Stock Code 4119

SCI PHARMTECH, INC.

2021 Annual Report

<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Contents

1. Letter to Shareholders

Dear shareholders：

At the end of 2021, one year passed since the disaster, SCI had acquired the permission of partial production resumption from the city government. We restarted our manufacture in the factory after one year had passed. When the brand-new boiler was ignited, the rumbling was like a big drum that was boosting and exciting the morale of all SCI members. Finally, the sunshine hidden for a long time revealed its silver lining behind layers of thick clouds. Partners in the same boat can deeply feel that "Everyone would encounter difficulties, but only those who bravely face them can survive ”. Last year, I just predicted that SCI would undergo two years of hardship. Thereafter, in a split second, a year had passed. Once again, I would like to thank all of our staff for sticking to their positions and all the shareholders who believe us. This year, though difficulties may occur occasionally, we will always persevere and keep on moving forward. I believe that all the SCI staff will spare no effort and commit themselves together to speed up the reconstruction progress in the next stage. All the dark clouds will eventually disperse, and the clear sky is just around the corner. Now, we are presenting the business report on the operating results of 2021 and the business plans of 2022.

Business Report

I. Annual Business Report of 2021

(1) Implementation results of our business plans

The operating revenue in 2021 was NT$ 864,217 thousand; the gross margin was 24%; the operating profit was NT$73,658 thousand. Due to subsequent impact caused by the fire, there were many more non-operating gains and losses in 2021; the net profit was NT$ 55,696 thousand; the basic EPS (earnings per share) was NT$0.58. SCI still made a small profit in that year when the production capacity was completely damaged.

(2) Situations of budget implementation

In 2021, SCI did not publicly unveil its financial forecasting. We have actually completed the annual budgets proposed by the management and approved by the board of directors in March 2021.

(3) Analyses of financial income and expenditure and profitability

The overview of income and expenditure in 2021 is compared and elaborated as follows:

Income:

Unit: NT$1000

Item	2020	2021	Growth Rate
Operating Revenue	2,689,222	864,217	-67.9%
Other incomes	17,302	37,564	117.1%

Description:

1. Basically, about 40% of the revenue came from the contributions performed in the factories we leased from others, while the rest was from the inventory surviving the fire. Our Business Department struggled to raise product sales prices, so that daily operation can still make contributions to both profit and cash flow.
2. Compared with the previous year, the increase of other incomes mainly stemmed from disposing the fire-damaged equipment.

Expenditure:

Unit: NT$ thousands

Item	2020	2021	Growth Rate
Operating cost	1,414,894	656,128	-53.6%
Operating expense	222,750	134,431	-39.6%
Non-operating expense	613,665	45,716	-92.6%

Description:

1. In 2021, our revenue was only 30% of that of the previous year, so the economic scale could not be achieved consequently, leading to the relatively high operating cost and only 24%gross margin. Besides, in the factories we leased, we could only produce intermediates which did not require drug certificate. Accordingly, the production items were limited. And we had to spend substantial expenses and time on adjusting the machinery and equipment to meet SCI's requirements, resulting in the increase of operating cost to a certain extent.
2. Although most of operating expenses were fixed, we were still trying to implement the policy of expenditure reduction after the disaster. Compared with those of the previous year, the operating expenses in 2021 decreased by as much as 40%.
3. Non-operating expenses included foreign exchange loss, 40% loss of Framosa Co., Ltd's P&L and other miscellaneous expenses. As for the details on miscellaneous expenses, shareholders can refer to the descriptions in the financial statements.

Analysis of profitability:

Item		2020	2021
Profitability	Return On Assets(ROA) (%)	8.3	1.3
	Return On Equity (ROE) (%)	10.6	1.7
	Profit Margin(%)	13	6
	Earnings Per Share (EPS) (NT$)	4.53	0.58

Description:

As a whole, the profitability was severely debilitated in 2021 because the production capacity was seriously damaged.

(4) Situations of research and development

The new Research & Development Building was damaged by the fire to some extent. Nevertheless, in July 2021, it was completely repaired by the company within a very short time because there was no need to acquire a safety assessment for the building structure. Thereafter, relevant units could move in successively, especially the R & D Department.. The former R & D building had been torn down because of the fierce fire, and all the R & D equipment had been devastated. During this period, the R & D capacity temporarily decreased due to the lack of hardware facilities. Even so, our R & D colleagues kept on make efforts. Some of them were responsible for modifying the product manufacturing processes as well as the equipment in the factories we leased, so as to successfully introduce the products to external production. Others supported the handling of the IQ, OQ and PQ validations necessary for the newly installed equipment in order to provide assistance in accelerating the production resumption procedure in the factory. Still others were appointed to optimize the old product manufacturing processes in a bid to reduce waste as much as possible, so as to meet the world trend of ESG. We hope for saving people and the earth simultaneously. After settling in the brand-new laboratory, we have spared no effort to make up for the progress of product developments which lag behind. We successfully completed an API of controlled substance, hoping it could contribute substantial revenue and profit after commercialization.

II. Annual business plan overview of 2022

(1) Business policy

The business policy in the future:

1. Restore most of the production capacity by the end of 2022 and maintain a close relationship with customers.
2. Establish a new production plant to maintain operational flexibility.
3. Promote circular economy to keep the sustainability of the earth.

(2) Expected sales volume and its basis

1. Expected sales volume

Item	Sales volume（Tons）
API	216
Intermediate	111
Others	0
Total	327

2. Sales basis

The expected sales volume in the above chart is based on the company's 2022 Annual Budget approved by the board of directors. The estimation is mainly based on the external supportive capacity as well as the restoration of in-house capacity. Although most of the surviving inventory was sold, the sales revenue is still expected to grow compared with that of the previous year and, therefore, make a profit from daily operation thanks to the gradual recovery in production capacity.

(3) Important policies on production and marketing:

SCI formulates its policies of production and marketing mainly based on product characteristics and customer categories:

1. APIs: The priorities are to supply products to the originators, avoid best-selling products, choose the existing APIs with high safety quality, stable market sales, new applications, and new dosage forms or possibilities for being developed into new drugs.
2. Intermediates: The target is aimed at the supplies to the originators first. Secondly, we aim to develop intermediates with high entry barriers, intermediates subject to stricter regulations and quality management systems, intermediates related to the company's core technology, intermediates with strategic cooperation partners, and the intermediates which have already been involved in the pharmaceutical R & D stage. By means of the intermediates with the aforementioned characteristics, we could achieve effective market segmentation against our competitors, so as to avoid price competition.
3. Specialty chemicals: SCI produces and sells electronic specialty chemicals using the high standards in the pharmaceutical industry. In response to customer demand, SCI develops manufacturing processes, customized and mass producing products.

III. The company's development strategy in the future, as well as the influence caused by external competitive environments, regulatory environments and overall business environments

After entering into the agreement with the construction contractor in Q4 2021, the Guanyin factory has been under construction in accordance with the schedule of project. The land area is nearly 1000 ping, which will accommodate a building with two floors underground and nine floors above the ground. Automatic storage systems and packaging facilities will be introduced into this factory, making the factory have better degree of intelligence than Luzhu factory. In addition, as for steam supply and solvent treatment, the neighboring affiliated corporation Framosa Co., Ltd will provide professional operations for us. Operation efficiency will be enhanced significantly. The building is expected to be completed in Q1 2023. Then the systems such as cleaning rooms, storage equipment, and electrical as well as fire protection equipment will be constructed. In addition, two production lines will be installed. After the 3Q validation is completed, the pilot run before mass production plans to be conducted in the first half of 2024. The budget for the first-stage construction of Guanyin factory is about NT$1.2 billion. In view of the company's financial soundness with no bank loans at present, the main source of funds will be from the mid-term financing provided by a bank, and we have already entered into an agreement with the correspondent bank. The overall borrowing cost can be decreased because the interests will be subsidized by National Development Fund according to the incentive projects we applied for. To deal with the addition of Guanyin factory, Framosa has amended many of its original construction designs, so the implementation progress is behind schedule. Currently, its construction is planned to be started in Q2 2022. It is believed that Framosa could catch up with scheduled progress because our French counterpart is professional in this realm and will pour sufficient resources into the construction. Enterprises are facing important issues such as energy conservation, carbon emission reduction, and circular economy. The services provided by Framosa Co., Ltd. will enable SCI to enhance future competitiveness and strive for more business opportunities. Europe is the main market for the sales of SCI products, in which the schedules of carbon neutrality advancement have been undertaken more actively than those in other continents. Facing the requirements from major customers in countries such as France, SCI will begin to calculate its product carbon footprints starting from this year, hoping to finish conducting carbon footprint examination for all products as soon as possible.

The production lines were completely devastated in the fire. In 2021 and 2022, the key to our business lies in when the production capacity will be completely restored, not in market competition. In late December 2021, one line had already been resumed, but the production capacity was being recovered by approximately 10% only. It is expected to recover 40% by the end of June 2022, and the repair work of all production lines could be completed by the end of 2022. moreover, the company leases the factory and equipment from the same trade, and the lease term has been renewed until June 2022. Due to the pandemic of Covid-19, supply chains have been disrupted, resulting in severe impact on the macroeconomy. The central banks of countries around the world have poured a large amount of liquidity into the market by means of QE, resulting in soaring prices. The company has also taken advantage of this situation to increase the sales prices, for reasonably reflecting product costs. After the repair work has been completed, all the brand-new machinery and equipment will generate large amounts of depreciation, which should be handled by means of price increases and product portfolios in the future.

