609)	(378)	Subsidiary
Jie Li Investment Co., Limited	Cowealth Medical Science & Biotechnology Inc.	Taiwan	Import and export business of medical equipment, reagents and spare parts	11,179	11,179	1,117,918	4.67 %	8,975	(8,609)	(402)	Subsidiary
Le Li Investment Co., Limited	Cowealth Medical Science & Biotechnology Inc.	Taiwan	Import and export business of medical equipment, reagents and spare parts	11,376	11,376	1,137,643	4.75 %	9,134	(8,609)	(409)	Subsidiary
Cowealth Medical China Co., Limited	Royal Seal Holding Co., Limited	Hong Kong	General investment	334,573	154,546	5,580,000	100.00 %	312,009	(42,334)	(42,334)	Subsidiary
Cowealth Medical Science & Biotechnology Inc.	Cowealth Holding Co., Limited	Cayman Islands	General investment	69,573	69,573	2,512,000	100.00 %	133,364	2,495	2,495	Subsidiary
Cowealth Holding Co., Limited	Cowealth Investment Co. Ltd. (BVI)	British Virgin Islands	General investment	37,459	37,459	1,352,500	100.00 %	128,796	673	673	Subsidiary

Note: Due to internal organizational reorganization, Royal Seal Holding Co., Limited transferred 100% from the Company to Cowealth Medical China Co., Limited on May 28, 2019.

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COWEALTH MEDICAL HOLDING CO., LTD.

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Health Space Consultation & Management (Shanghai) Co., Ltd.	Engage in nutrition and health, social and economic consulting, etc.	219,043	(2)	-	-	-	-	(16,691)	100.00%	(16,691)	168,952	-
U Health Business Management (Shanghai) Co. Ltd.	Consulting business	-	(2)	-	-	-	-	-	100.00%	-	-	-
Cowearth Medical China Co., Limited	Import and export of medical equipment, reagents and related parts and accessories	1,296,885	(2)	-	-	-	-	287,822	73.34%	211,089	2,617,391	-
Royal Seal Medical Technology (Shanghai) Co., Limited	Import and export of medical equipment, reagents and related parts and accessories	148,699	(2)	-	-	-	-	9,750	73.34%	7,151	111,522	-
Colab Reserch & Development Inc.	Sale of medical equipment and reagents	42,428	(2)	-	-	-	-	6,913	73.34%	5,070	69,789	-
CHM Consulting Co., Limited	Engaged in hospital management, investment, corporate management, economic information consulting, etc.	33,580	(2)	-	-	-	-	1,954	73.34%	1,433	28,733	-
Cowearth Coshine Tianjin Medical Technology Co., Ltd.	Engaged in the sales of medical diagnostic equipment reagents and related spare parts	2,606	(2)	-	-	-	-	(714)	44.00%	(314)	1,597	-

Note 1 : The types of investment methods are as follows :

1. Invest in companies in Mainland China through third region remittances.
2. Set up a company through third region investment, and reinvest in companies in Mainland China.
3. Reinvest in companies in Mainland China by reinvesting in existing companies in the third region.
4. Other methods.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
-	-	1,540,712

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Duane Lee		7,918,834	10.22 %
Joyce Wang		7,377,186	9.53 %

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

(14) Segment information:

(a) General information

Operating segments required to be disclosed are categorized as Rectifiers (rectifier trading) and Bar Code Printers (manufacture and sale of bar code printers).

The Group is required to disclose individual strategic business units which offer different products and services. Since the business units require different skills and marketing strategies, they need to be managed separately.

(b) Information about reporting segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and to make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gains or losses. Due to taxation, extraordinary activity and foreign exchange gains or losses are managed on a group basis, and hence, they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in note 4 “Significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

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

	2021		
	Equipment	Reagents and others	Adjustments and eliminations
Area revenue:			Total
Third-party customers	\$ 488,825	4,650,923	-
Total revenue	<u>\$ 488,825</u>	<u>4,650,923</u>	<u>-</u>
			<u><u>5,139,748</u></u>

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2021				
	Equipment	Reagents and others	Adjustments and eliminations	Total
Interest income	\$ 1,006	9,569	-	10,575
Interest expense	2,319	22,066	-	24,385
Depreciation and amortization	6,644	63,214	-	69,858
Reported segment profit and loss	\$ 31,836	302,900	-	334,736
2020				
	Equipment	Reagents and others	Adjustments and eliminations	Total
Area revenue:				
Third-party customers	\$ 615,601	4,106,338	-	4,721,939
Total revenue	\$ 615,601	4,106,338	-	4,721,939
Interest income	\$ 2,240	14,942	-	17,182
Interest expense	4,715	31,451	-	36,166
Depreciation and amortization	10,482	93,931	-	104,413
Reported segment profit and loss	\$ 40,406	274,532	-	314,938
	Equipment	Reagents and others	Adjustments and eliminations	Total
Reported segment assets				
December 30, 2021	\$ 513,645	4,887,070	-	5,400,715
December 31, 2020	\$ 701,326	4,678,166	-	5,379,492
	Equipment	Reagents and others	Adjustments and eliminations	Total
Reported segment liabilities				
December 30, 2021	\$ 178,380	1,697,198	-	1,875,578
December 31, 2020	\$ 253,999	1,694,290	-	1,948,289

(Continued)

COWEALTH MEDICAL HOLDING CO., LTD. AND SUBSIDIARIES
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(c) Information about the product

Revenue from external customers of the Group was as follows:

<u>Item</u>	<u>2021</u>	<u>2020</u>
Equipment	\$ 488,825	615,601
Reagents and others	4,650,923	4,106,338
Total	<u>\$ 5,139,748</u>	<u>4,721,939</u>

(d) Geographical information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<u>Item</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
Taiwan	\$ 208	349,694
China and Hong Kong	5,139,540	4,372,245
Total	<u>\$ 5,139,748</u>	<u>4,721,939</u>

<u>Item</u>	<u>2021</u>	<u>2020</u>
Non-current assets:		
Taiwan	\$ 7,424	2,385
China and Hong Kong	534,861	457,686
Total	<u>\$ 542,285</u>	<u>460,071</u>

Non-current assets include property, plant and equipment, intangible assets, and other assets, not including financial instruments, deferred tax assets and post-employment benefits assets.

(e) Information about major customers

<u>Item</u>	<u>2021</u>	<u>2020</u>
A customer of one division	<u>\$ 772,637</u>	<u>564,722</u>