The GMP and ISO quality systems of SCI have not been changed due to the fire. The stipulations and operations of pharmaceutical-related regulations and laws are abided by. The drug certificates of all APIs in important regions such as European Union, the United States and Japan are still maintained and remain effective. ISO 9001 quality system was audited again by a third-party certifying agency at the end of 2021, and the license is still valid. The facilities and equipment of damaged production lines will be rebuilt one by one. The manufacturing equipment, air conditioning systems, nitrogen systems and computer systems are identical to those before the fire. The tasks related to examination, confirmation and calibration have been completed step by step. As for the APIs whose drug permits and GMP certificate were temporarily suspended by the Ministry of Health and Welfare (MOHW), now they have begun to be produced successively in the area where the restoration is completed, while manufacturing process confirmation and calibration have also been carried out. In January 2022, SCI has applied to MOHW for the GMP assessments of our four APIs. It is expected that the GMP assessments will be carried out by the officials from the MOHW in March. At that time, the validation of GMP certification and the drug permits could be renewed. We will continue to apply for GMP assessments depending on product items. As for the API items produced in the already-repaired production lines that have been examined by MOHW, if such items used to be produced on the same lines and had passed the GMP assessments before the fire, there are no needs to apply for on-site GMP assessments for such items again. The validity periods of such permit licenses and GMP certificates can be prolonged, as long as the company reports to the MOHW by submitting relevant basic data. As for the intermediates produced by the equipment in the factories we leased from the same trade, we have completed the manufacturing process verifications successively. After the intermediates are transported back to SCI to manfacture APIs and the manufacturing process confirmation and calibration have been implemented again, we will report the relevant data of the leased factory to the US FDA and European EDQM by putting registration marks on the drug permit licenses. The data officially registered in Japan include factory settings and equipment list. Therefore, it is necessary to report the production areas and equipment that have changed after the fire, which will continue to be done, as the progress of factory rebuilding keeps going on. The MOHW is promoting the Good Distribution Practice (GDP) and has announced that the product distribution operations of all API factories should undergo relevant assessments and meet the requirements of laws and regulations by the end of 2022. SCI is experienced in GMP operation; therefore, the management of distribution and supply chain has also been completed on this basis. SCI is fully confident when facing the GDP audits performed by the MOHW.

SCI is the world's largest producer of valproic acid series for epilepsy medicine; one of such items is sold back to the originator. In 2021, due to the company's incapability of supplying products to the market, there was a global shortage of this pharmaceutical ingredient. Considering the domestic pharmaceutical demand, the MOHW controlled the export of this API to ensure that Taiwan has enough safety stocks. In 2020, due to pandemic prevention for Covid-19, the hydroxychloroquinine produced by the company was subject to the control by the MOHW. In fact, SCI plays an important role in supplying numerous API products. The API industry was included in the USA manufacturing policies proposed by Trump the former US President. From the descriptions above, we know that the importance of API is no less than those of other industries such as semiconductor industry. We are grateful for shareholders who recognize and support SCI and who never leave us. Although we suffered from a major setback, the stouthearted SCI has not collapsed. We are getting up, believing that we can rejuvenate the company next year, continuing to shine on the global stage of pharmaceutical industry.

Finally,

Wish you all happiness, health, and safety.

Chairman：Wei-Chyun Wong

General Manager：Wei-Chyun Wong

Financial Manager：Deiter Yang

2、Company Profile

2.1 Date of Incorporation : Established date: September 18, 1987

2.2 Company History

September 1987	SCI was founded with paid-in capital of NT$ 14,800.5 thousand by SIEGFRIED、Taiwan's natural person and USA's natural person.
January 1988	Issuance of common stock of NT$ 34,699.5 thousand. Paid-in capital increased to NT$ 49,500 thousand.
April 1988	Purchased land in Haihu Village, Luzhu Township, Taoyuan County.
August 1988	The first phase of plant construction began.
December 1989	The first phase of the plant was completed and mass production of the first intermediate product began.
August 1990	Issuance of common stock of NT$ 30,500 thousand. Paid-in capital increased to NT$ 80,000 thousand.
February 1991	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 120,000 thousand.
March 1991	Obtained the qualification of bonded factory of Taipei Customs Bureau of the Ministry of Finance.
September 1991	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 160,000 thousand.
December 1991	The second phase of the plant was completed, and the mass production of the first API product began.
January 1993	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 200,000 thousand.
November 1995	The capital reduction was NT$ 80,000 thousand, and the paid-in capital after the capital reduction was NT$ 120,000 thousand.
April 1996	Swiss SIEGFRIED Group acquires 100% equity.
April 1996	Issuance of common stock of NT$ 80,000 thousand. Paid-in capital increased to NT$ 200,000 thousand.
September 1996	The third phase of the factory was completed, and the product items accumulated to 25.
November 1999	Obtained ISO 14001 Certification.
April 2000	The reconstruction of the test plant was completed.
December 2000	The fourth phase of the factory was completed, and the product items accumulated to 30.
April 2001	Mercuries & Associates Group acquired 80% of the Company's equity.
October 2001	Obtained ISO 9001 2000 certification.

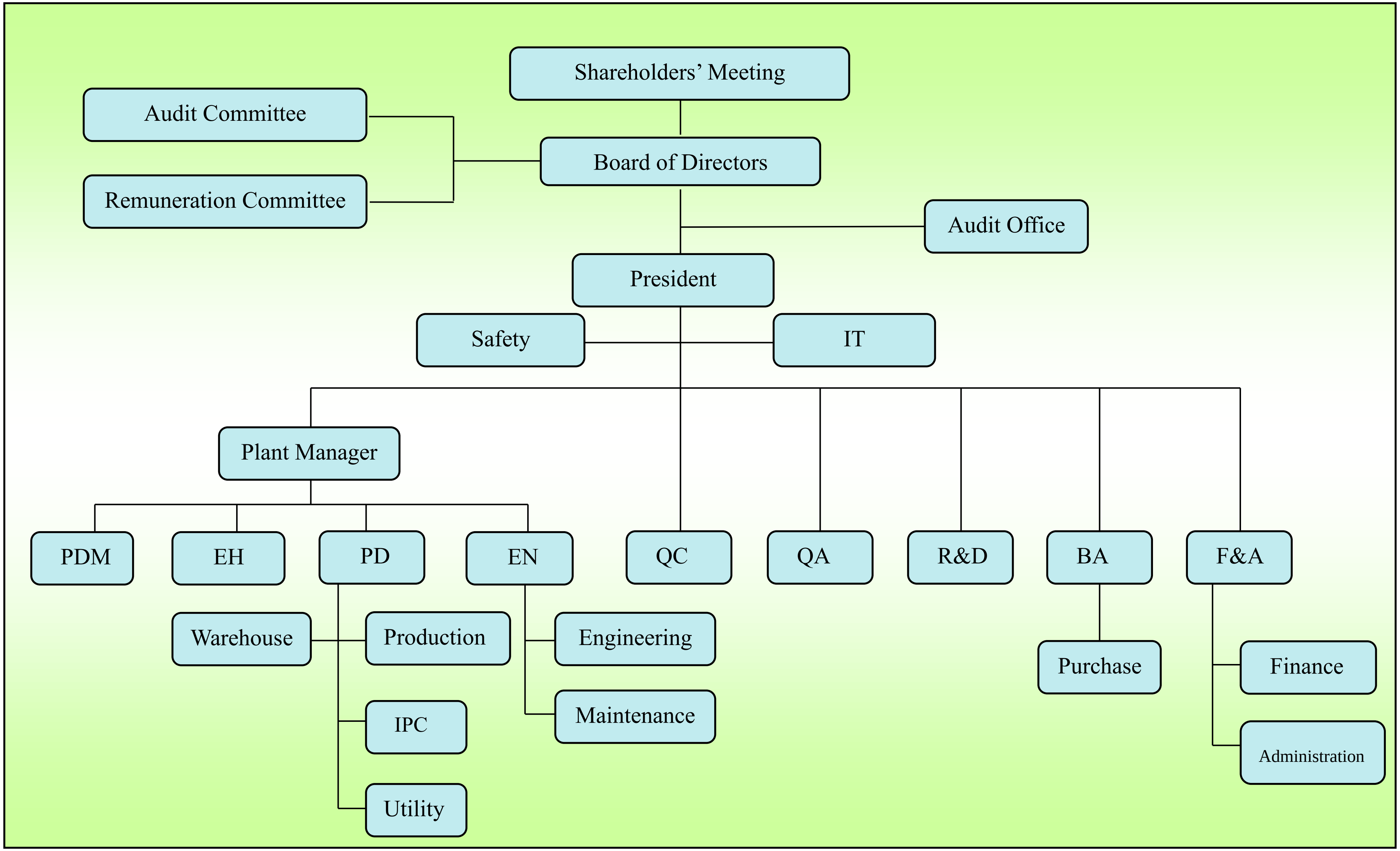
March 2002	The number of product items is accumulated to 35.
April 2002	Issuance of common stock and recapitalization of retained earnings of NT$ 28,000 thousand. Paid-in capital increased to NT$ 228,000 thousand.
May 2002	The company name was changed to SCI Pharmtech, Inc.
July 2002	Completed initial public offering of its shares in Taiwan.
August 2002	Common stocks are registered as emerging stocks in the TPEX.
January 2003	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 268,000 thousand.
June 2003	The Industrial Bureau of the Ministry of Economic Affairs deliberated and approved the application for listing of science and technology undertakings.
June 2003	Recapitalization of retained earnings of NT$ 33,290 thousand. Paid-in capital increased to NT$ 301,290 thousand.
January 2004	Listing shares on the Taiwan Stock Exchange, with stock code 4119
June 2004	Factory inspection through the Department of Health's 『Good Manufacturing Practices for Pharmaceutical Products API Operation Benchmark』.
July 2004	Recapitalization of retained earnings of NT$23,816,750. Paid-in capital increased to NT$ 325,106,750.
November 2005	Passed U.S. FDA’s site inspection.
June 2008	Established Nanjing SCI Pharmtech Ltd in Nanjing, China.
July 2008	Recapitalization of retained earnings of NT$ 36,510,670. Paid-in capital increased to NT$ 361,617,420.
July 2009	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 401,211,720.
June 2010	Passed OHSAS 18001:2007 Certification.
July 2010	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 448,705,630.
March 2011	Passed Europe EDQM’s site inspection.
July 2011	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 490,297,690.
January 2013	Passed U.S. FDA’s second site inspection.
March 2013	Liquidation of Nanjing SCI Pharmtech Ltd in Nanjing, China.
June 2013	Established Yushan Pharmacenticals Inc.
August 2013	Issued unsecured convertible corporate bonds.

August 2013	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 537,001,070.
September 2013	Issuance of common stock of NT$ 120,000 thousand. Paid-in capital increased to NT$ 657,001,070.
August 2014	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 696,904,950.
October 2014	Yushan Pharmacenticals Inc. changed its chinese name.
April 2015	Passed U.S. FDA's third site inspection.
September 2016	The issued corporate bonds matured and the paid-in capital after conversion was NT$ 794,853,100.
June 2017	Passed Europe EDQM's second site inspection.
September 2017	Passed U.S. FDA's fourth site inspection.
November 2017	Passed Japan PMDA's site inspection.
November 2019	Passed U.S. FDA's fifth site inspection.
April 2020	President Tsai visited SCI.
August 2020	Signed a contract with Veolia Environment to establish Framosa Co,Ltd. with a 40% and 60% shareholding ratio to engage in circular economy activities for the purification and reuse of chemical solvents.
December 2020	At noon on December 20, an explosion occurred on the company's production line and caused a fire.
November 2021	Recapitalization of retained earnings of NT$ 33,290 thousand. Paid-in capital increased to NT$ 953,823,720.
November 2021	The board of directors has approved the capex of Guanyin Plant.
October 2021	For 15 consecutive years, it has been appraised as a premium bonded factory by the Taipei Customs Bureau of the Ministry of Finance.
December 2021	Partial area has resumed production, providing about 10% of production capacity.
March 2022	TFDA GMP site inspection

3.Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Introduction to Organizational Functions

President	Market Trends and strategy planning. Setting up company goals and operational directions. Establishing organizational strategy and goals of different units. Executing the improvement plan of performance. Decision-making and management.
Audit Office	Executing the annual audit plan. Establishing, amending, and executing the internal control system. Establishing, amending, and executing the internal audit implementation rules.
IT Office	In charge of planning the structure of the Information System and the management of the related equipment. Purchasing, Installing, and maintaining information equipment, including software and hardware. Maintenance of the Internet structure.
Safety Office	Establishing, maintaining, and supervising industrial safety. Promoting and maintaining OHSAS18001 Management Systems.
Plant Manager	In charge of integrating the management and supervision of the Production Department, Production Management Department, Environmental Protection Department, and Engineering Department. Promoting and maintaining GMP, ISO 9001, ISO14001, OHSAS18001 Management Systems. Tacking the GMP and environmental safety audit affairs with the nationwide and overseas administrative agencies and customers. Production capacity planning and construction.
BA	Establishing the goals of marketing to ensure the market share and profitability of the products. Understanding the current and future needs and expectations of the clients, including the quality compliance, availability, distribution, customer service, pricing, responsibilities of the products, impacts on the environment, etc. Acknowledging the purchasing requirement and specifications timely and effectively. Evaluating the vendors and understanding the trend of market prices.

R&D	Enacting the development and progress of the new products projects. In charge of providing personnel executing the plans, whose task shall include the evaluation, discussion, and training for every research project. Providing the necessary technical support with production operations. Providing the evaluation report on the client commission or the collaboration projects.
QC	In charge of the training and management of the quality control personnel. Enacting and amending the evaluation methods and producing evaluation reports. Confirming the calibration of analytical instruments, SOP, and the validation of the analytical methods. Confirming the quality control and sampling personnel's operations and reports.
QA	Establishing a quality management system, request all of the personnel to comply and ensure execution. Maintaining the quality system and introducing related laws and regulations from foreign nations. Reviewing all documents related to quality thoroughly. Introducing new laws and regulations timely and maintaining the effectiveness of the existing control registration to ensure the quality system meets the requirements of cGMP. Leading and receiving quality control from organizations of laws and regulations or clients domestically and internationally, as well as performing internal audits and regular suppliers' audits.
PD	Establishing and enforcing production schedules, monitoring subordinate units to ensure smooth production, and troubleshooting incidents to fulfill all operation goals. Adequately integrate and coordinate the correspondence of the production department and other units. Arranging the operations to realize the production plan.
PM	Adjusting the production and marketing schedule, as well as establishing the production order. Thoroughly acknowledging the quantities of raw materials and final products. Estimating the shipments with the production and marketing schedule, as well as enforcing production progression regularly and coordinating the shipment schedule accordingly. Planning and executing the safety classification, labeling an0d packaging system of chemicals.

EH	Enhancing and maintaining the ISO14001 Management System, implementing related practices in air pollution, water pollution, waste, and toxic chemicals regularly. Planning on the operational practice and equipment for air pollution, water pollution, soil pollution, waste, toxic chemical, and noises, and assisting in solving abnormal issues in operational practice. Planning on the record and declaration practices for air pollution, water pollution, waste, and toxic chemicals, while also coordinating and integrating the internal declaration practice, confirming the declaration content, and corresponding to the consequent external audits.
EN	Engineering Planning and executing engineering plans; bargaining, purchasing, out-sourcing of equipment, while coordinating with other units. For equipment, computer software, and hardware engineering projects: Enacting the regulations, bargaining, out-sourcing, supervision, and acceptance. Ensuring the equipment's compliance with cGMP. Verifying the qualification of the outsourcer's ability.
	Maintenance Arranging, updating, and executing the maintenance and repair plan. Maintenance and repair of machinery equipment. Bargaining and supervising the outsourced equipment repairs.
F&A	Finance In charge of accounting, taxation, budgeting, etc, to provide financial information as references for managerial decision-making. In charge of fund procurement and corresponding with banks. Operating and processing the business of bonded factories.
	Administration Managing and planning human resources, establishing and executing the personnel system. Tackling daily administrative affairs and other operations, such as maintaining the tidiness of the plant.

3.2 Information on Directors and Management Team

3.2.1 Information Regarding Directors (1)

Unit: Thousand Shares April 22,2022

Title	Nationality	Name	Gender and Age	First Date Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Mercuries & Associates Holding, Ltd.	M 51-60	2001. 12.17	2019. 06.21	3	25,236	31.75	30,283	31.75	None	None	None	None	—	Note 1	None	None	None	Note 4
		Institutional representative：Wei-Chyun Wong					437	0.55	527	0.55	84	0.09	None	None	PHD of Chemistry, University of Pennsylvania ITRI Researcher President of SCI Pharmtech, Inc.	Note 2	None	None	None	
Director	R.O.C	Mercuries & Associates Holding, Ltd.	M 51-60	2001. 12.17	2019. 06.21	3	25,236	31.75	30,283	31.75	None	None	None	None	—	Note 1	None	None	None	
		Institutional representative：Shiang-Li Chen					None	None	None	None	None	None	None	None	MBA, University of Georgetown Chairman of Mercuries & Associates Holding, Ltd.	Note 3				
Director	R.O.C	Mercuries & Associates Holding, Ltd.	F 51-60	2001. 12.17	2019. 06.21	3	25,236	31.75	30,283	31.75	None	None	None	None	—	Note 1	None	None	None	
		Institutional representative：Aurora Chen					None	None	None	None	None	None	None	None	MBA, University of Northwestern Polytechnic McKinsey & Company Manager	Director of Yushan Pharmacenticals Inc.	None	None	None	
Director	R.O.C	Mercuries & Associates Holding, Ltd.	M 51-60	2001. 12.17	2019. 06.21	3	25,236	31.75	30,283	31.75	None	None	None	None	—	Note 1	None	None	None	
		Institutional representative：Wen-Chih Chou					113	0.14	15	0.02	120	0.13	None	None	PHD of Chemistry, National Taiwan University DCB Researcher R&D manager, SCI Pharmtech, Inc.	Plant manager, SCI Pharmtech, Inc. Director of Yushan Pharmacenticals Inc.	None	None	None	
Independent Director	R.O.C	Hung-Chin Wu	M 71-80	2002. 04.09	2019. 06.21	3	None	None	None	None	None	None	None	None	Bachelor of Chemical Engineering, National Cheng Kung University President of CHENG FONG Chemical Inc.		None	None	None	

Title	Nationality	Name	Gender and Age	First Date Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Te-cheng Tu	M 61-70	2013. 06.18	2019. 06.21	3	None	None	None	None	None	None	None	None	MBA, University of Houston President of President International Development Corp	Chairman, XVAN HE Technology Inc. and PharmaEngine, Inc. Director, Coretronic Corp. and So-Cayenne Mobile Entertainment Co.,Ltd. Independent Director of Mercuries & Associates Holding, Ltd.	None	None	None	
Independent Director	R.O.C	Chia-Chun Jay Chen	M 51-60	2015. 06.12	2019. 06.21	3	None	None	None	None	None	None	None	None	PHD of Chemistry, University of Harvard Professor/Associate Professor, National Taiwan Normal University Associate Professor, National Chung Cheng University	Specially Appointed Professor, National Taiwan Normal University	None	None	None	

Note 1：Chairman of Mercuries & Associates Ltd., Mercuries General Media Co., Ltd., Mercuries Leisure Co., Ltd., Mercuries Harvest Co., Ltd., Mercury Fu Bao, Mercuries Liquor & Food, Mercuries Furniture Co., Ltd., Sanyou Drugstores Ltd., Simple Mart Retail Co., Ltd., Mercuries F&B Co., Ltd., Foundation of Chinese Dietary Culture,Foundation for Taiwan Masters Golf Tournament,、Taoyuan County Private Mercuries & Associates Welfare & Charity Foundation.

Note 2：1. Chairman and President of Yushan Pharmacenticals Inc.

2. Director of Mercuries & Associates Holding Ltd., Shufeng Investment Co., Ltd., Shuren Investment Co., Ltd., Shurong Co., Ltd., Simple Mart Retail Co., Ltd., Mercuries F&B Co., Ltd., Mercuries Life Insurance, Foundation for Taiwan Masters Golf Tournament, Shui-Mu Foundation of Chemistry, Kaohsiung City Lixue Education Foundation, Framosa Co., Ltd.
3. Director of Criminal Investigation and Prevention Association R.O.C.
4. President of SCI Pharmtech, Inc.

Note 3：1. Chairman of Mercuries & Associates Holding, Ltd., Mercuries General Media Co., Ltd., Mercuries Leisure Co., Ltd., Shanghong Investment Co., Ltd., Taoyuan County Private Mercuries & Associates Welfare & Charity Foundation.

2. Director of SCI Pharmtech, Mercuries & Associates, Mercuries Life Insurance, Mercuries Data Systems, Mercury Fu Bao, Simple Mart Retail Co., Ltd., Shanglin Investment, Mercuries Liquor & Food, Mercuries F&B Co., Ltd., Simple Mart Plus Co., Ltd., Foundation for Taiwan Masters Golf Tournament, Foundation of Chinese Dietary Culture ;、Tasty Noodles Co., Ltd.、Family Shoemart Co., Ltd.、Mercuries Foodservice Co., Ltd.、Asiandawn.
3. Director of R.O.C Taiwan Teeball Association, and executive director of the Chinese Slow Pitch Softball Association.

Note 4：The Chairman of the Board of Directors and the President of the company are the same person, the reason, reasonableness, necessity, and the measures adopted in response to the status are specified as the following :

1. Reason : The resolution of the company's Board of Directors appointed Mr. Wei-Chyun Wong as the President of the company in 2004. In addition, the former Chairman of the Board of Directors applied for retirement in 2014, therefore the Board of Directors appointed Mr. Wei-Chyun Wong as the Chairman of the Board of Directors in 2014. As the result, the Chairman of the Board of Directors and the President of the company have been appointed to the same person during the past 8 years.

2. Reasonableness and Necessity : A the company is a small and middle-sized enterprise, the Chairman of the Board of Directors concurrently serving as the President of the company enables smoother decision-making processes and increases the efficiency of operation. As for the concern of lacking check and balance in corporate governance, which may be detrimental to shareholders' interest, the company believed that the Board of Directors and the Audit Committee are capable of fulfilling their duties to balance the power of the Chairman, maintaining their objectivity and power of supervising, which shall ensure the company not suffering from the negative impact caused by this decision.

3. Measures adopted in response : To stay in line with the ESG trend and the direction of corporate governance promoted by the competent authorities, the company has planned to remove the Chairman's concurrent position as the President after the next Board of Directors election. As a result, the positions of the Chairman of the Board of Directors and the President will be appointed to different individuals.

Major Shareholders of SCI's Institutional Shareholders

April 25, 2022

Name of the institutional shareholders	Main shareholders of corporate bodies	
	Name	Shareholding percentage
Mercuries & Associates Holding, Ltd.	Shanglin Investment Co., Ltd.	20.48
	Shuren Investment Co., Ltd.	14.12
	Shanghong Investment Co., Ltd.	5.37
	Shufeng Investment Co., Ltd.	5.24
	Mercury Fu Bao Co., Ltd.	4.84
	Chen, Shiang-Li	2.76
	Pension fund management committee of Mercuries & Associates Holding, Ltd. Representative：Chen, Shiang-Li	2.27
	Wong, Chau-Shi	2.17
	Yang, Chun-Hui	2.00
	Chen, Shiang-Chung	1.96

Key members of Main Corporate Shareholders Listed in above Table

April 25, 2022

Names of corporate bodies	Main shareholders of corporate bodies	
	Name	Shareholding percentage
Shanglin Investment Co., Ltd.	Chen, Shiang-Li	31.41
	Chen, Shiang-Chieh	17.67
	Chen, Shiang-Feng	17.67
	Hsu, Chang-Hui	6.37
	Chen, Shiang-Chung	13.54
	Shanghong Investment Co., Ltd.	8.21
	Wang, Te-Pin	5.13
Shuren Investment Co., Ltd.	Wong, Wei-Chyun	27.89
	Wong, Tsui-Chun	24.70
	Wong, I-Hsuan	17.55
	Shufeng Investment Co., Ltd.	15.39
	Wong, Chau-Shi	14.39
	Yang, Chun-Hui	0.06
	Yang, Hsueh-Hui	0.02
Shufeng Investment Co., Ltd.	Shuren Investment Co., Ltd.	67.95
	Wong, Chau-Shi	14.62
	Wong, Wei-Chyun	8.20
	Wong, Tsui-Chun	8.20
	Yang, Chun-Hui	0.46
	Yang, Hsueh-Hui	0.26
	Wong, I-Hsuan	0.26
	Chen, Shiang-Feng	0.05
Shanghong Investment Co., Ltd	Chen, Shiang-Li	23.08
	Shanglin Investment Co., Ltd.	23.08
	Chen, Shiang-Chieh	15.90
	Chen, Shiang-Feng	15.90
	Chen, Shiang-Chung	11.28
	Hsu, Chang-Hui	6.14
	Wang, Te-Pin	4.62

Information Regarding Directors （2）

A. Professional qualifications and independence analysis of directors

Criteria / Name	Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Mercuries & Associates Holding, Ltd. Institutional representative： Wei-Chyun Wong	Mr. Wei-Chyun Wong holds a Ph.D. degree in Chemistry from the University of Pennsylvania. He had served as a researcher at the Industrial Technology Research Institute, as well as the vice president and president of the company. He has decades of experience in industry, leadership, decision-making, operational management, finance, accounting, and other fields. He is currently serving as the Chairman of the company. Mr. Wei-Chyun Wong has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Holding 847,926 shares of the company by himself, his spouse, or relative within the second degree of kinship (or by others' names). 3. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0
Director Mercuries & Associates Holding, Ltd. Institutional representative： Shiang-Li Chen	Mr. Shiang-Li Chen holds a Master's degree in Business Administration from Georgetown University, USA. He is the leader of the Mercuries & Associates Group, currently serving as the chairman of the Mercuries & Associates Holding, Ltd., and as the Director of several public listed companies. He has decades of experience in industry, leadership, decision-making, finance, accounting, and other fields. Mr. Shiang-Li Chen has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0
Director Mercuries & Associates Holding, Ltd. Institutional representative： Aurora Chen	Ms. Aurora Chen holds a Master's degree in Business Administration. She had served as the Manager of Mckinsey & Company. She has decades of experience in leadership, decision-making, finance, accounting, and other fields. She is currently serving as the Director of Yushan Pharmaceuticals, Inc. Ms. Aurora Chen has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0

Criteria / Name	Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director Mercuries & Associates Holding, Ltd. Institutional representative： Wen-Chih Chou	Mr. Wen-Chih Chou holds a Ph.D. degree in Chemistry from National Taiwan University and has worked as a researcher at Development Centre for Biotechnology, as well as the company's R&D Manager and Production Manager. He has decades of experience in industry, leadership, decision-making, operational management, and other fields. He is currently serving as the Plant Manager of the company. Mr. Wen-Chih Chou has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Holding 135,331 shares of the company by himself, his spouse, or relative within the second degree of kinship (or by others' names). 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0
Independent Director Te-cheng Tu	Mr. Te-cheng Tu holds a Master's degree in Business Administration from Houston University, USA. He has served as the President of President International Development Corp. He has decades of experience in leadership, decision-making, operational management, finance, accounting, and other fields. He is currently serving as the chairman of Xuan He Technology Co., PharmaEngine, Inc., Director of Coretronic Corporation, Director of So-Cayenne Mobile Entertainment Co., Ltd., and Independent Director of Mercuries & Associates Holding, Ltd. Mr. Te-cheng Tu has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. Mr. Te-cheng Tu concurrently served as the Independent director of the parent and its subsidiary in accordance with the law. 2. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 3. Himself, his spouse,and relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 4. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 5. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	1
Independent Director Chia-Chun Jay Chen	Mr. Chia-Chun Jay Chen holds a Ph.D. in Chemistry from Harvard University, USA, and is a professional in research of physical chemistry and materials chemistry. He is currently serving as Distinguished Professor at National Taiwan Normal University and has been teaching at NTNU for more than 23 years. He was awarded the Best Research Paper Award of the Year for Researchers in Institute of Atomic and Molecular Sciences, Academia Sinica, Y. Z. Hsu Scientific Paper Award, etc. Mr. Chia-Chun Jay Chen has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0

Criteria / Name	Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Hung-Chin Wu	Mr. Hung-Chin Wu graduated from National Cheng Kung University, Taiwan with a bachelor's degree in Chemical Engineering and was the General Manager of the Cheng Fong Chemical Co., Ltd. He has decades of experience in leadership, decision-making, industry, and other fields. He has retired recently by the end of 2021. Mr. Hung-Chin Wu has not conducted any actions specified in anysubparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and had not received compensation for providing such services.	0

B. The diversification policy of the Board of Directors membership :

Directors	Gender	Age range	Business Management	Leadership	Industrial Knowledge	Financial and Accounting
Wei-Chyun Wong	M	51-60	V	V	V	V
Shiang-Li Chen	M	51-60	V	V		V
Aurora Chen	F	51-60	V	V		V
Wen-Chih Chou	M	51-60	V	V	V	
Te-cheng Tu	M	61-70	V	V		V
Chia-Chun Jay Chen	M	51-60			V	
Hung-Chin Wu	M	71-80	V	V	V	

Note1 : The company is a pharmaceutical company, and the professional diversity goal in the composition of the Board of Directors is targeted at more than one-third of the members as professionals in management, chemistry, and chemical engineering. The company's Board of Directors is currently composed of 7 Directors, 4 of them are the legal representatives of the parent Mercuries & Associates Holding, Ltd. 2 of them are professionals in finance, accounting, and operational management, another 2 of them are chemistry professionals concurrently serving as the senior executives of the company. As for the 3 Independent Directors, one of them is a professional in finance and accounting in accordance with the law, and the other 2 are professionals in chemistry and chemical engineering which is required for the company's nature of business. The composition of the Board of Directors meets the diversity goal stated above.

Note2 : The proportion of Directors who are employees is 28.6%; the proportion of Independent Directors is 42.9%; the proportion of female Directors is 14.3%; as for the term of office of Independent Directors, 2 of them served between 1 ~ 3 terms and 1 of them served more than 3 terms.

Note3 : The company emphasizes gender equality in the composition of its Board of Directors, and the goal is to have more than 25% (included) of female Directors. The company is planning to add one female Director to the Board of Directors in the next term to achieve the target.

Note4: Available on : SCI's website : www.sci-pharmtech.com.tw

C. The Independence Criteria of the Board of Directors membership :

The 3 Independent Directors take up a ratio of 42.9%. No Director is a spouse or relative within the second degree kinship of the other Directors.

3.2.2 President, vice presidents, assistant managers, and the supervisors of all the company's divisions and branch units.

April 22, 2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Managers who are spouses or within two degrees of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Wei-Chyun Wong	M	2004.06.16	526,970	0.55%	83,767	0.08%	None	None	PHD of Chemistry, University of Pennsylvania ITRI Researcher SCI Pharmtech Inc., General Manager	Note 1	None	None	None	Note 2
BA Vice President	R.O.C	Michele Seah	F	1998.12.01	1,970	0.00%	None	0.00%	None	None	BS in Agricultural Chemistry, National Taiwan University ITRI Deputy Manager	None	None	None	None	
Plant Manager	R.O.C	Wen-Chih Chou	M	2010.09.01	15,331	0.02%	120,000	0.13%	None	None	PHD of Chemistry, National Taiwan University DCB Researcher SCI Pharmtech Inc., R&D Manager	Director of Yushan Pharmacenticals Inc.	None	None	None	
R&D Vice President	R.O.C	Jinun Ban Yeh	M	2015.07.01	53,776	0.06%	3,890	0.00%	None	None	MS in Chemistry, National Tsing Hua University ITRI Researcher SCI Pharmtech Inc., R&D Manager	None	None	None	None	
R&D Manager	R.O.C	Wei-Song Yin	M	2015.07.01	1,200	0.00%	None	None	None	None	MS in Chemistry, National Tsing Hua University ITRI Researcher R&D Deputy Manager	None	None	None	None	
PDM/EH Manager	R.O.C	Ricky Liu	M	2002.01.01	8,746	0.01%	None	None	None	None	MS in Chemical Engineering, National Tsing Hua University SCI Pharmtech, Inc., PD Manager	None	None	None	None	
EN Manager	R.O.C	Oliver Liu (Note 4)	M	2000.09.01	1,794	0.00%	None	None	None	None	BS in Chemical Engineering, National Taiwan Institute of Technology Indonesia Yingli Co., Ltd. Engineer	None	None	None	None	
EN Manager	R.O.C	Chung-Lung Su (Note 4)	M	2022.03.01	50	0.00%	None	None	None	None	MS in Chemical Engineering, National Cheng Kung University SCI Pharmtech, Inc., EN Director	None	None	None	None	
QA Manager	R.O.C	Vincent Chiang	M	2002.12.16	2,413	0.00%	None	None	None	None	MS in Chemistry, National Cheng Kung University Taiwan Biotech Co., Ltd. Deputy Manager	None	None	None	None	
F&D Manager / Spokesman / CG Officer	R.O.C	Deiter Yang	M	2003.01.01	970	0.01%	None	None	None	None	MS in Accounting, Tamkang University Certified Public Accountant Mercuries & Associates Holding, Ltd. Finance Manager	Supervisor of Yushan Pharmacenticals Inc., Framosa Co., Ltd.	None	None	None	
BA Manager	R.O.C	Nancy Lee	F	2009.05.01	147,532	0.15%	None	None	None	None	MS in Chemical Engineering, National Tsing Hua University ITRI Researcher	None	None	None	None	

April 27, 2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Mamagers who are spouses or within two degrees of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
QC Manager	R.O.C	Bo-Fong Chen	M	2017.10.13	1,650	0.00%	None	None	None	None	Ph. D in Chemistry, National Sun Yat-Sen University SCI Pharmtech Inc., QC Deputy Manager	None	None	None	None	
PD Deputy Manager	R.O.C	Chris Yang (Note 3)	M	2019.02.01	0	0.00%	None	None	None	None	PHD of Chemistry, National Tsing Hua University SCI Pharmtech Inc., R&D Researcher	None	None	None	None	

Note 1：Please refer to page 19 (Note2).

Note 2：The chairman of the Board of Directors and the President of the company are the same person, the reason, reasonableness, necessity, and the measures adopted in response to the status are specified as the following : Please refer to page 20.

Note 3：The Deputy Manager of the Production Department, Chris Yang, resigned on May 10, 2021.

Note 4：The Manager of the Engineering Department, Oliver Liu, is planning on retirement, and Chung-Lung Su, Chief of the Engineering Department was promoted as Manager on March 1, 2022.

3.2.3 Remuneration paid out to directors, president, and vice presidents

(1) Remuneration to Directors and Independent Directors

Unit: NT$ / Thousand Shares

Title	Name	Director's remuneration								Summation of A，B，C，D, and a % of After Tax Income	
		Remuneration (A)		Retirement pension(B)		Director's Remuneration (C)		Business execution fees (D)			
		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report
Chairman	Mercuries & Associates Holding, Ltd. Institutional representative：Wei-Chyun Wong	None	None	None	None	None	None	None	None	None None	None None
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Shiang-Li Chen	None	None	None	None	None	None	None	None	None None	None None
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Aurora Chen	180,000	180,000	None	None	120,000	120,000	None	None	300,000 0.54%	300,000 0.54%
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Wen-Chih Chou	None	None	None	None	None	None	None	None	None None	None None
Independent Director	Hung-Chin Wu	180,000	180,000	None	None	120,000	120,000	None	None	300,000 0.54%	300,000 0.54%
Independent Director	Te-cheng Tu	180,000	180,000	None	None	120,000	120,000	None	None	300,000 0.54%	300,000 0.54%
Independent Director	Chia-Chun Jay Chen	180,000	180,000	None	None	150,000	150,000	None	None	330,000 0.59%	330,000 0.59%

Title	Name	Remuneration to Directors Also Serving as Company Employees								Summation of A，B，C，D，E，F，G, and a % of After Tax Income		Receives remuneration from other non-subsidiary companies that the Company has invested in or parent company
		Salary, Bonuses, and Special Allowance (E)		Retirement pension (F)		Employee remuneration (G)						
		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI		All companies listed in this Financial Report		SCI	All companies listed in this Financial Report	
						Cash Bonuse	Stock Bonuse	Cash Bonuse	Stock Bonuse			
Chairman	Mercuries & Associates Holding, Ltd. Institutional representative：Wei-Chyun Wong	4,759,638	4,759,638	None	None	457,980	None	457,980	None	5,217,618 9.37%	5,217,618 9.37%	12,840,000
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Shiang-Li Chen	None	None	None	None	None	None	None	None	None	None	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Aurora Chen	None	None	None	None	None	None	None	None	300,000 0.54%	300,000 0.54%	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Wen-Chih Chou	3,131,782	3,131,782	108,000	108,000	220,777	None	220,777	None	3,460,559 6.21%	3,460,559 6.21%	
Independent Director	Hung-Chin Wu	None	None	None	None	None	None	None	None	300,000 0.54%	300,000 0.54%	None
Independent Director	Te-cheng Tu	None	None	None	None	None	None	None	None	300,000 0.54%	300,000 0.54%	1,380,000
Independent Director	Chia-Chun Jay Chen	None	None	None	None	None	None	None	None	330,000 0.59%	330,000 0.59%	None

1. Please explain the Independent Directors' remuneration policies, procedures, standards and structure, as well as their relation to the Independent Directors' responsibilities, risks, time spent, remuneration, and other factors:：Please refer to page 34.
2. In addition to the disclosure in the above table, Director remunerations earned by providing services (e.g. providing consulting services as a non-employee) to the company and all consolidated entities in the financial report of the most recent year: NT$ 0.

Note: NT$366,000 was paid to Mercuries & Associates Holding, Ltd. as the Directors' remuneration.

Table of remuneration ranges

Each remuneration range of the Company	Name of director			
	Total of the first 4 items (A+B+C+D)		Total of the first 7 items (A+B+C+D+E+F+G)	
	SCI	All companies listed in this Financial Report	SCI	Parent company and all invested enterprise
Less than NT$ 1,000,000	Aurora Chen (Director) Hung-Chin Wu (Independent Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director)	Aurora Chen (Director) Hung-Chin Wu (Independent Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director)	Aurora Chen (Director) Hung-Chin Wu (Independent Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director)	Aurora Chen (Director) Hung-Chin Wu (Independent Director) Chia-Chun Jay Chen (Independent Director)
NT$1,000,000 (included) ~ NT$2,000,000 (not included)	None	None	None	Te-cheng Tu (Independent Director)
NT$2,000,000 (included) ~ NT$3,500,000 (not included)	None	None	None	None
NT$3,500,000 (included) ~ NT$5,000,000 (not included)	None	None	Wen-Chih Chou (Director)	Wen-Chih Chou (Director)
NT$5,000,000 (included) ~ NT$10,000,000 (not included)	None	None	Wei-Chyun Wong (Director)	Wei-Chyun Wong (Director)
NT$10,000,000 (included) ~ NT$15,000,000 (not included)	None	None	None	Shiang-Li Chen (Director)
NT$15,000,000 (included) ~ NT$30,000,000 (not included)	None	None	None	None
NT$30,000,000 (included) ~ NT$50,000,000 (not included)	None	None	None	None
NT$50,000,000 (included) ~ NT$100,000,000 (not included)	None	None	None	None
Over NT$100,000,000	None	None	None	None
Total	4	4	6	7

(2) President and senior vice president remuneration

Unit: NT$ / Thousand Shares

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special expenses (C) （Note 3）		Employee's remuneration (D)				Summation of A，B，C，D, and a % of After Tax Income		Amount of employee stock warrant acquired		New restricted employee shares acquired		Receives remuneration from other non-subsidiary companies that the Company has invested in or parent company
		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI		All companies listed in this Financial Report		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	
								Cash Bonuse	Stock Bonuse	Cash Bonuse	Stock Bonuse							
President	Wei-Chyun Wong	2,747,880	2,747,880	0	0	2,011,758	2,011,758	457,980	None	457,980	None	5,217,618 9.37%	5,217,618 9.37%	None	None	None	None	1,830,000
BA Vice President	Michele Seah	2,081,952	2,081,952	0	0	1, 311,545	1, 311,545	242,894	None	242,894	None	3,636,391 6.53%	3,636,391 6.53%	None	None	None	None	None
Plant Manager	Wen-Chih Chou	1,892,376	1,892,376	108,000	108,000	1,239,406	1,239,406	220,777	None	220,777	None	3,460,559 6.21%	3,460,559 6.21%	None	None	None	None	120,000
R&D Vice President	Jinun Ban Yeh	1,892,376	1,892,376	108,000	108,000	1,239,561	1,239,561	220,777	None	220,777	None	3,460,714 6.21%	3,460,714 6.21%	None	None	None	None	None

Note1 : The Vice President of the company, Michele Seah, is applied to the old pension system, therefore the pension is not yet been paid.
Note2 : Under the new pension system, NT$108,000 is allocated to Plant Manager Wen-Chih Chou and Vice President Jinun Ban Yeh respectively.
Note3 : The company provided a vehicle for each of the 1 President, 2 Vice Presidents, and the Plant Manager, the total rental fee is NT$1,825,767 with NT$136,243 of petrol fees.

Table of remuneration ranges

Remuneration range for president and vice presidents in the Company	Name of president and vice presidents	
	SCI	Parent company and all invested enterprise
Less than NT$ 1,000,000	None	None
NT$1,000,000 (included) ~ NT$2,000,000 (not included)	None	None
NT$2,000,000 (included) ~ NT$3,500,000 (not included)	Jinun Ban Yeh (Vice President)	Jinun Ban Yeh (Vice President)
NT$3,500,000 (included) ~ NT$5,000,000 (not included)	Michele Seah (Vice President) Wen-Chih Chou (Plant Manager)	Michele Seah (Vice President) Wen-Chih Chou (Plant Manager)
NT$5,000,000 (included) ~ NT$10,000,000 (not included)	Wei-Chyun Wong (President)	Wei-Chyun Wong (President)
NT$10,000,000 (included) ~ NT$15,000,000 (not included)	None	None
NT$15,000,000 (included) ~ NT$30,000,000 (not included)	None	None
NT$30,000,000 (included) ~ NT$50,000,000 (not included)	None	None
NT$50,000,000 (included) ~ NT$100,000,000 (not included)	None	None
Over NT$100,000,000	None	None
Total	4	4

(3) Names of managerial officers provided with employee's remuneration and state of payments

April 22, 2022 Unit: NT$ / Shares

	Title	Name	Bonus in Stock			Bonus in Cash	Total	Total payment as a proportion of net income (%)
			Value of share	Actual price	Value of cash	Value of cash		
Managerial officers	President	Wei-Chyun Wong	0	0	0	2,060,143	2,060,143	3.70%
	BA Vice President	Michele Seah						
	Plant Manager	Wen-Chih Chou						
	R&D Vice President	Jinun Ban Yeh						
	R&D Manager	Wei-Song Yin						
	PDM/EH Manager	Ricky Liu						
	EN Manager	Oliver Liu						
	QA Manager	Vincent Chiang						
	F&D Manager / Spokesman / CG Director	Deiter Yang						
	BA Manager	Nancy Lee						
	QC Manager	Bo-Fong Chen						

3.2.4 Compare and analyze the total remuneration paid to each of the company's directors, president, and vice presidents in the 2 most recent fiscal years by all companies listed in the company's individual and consolidated financial statement as a percentage of net income and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

1. The ratio of total remuneration paid by the company, and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the company, to the net income.

Title	Total remuneration as a proportion of net income (%)			
	2021		2020	
	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report
Directors	1.57%	1.57%	0.28%	0.28%
President and Vice Presidents	28.32%	28.32%	7.11%	7.11%

Note: The increase in the percentage of total salary and remuneration of the President and Vice Presidents in the net income after tax in 2021 compared to 2020, is due to the 84.5% decline in the net income after tax of the period.

2. Remuneration policies, standards and packages, procedures for determining remuneration and the correlation with operating performance and future risk exposure :

A. Managers :

(a) Policy: The company's salary and remuneration policy is to provide the competitive salary standards to recruit and retain the critical executives for the business operation to achieve the company's stable growth and sustainable development.

(b) Standard: The salary and remuneration paid to the Managers can be classified as fixed, variable, and others. The salary and remuneration received by the Managers and the achievement of their goals shall be proposed to the Remuneration Committee each year, for the Committee to evaluate the content and the amount of the salary following the regulations of the organizational charter, and proposed their suggestions to the Board of Directors for further discussion.

(c) Combination :

(c1)Fixed salary: Fixed salary is the monthly salary paid to the Managers each month, the payment standard references the statistics of industries and labor market with consideration of the job position, nature of the job, professional abilities, and the occupational supply & demand.

(c2) Variable salary: Variable salary consists of the end of year bonus, employees' remuneration, performance bonus, and the foundational payment of shares. Variable salary connects part of the salary and remuneration to operational performance.

(c3) Other salary and remuneration:
According to business needs for senior executives above the Vice Presidents, the provision of a vehicle with the petrol fee can be suggested by the Remuneration Committee for approval from the Board of Directors case by case.

(d) Procedures for determining salary and remuneration:
The company's salary and remuneration of the Managers and its management procedures shall be formulated from the opinions of the Remuneration Committee after they were, proposed to and approved by the Board of Directors.

(e) Management performance:
Overall, the ratio of variable salary is approximately 50%, which is highly connected to the overall operational performance of the company.

(f) Future risks:
The ratio of variable salary and remuneration is high, therefore the flexibility for the company operation is higher, which shall effectively reduce the risk of uncertainty in the future.

B. Directors:

(a)Policy: To implement corporate governance and complete directors' compensation system in a bid to make directors' compensation transparent, reasonable, and systematic.

(b)Standard: The remuneration committee and the board of directors enacted the "salaries and remuneration procedure for directors" on June 25, 2021, in accordance with the scale and complexity of the operation as well as the market standard. Distribution will be made considering the individual director's contribution to the company. In principle, the overall remuneration of independent Directors will be more than normal directors on the grounds that independent directors concurrently serve as members of the functional committees, spending more time and effort and bearing heavier responsibilities.

(c) Combinations:

1.Remuneration:

In accordance with the Articles of Incorporation, if the company makes a profit within the year, the remuneration committee will consider the overall performance of the board of directors, operational performance of the company, and the future operation and risk of the company, and then make a suggestion of providing no more than 2% of the profit as the remuneration for Directors.

2.Salary:

The salary of each director is NT$30,000 per month. But this payment is not applicable to those who concurrently serve as the managers of the company, its subsidiaries and parent company.

3.Others:

No transportation allowance, special disbursement, travel reimbursement, and other payments. However, the company shall reimburse directors for the air tickets and accommodation fees if the director makes a business trip required for the company's businesses.

(d) The procedures for deciding remuneration:

On March 18, 2022, the remuneration of NT$876,000 equal to 1.2% of the company's 2021 profit was approved by the remuneration committee and then the board of directors.

The Company completed the performance evaluation of directors on January 24, 2022, (Please refer to page 37) and took this assessment result into consideration for the distribution of directors' remuneration.

(e) Future Risks:

The salary is fixed and the remuneration is proportional to profit, which see no significant future risks.

3.3 Implementation of corporate governance

3.3.1 Implementation of Directors' Meetings

(1) Total of 8 meetings of the Board of Directors were held of 2021. The attendances of directors were as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Chairman	Mercuries & Associates Holding, Ltd. Institutional representative：Wei-Chyun Wong	8	0	100.0%	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Shiang-Li Chen	8	0	100.0%	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Aurora Chen	8	0	100.0%	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Wen-Chih Chou	8	0	100.0%	
Independent Director	Te-cheng Tu	8	0	100.0%	
Independent Director	Hung-Chin Wu	7	0	87.5%	
Independent Director	Chia-Chun Jay Chen	8	0	100.0%	

Other items that shall be recorded：

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted :
   (1) Any matter listed in Article 14-3 of the Securities and Exchange Act :
   Independent directors did not provide any opposing views during the 8 board meetings held in 2021.
   (2) In addition to the aforementioned matters, any other resolutions from the board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ. : None.
2. For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process :
   (1) On August 6, 2021, the Fifth Item of Discussion Matters in the Board of Directors' Meeting:
   The company planned to donate to the Republic of China Criminal Investigation Association. For this item, Directors Wei-Chyun Wong, Shiang-Li Chen, Wen-Chih Chou and Aurora Chen abstained from voting due to conflict of interest.
   (2) On November 5, 2021, Second Item of Discussion Matters in Board of Directors' Meeting:
   The company intended to approve the first payment of employee's remuneration of the Managers. For this item, Directors Wei-Chyun Wong and Wen-Chih Chou abstained from voting due to conflict of interest.
   (3) On December 29, 2021, Fourth Item of Discussion Matters in Board of Directors' Meeting:
   The company intended to approve the remuneration amount of the Managers (end of year bonus and the second employee's remuneration of the Managers in 2020). For this item, Directors Wei-Chyun Wong and Wen-Chih Chou abstained from voting due to conflict of interest.
3. The information regarding the self-evaluation evaluation cycle and period, evaluation scope, method or evaluation

contents, and Board of directors performance evaluation review : Please refer to page 37-38.

4. Goals for enhancing the functions of the Board of Directors (such as increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented :

(1) Goals: A. Enhancing corporate governance, implementing information transparency, and becomeing one of the companies listed in the top 20% in the TWSE Evaluation of Corporate Governance.

B. Continuing to improve the professionalism of the Directors.

C. Maintaining strong communication between the CPAs and the company's corporate governance unit.

(2) Implementation:

A. Professionals are invited to provide laws & regulations and corporate governance lessons, providing the Directors' continuous learning on the related information.

B. The total hours of continuous learning of all Directors in 2021 met the requirements of the laws and regulations, reaching 45 hours in total.

C. The company was listed in the top 6% to 20% in the first to the sixth Evaluation of Corporate Governance, and was listed in the top 21% to 35% of companies in the seventh to the eighth Evaluation of Corporate Governance.

D. The CPAs communicate with Directors about important audit matters, audit conditions, and other audit-related matters, while also promoting the corporate governance matters and the latest laws and regulations amendments before the Board meeting. The CPAs reported to the Board of Directors 3 times before the Board of Directors' meeting and attended the Board of Directors' meeting and shareholders' meeting each for one time.

(2) Total of 8 meetings of the Board of Directors were held of 2021. The attendances of independent directors were as follows:

V ：attendance in person； o：video attendanc； @：attendance by proxy； *：absent

2021	1st	2nd	3rd	4th	5th	6th	7th	8th
Hung-Chin Wu	V	V	*	O	O	O	O	V
Te-cheng Tu	V	V	V	O	O	O	O	V
Chia-Chun Jay Chen	V	V	V	O	O	O	O	V

(3) The 2021-year Board of directors performance evaluation review as follows:：

Evaluation cycle	During the evaluation	Scope	How to evaluate it	Content
Once a year	2021.01.01~ 2021.12.31	1. Board of directors 2. Individual directors 3. Functional Committee	1.CG officer evaluate the board of directors 2.Self-evaluation by members of the Board 3.CG officer evaluate audit and remuneration committee	The items for evaluating questionnaire shall be determined in accordance with "Performance Evaluation Regulation of the Board of Directors". (p.141)

(4) The 2021 year board of directors performance evaluation review was completed on 15 Jan. 2022, and reported on 18 March 2022 as follows :

A. Self-evaluation results of 2021 members of directors :

Director	Score	Comments
Wei-Chyun Wong	99.13	None
Shiang-Li Chen	94.78	None
Aurora Chen	93.91	I have understood the meeting documents in-depth, and have been acknowledging and supervising the company's accounting system, financial condition, financial report, and the subsequent tracking process. However, with the impact of the pandemic and the rapid development in the pharmaceutics industry, I will need to increase my interaction with all teams, further enhance my professional knowledge, and make improvements timely for the situation.
Wen-Chih Chou	99.13	None
Hung-Chin Wu	91.30	None
Te-cheng Tu	99.13	None
Chia-Chun Jay Chen	93.04	None

B. Evaluation results of CG officer :

CG officer	Score	Comments
Board of directors	96.44	The Board of Directors has been functioning properly as required by the law.
Audit and Remuneration committee	94.62	The member has proposed specific suggestions in the meeting for the management to reference and implement.

3.3.2 Operations of the Audit Committee：

(1) Information on the members of the Audit Committee

March 31, 2022

Identity / Criteria / Name		Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an the Audit Committee member.
Independent Director (Convener)	Te-cheng Tu	Please refer to page 22-24.	Please refer to page 22-24.	1
Independent Director	Hung-Chin Wu	Please refer to page 22-24.	Please refer to page 22-24.	0
Independent Director	Chia-Chun Jay Chen	Please refer to page 22-24.	Please refer to page 22-24.	0

(2) Implementation of the Audit Committee

A total of 7 Audit Committee meetings were held in 2021. The attendance of independent directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Independent Director	Te-cheng Tu	7	0	100.0%	
Independent Director	Hung-Chin Wu	6	0	85.7%	
Independent Director	Chia-Chun Jay Chen	7	0	100.0%	

Other items that shall be recorded：

1.Major tasks of the auditing committee in the year:

(1) Amendments to the internal control system.
(2) Assessment of the effectiveness of the internal control system.
(3) Amendment to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
(4) Review matters in which a director is an interested party.
(5) Review asset transactions or derivatives trading of a material nature.
(6) Review loans of funds, endorsements, or provision of guarantees of a material nature.
(7) Review the offering, issuance, or private placement of equity-type securities.
(8) Review the hiring or dismissal of a certified public accountant, or their compensation and independence.
(9) The appointment or discharge of a financial, accounting, or internal audit officer.
(10) Review annual and semi-annual financial reports.
(11) Review other material matters as may be required by this Corporation or by the competent authority.

2.In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted :

(1) Article 14-5 of the Securities and Exchange Act listed items :
There had been a total of 7 meetings of the Audit Committee as of 2021. The meeting resolutions are all approved by Audit Committee.
(2) Proposals approved by two-thirds of the Board of Directors and yet to be passed by the Audit Committee : None.

3.If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified : None.

4.Communication among Independent Directors, internal audit officer, and CPA (including important matters, methods, and results of the Company's finance and operations) :

(1) Head of Internal Audit:
The Head of Internal Audit shall communicate with Independent Directors in person in the Audit Committee at least 4 times a year, and submit the audit report of the previous month to all Independent Directors for review each month. In 2021, the Head of Internal Audit attended 4 Audit Committee meetings and 6 Board of Directors meetings to communicate with Independent Directors in person, and the Independent Directors haven't provided any suggestions in regards to internal audit in 2021.

(2) CPAs: The CPAs shall communicate to the Independent Directors directly at least three times per year before the Board of Directors' meetings. In 2021, the CPAs communicated with the Independent Directors in person to discuss the accounting systems, key audit matters, internal control, operational conditions, independence of the CPAs, the latest amendment in the laws and regulations, and other issues before the Board of Directors' meeting on March 24, 2021, May 6, 2021, August 6, 2021, and on the shareholders' meeting on July 15, 2021. The Independent Directors have no opinions on the above-mentioned issues.

3.3.3 The state of the company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance :

Evaluation Item	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Does the Company establish and disclose the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies ?	V		The Company has established the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and disclosed these Principles on the Market Observation Post System (MOPS) and SCI's website. The latest version of the Corporate Governance Principle has been amended and approved on March 18, 2022.	None
2. Equity structure and shareholders' equity of the Company (1)Does the Company establish internal procedures for handling shareholders' proposals, inquiries, disputes, and litigation? Were such matters handled according to these internal procedures ?	V		A spokesperson / deputy spokesperson system has been established, and were assigned to handle shareholders' recommendations, disputes, and other questions. Matters related to the shareholders' meeting were implemented according to the Rules and Procedures of Shareholders Meeting.	None
(2)Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		In compliance with the regulations, the Company disclosed changes in the shareholding of insiders on a monthly basis. During the book closure period, the stock agency will provide a list of shareholders to monitor changes in the shareholding of major shareholders.	None
(3)Does the Company establish and enforce risk controls and firewall systems with its affiliated companies ?	V		The Company proceeds and abides by in accordance with its Regulations Governing the Implementation of Internal Control Systems、Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises and the Procedures for Acquisition and Disposal of Assets.	None
(4)Does the Company stipulate internal rules that prohibit insiders from trading securities using information not disclosed to the market ?	V		The Company has stipulated the Ethical Corporate Management Best Practice Principles that prohibit insiders from trading securities using information not disclosed to the market. The company has amended the Corporate Governance Principle in the Board of Directors' meeting on March 18, 2022, with the introduction of new control measures on the share trading by the company insider when acknowledging the financial report or relevant business contents of the company, which includes (but not limited to) that the Directors may not trade their shares within 30 days before the publishment of annual financial report and 15 days before the publishment of quarterly financial report.	None
3. Composition and responsibilities of the Board of Directors				

(1)Has a policy of diversity and specific management goals been established and implemented for the composition of the Board of Directors ?	V		The Company referred to the regulations of Article 20 of the Corporate Governance Best Practice Principles to ensure that members of the Board of Directors have work experiences and professional skills required for business, financial, accounting, and corporate operations. For the details of implementation, refer to Page 108 of this Annual Report.	None
(2)In addition to the Remuneration Committee and the Audit Committee established according to the law, has the Company voluntarily established other functional committees ?		V	The Company shall, whenever appropriate, evaluate the necessity of establishing functional committees.	The Company will evaluate the necessity of establishing functional committees in the future.
(3)Has the company stipulated the board of directors performance evaluation measures and method, conducted annual performance evaluation, and reported the performance evaluation results to the Board of Directors as a reference for individual directors' compensation and nomination?	V		The company has amended the Board of Directors' Performance Evaluation Practices and Methods on November 6, 2020, and the evaluation of the Board of Directors' performance for 2021 is completed on January 18, 2022, which was reported to the Board of Directors by the Head of Corporate Governance on the Board of Directors' meeting on March 24, 2022, which shall be used as references for the Board of Directors and functional committee to determine the salary and remuneration of each Director and the nomination of continuous in office for the next term.	None
(4)Does the company regularly evaluate the independence of CPAs ?	V		After the self-evaluations conducted by the CPAs and the issuance of their Impartial and Independent Declaration, followed by the preliminary evaluation by the Manager level, the overall evaluation results were eventually submitted to the Audit Committee and Board of Directors for re-evaluation and resolution, the CPAs' Independency evaluation was passed on November 5, 2021. Included evaluation items: The CPAs, the spouses of CPAs, and the minor children of CPAs having no investment or sharing a financial interest with the company, and the CPAs, the spouses of CPAs, and the minor children of CPAs having no financial debt with the company, etc.	None
4. Is the company staffed with an appropriate number of qualified corporate governance personnel, does it designate a person as a corporate governance officer, responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information to perform business, assisting directors and supervisors in compliance, handling matters related to the Board of Directors meeting and the shareholders' meeting in accordance with the laws, handling company registration and registration of changes, and keeping minutes of the Board of	V		The company's Head of Corporate Governance is concurrently served by the Manager of F&A, DeiterYang , who has the experience of serving as the Head of Accounting and Finance in Public Listed Companies for 19 years and with a CPA qualification. 1.The scope of the Head of Corporate Governance's authority and responsibilities: 1.1 Handling the related matters of the Board of Directors' meeting and shareholders' meeting. 1.2 Preparing the minutes of the Board of Directors' meeting and shareholders' meeting. 1.3 Assisting the Directors' onboarding and continuous learning. 1.4 Providing the required data for Directors to perform their duties. 1.5 Assisting the Directors' compliance with	None

Directors meeting and the shareholders' meeting) ?			laws and regulations. 1.6 Other matters stipulated in the company's Article of Incorporation or agreements. 2.The focus on the execution of corporate governance in 2021: 2.1 Ensuring compliance with laws and regulations. 2.2 Assisting the Directors' continuous learning and compliance with laws and regulations. 2.3 Providing related corporate governance information to the Directors. 3.The continuous learning of the Head of Corporate Governance in 2021: 3.1 September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours 3.2 September 17 / Employee and director compensation / SFI / 3 hours 3.3December 10 / The global risks acknowledge / SFI / 3 hours	
5. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the company website? Has the Company addressed major corporate social responsibility (CSR) topics that the stakeholders are concerned in a proper manner ?	V		The company has established a daily communication channel with stakeholders, and set up a special area for interested parties on the company's website to facilitate the use of stakeholders. The Company shall respond to the issues of concern to the interested parties by the Spokesperson or the Responsible Supervisor in a unified manner. On June 25, 2021, the Head of Corporate Governance of the Company reported to the Board of Directors on the actual communication with the interested parties.	None
6. Has the Company delegated a professional stock agency to handle shareholders' meetings?	V		The company has delegated Horizon Securities Corp. to be in charge of handling affairs pertaining to shareholders' meetings .	None
7.Information disclosure (1)Did the Company establish a website to disclose information on financial operations and corporate governance ?	V		The company has established the official website for disclosing information on finances, business operations, and corporate governance. Links with Market Observation Post System (MOPS) have also been established to provide the prompt disclosure of information.	None
(2)Did the Company adopt other ways of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company website) ?	V		The company has established chinese/english website and assigned persons to maintain and disclose corporate information through the website. The company has also fulfilled a spokesperson system. The company participated in the institutional investors' conference held by securities exchanges or other institutes and uploaded the brief and video of the conferences on the company's website or MOPS for investors and shareholders to reference and review.	None
(3)Does the company publicly announce and declare the annual financial report within two months after the end of the fiscal year, and publicly announce and declare the financial reports for the first, second, and third	V		Starting from the second and third quarters of 2021, the financial report shall be approved or proposed by the Board of Directors 7 days before the publish date and shall be published within a day after it's approved or proposed. In addition, the monthly revenue of the company shall be published 1 to 2 days before the publish	The company is currently not able to declare and publish the annual financial report within 2 months after the fiscal year ended.

quarters and the monthly operating status early before the specified deadline ?			date.	
8. Has the Company provided important information to provide better understanding of the state of corporate governance (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of Directors, risk managementpolicy and state of implementing risk impact standards, state of implementing customer policies, and the Company's purchase of liability insurance for its Directors and Supervisors) ?	V		1.Employee rights： The recruitment of new employees is based on the principle of equality, including the employment of people who are physically and mentally challenged, as well as middle-aged and elderly workers. The company strictly complies with the Labour Standard Act and related laws and regulations to protect human rights and employee rights. The company holds the labor-management council every quarter to promote two-way communications, and harmonious labor-management relation has been maintained, which resulted in zero labor-management disputes arising until this day. 2.Employee cares： 2.1 The company provides emergency aid and assistance to employees, with the management participating in employees' weddings, funerals, and other events. 2.2The company invites the family of employees to participate in the company travels, end-of-the-year banquets, and other events. 2.3The management has meals with employees regularly to understand their living conditions. 2.4 The company provides a competitive salary standard, the average full-time salary for non-executive positions of the company was NT$891,000 in 2020, ranking 23rd among the 113 public-listed and OTC companies of TWSE in the biotechnology and healthcare industry. 3.Investors relationship： The company fully disclosed information on SCI's website to allow investors to understand its operation instantly. The company communicated with investors through shareholders' meetings, investor conferences, and a spokesperson system. 4.Supplier relationship： The company operates with the mindset of partnerships, practicing principles of equality and reciprocity to create a win-win situation for all. The company conducts audits irregularly to understand the operation of suppliers and to ensure the security of the supply chain. In addition, the company manages the supplier relationships following the "Ethical Corporate Management Best Practice Principles" and "Environmental Safety and health management of procurement practices," with regular audits and reports provided to the President. 5. Stakeholders' rights： The company values good relationships between our stakeholders, including employees, investors(shareholders), clients, government authorities, communities, suppliers, and others. In addition to performing the rights and obligations by following laws, regulations, related agreements, and operational	None

			requirements, the company uphold the principle of good faith, maintaining decent communication channels to protect the legal rights of all parties. 6.State of training of Directors： To enhance the promotion of corporate governance, the company has been requiring the Directors to participate in continuous learning. Please refer to the descriptions on page 130. 7.The implementation of risk management policies and risk measurement standards： Please refer to Page 118-124 for the descriptions of the analysis and evaluation of risk matters. 8.State of implementing customer policies: The company provides our clients all over the world with products in compliance with GxP/ISO 9001 to ensure the satisfaction of our clients and has been continuously improving the quality system to meet the latest government laws and international regulations. According to the satisfaction survey retrieved from our clients in 2020, the company received a score of 44 out of 45. The item that brought the highest satisfaction was the client service and the lowest was the price. Due to the ceased production caused by a fire accident at the end of 2020, the Business Department did not conduct the client satisfaction survey in 2021. 9.Liability insurance for the directors purchased by the company:： The company insured a US$3 million coverage from the property insurance company. The coverage amount, scope of insurance, and rates of insurance fee on the agreement signed on August 3, 2021, were reported in the Board of Directors' meeting on August 6, 2021.	
9. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of Taiwan Stock Exchange Corporation (TWSE), and prioritized matters and measures to be improved for matters that have not been improved.	V		1.The result of the eighth Evaluation of Corporate Governance has been announced by the TWSE, and the company received a score of 80.04 as one of the companies listed in the top 21% to 35%. 2.Major defects that failed to meet the requirements in the Evaluation of Corporate Governance: 2.1The English Version of the Annual Report and Shareholders' Meeting Handbook are not yet provided. 2.2The English Version of the financial ststement was not published within the duration required by the laws and regulations. 2.3The Chairman is concurrently serving as the President. 3. Status of Improvement: 3.1The English version of the 2021 Annual Report and Shareholders' Meeting Handbook shall be prepared this year. 3.2The company will submit the financial statement within the required time this year. 3.3The company planned that the Chairman will cease serving as the President concurrently after the next re-election of the Board of Directors this year.	None

3.3.4 Composition, duties, and operations of remuneration committee :

(1) Information on the members of the Remuneration Committee

March 31, 2022

Identity / Criteria / Name		Professional Qualification, and Work Experience	ndependence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an the Remuneration Committee member.
Independent Director (Convener)	Te-cheng Tu	Please refer to page 22-24.	Please refer to page 22-24.	1
Independent Director	Hung-Chin Wu	Please refer to page 22-24.	Please refer to page 22-24.	0
Independent Director	Chia-Chun Jay Chen	Please refer to page 22-24.	Please refer to page 22-24.	0

(2) Implementation of the Remuneration Committee

A total of 3 Remuneration Committee meetings were held in 2021. The attendance of independent directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Independent Director	Te-cheng Tu	3	0	100%	
Independent Director	Hung-Chin Wu	3	0	100%	
Independent Director	Chia-Chun Jay Chen	3	0	100%	

Other items that shall be recorded.

1. Composition: The fourth term of the company's Salary and Remuneration Committee has been established on June 21, 2019, and has been consists of 3 Independent Directors. For the information on the members, please refer to the "Directors'Information" page.
2. Authorities and responsibilities:
   To act under the scope of authorities and responsibilities specified in Article 6 of the company's Salary and Remuneration Committee Charter, which is specified as follows:
   (1) To review this charter and provide amendment opinions periodically.
   (2) To enact and periodically review the target goals of the Directors' and Managers' salaries and remunerations, as well as the related policies, systems, standards, and structures.
   (3) To periodically review the fulfillment of the performance goals of the company's Board of Directors and Managers, and provide opinions on the content and amount of the salary and remuneration for each of them.
3. If the Board of Directors rejects or modifies the opinion proposed by the Salary and Remuneration Committee, then the date of the meeting, the session, the content of the motions, the resolutions determined by the Board of Directors, and the company's response to the Salary and Remuneration Committee's opinion shall all be specified (if the salary and remuneration resolution made by the Board of Directors exceeds the offering in the proposal of the Salary and Remuneration Committee, the details and cause of the difference shall be specified in the board meeting minutes): None.
4. For resolutions made by the Salary and Remuneration Committee, if any member posed opposition or opinions that are on record or stated in a written statement, then the date of the meeting, session, the content of motions, all members' opinions, and the response to the members' opinions shall be specified: None.
5. If the member is a Director, please specify whether the appointment is following the requirement stated in Paragraph 5 Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Salary and Remuneration Committee of a company Whose Stock is Listed On the Taiwan Stock Exchange or the Taipei Exchange:
   All the members are Independent Directors, which complies to the laws and regulation.

3.3.5 The state of the company's pushing of Sustainable Development :

Pushing of Sustainable Development, Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons Thereof

Push Item	State of Implementations			Gaps with the Sustainable Development, Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Has the company established a governing structure for sustainable development, and appointed exclusive (or concurrent) dedicated units under the command of the senior executives authorized by the Board of Directors? What is the status of the supervision from the Board of Directors?	V		The company's unit in charge of sustainable development is the President Office, with the Sustainable Development Committee established (please refer to Attachment 4). The Chairman of the committee is served by the Chairman of the Board and the concurrent General Manager, Mr. Wei-Chyun Wong, with 6 teams under the committee, as regular reviews will be conducted for the improvement and implementation progress of each team. In addition, the President assigned the Head of the Corporate Governance Team and Social Charity Team, Deiter Yang, to report to the Board of Directors for the implementation progress of sustainable development at least once a year. Supervision from the Board of Directors: The implementation of sustainable development in 2021 was reported to the Board of Directors on November 29, 2021. Under the company's Sustainable Development Committee, a total of 6 teams are established: The Executive Team, the Business Development Team, the Sustainable Environment Team, the Energy Saving & Carbon Reduction Team, the Corporate Governance Team, and the Charity Team. The teams are expected to detect business activity risks related to the environment, clients, suppliers, employees' safety, community, corporate governance, etc., and provide timely responses.	None
2. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	V		The company has been certified with the ISO9001 (2015 version – valid until February 9, 2023) quality management system certification, the ISO 14001 (2015 version – valid until January 5, 2024) environmental management system certification, and the ISO 45001 (2018 version – valid until November 16, 2022) occupational health and safety management system certification. Through maintaining the aforementioned management system, the company has been successfully controlling risks emerging from the environment, clients, suppliers, employees' safety, and other aspects, while providing timely responses. To strengthen the company's risk management capabilities, the company's risk management policies are to determine the scope of operational risks and take appropriate actions with the procedures of identifying the risks, evaluating the risks, supervising the risks, reporting the risks, and disclosing the risks, ensuring that all operational risks are properly managed.	None

			Please refer to Attachment 6 for the company's risk management policies and procedures. The company's Head of Corporate Governance shall report to the Board of Directors on the operation status of risk management at least once each year. Supervision from the Board of Directors: the report on the operation of risk management in 2021 was completed at the Board of Directors' meeting on December 29, 2021. This disclosed information included the sustainable development performance of the company from January 2021 to December 2021. The scope of risk assessment only covered the company, as the only subsidiary, Yushan Pharmaceuticals, is currently having no operational activities.	
3.Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the company assess the current and future potential risks and opportunities of climate change to the company, and adopt measures to respond to climate-related issues? (4) Does the company count the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and does the company formulat policies on energy saving and carbon reduction,	V V V V		The company has been certified with the ISO 14001 (2015 version – valid until January 5, 2024) environmental management system certification, and the ISO 45001 (2018 version – valid until November 16, 2022) occupational health and safety management system certification.The implemented complete environmental management system has been maintaining the effective operation of the aforementioned systems. 1.Improvements in energy efficiency: The current major energy consumption of the company is electricity, followed by gas-fired power. For the energy-saving measures, the company reconstructed the plants and renewed the equipment in 2021, improved efficiency and reduced energy consumption can be anticipated as a result. 2.The recycling and reuse of solvents: The company has also been striving for improvement in the production process through recycling and reusing solvents. The company recycled 19.2 kg of Palladium metals, 34,782 kg of solid Zinc Hydroxide, and 500,588kg of the solvents containing Deuterium and Nitrogen in 2021. 3.Promoting circular economy: The company jointly establish a new company with Veolia Environment with 40% and 60% of shareholding respectively, initiating the circular economic activities of purifying and reusing chemical solvents. Rainstorms, strong wind, and typhoons may cause unstable water supplies and impact the production line, collapsed or flooded roads will impact the deliveries, and the power failure may result in disrupted production or other issues. As for the response measures for such situations, the company has installed electricity generators, built water towers, and purchased business interruption insurance to reduce operational risks. 1. Energy saving and carbon reduction, and reduction of greenhouse gas : The company's Environmental Protection Department and Safety Office are in charge of the promotion and execution of activities for environmental protection, safety, and health. The Sustainable Development Committee has also been established to enact the	None None None None

<table>
<tr>
<td>reduction of greenhouse gas and water consumption or other waste management?</td>
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<td>
policies and agendas for environmental protection, safety, and health, while it is also in charge of convening the Labor Safety and Health Committee’s meeting every quarter to enable discussions.
The company’s GHG emission is converted to equivalent carbon dioxide emission. The carbon dioxide emission in 2020 is approximately 16,805 tons, but due to the ceased production in 2021 caused by the fire accident, the carbon dioxide emission reduced tremendously, reaching only approximately 1,667 tons.
The company has set the goal of an annual reduction of 1 % in energy consumption, but due to the fire accident and the subsequently ceased production, the energy consumption was reduced tremendously in 2021.
The company has been striving to increase the usage efficiency of all equipment and has been continuously improving the production processes to reduce the company operation’s impact on the natural environment.
2. Water consumption :
The company’s current major water source is tap water, and the water usage in the plant can be classified into 4 categories: Cooling water, boiler water, process water, and domestic water. The total water consumption (tap water consumption + recycled water) was 539 thousand tons in 2020, but due to the ceased production after the fire accident, the total water consumption in 2021 reduced tremendously to 28 thousand tons.
In terms of water recycling policy, the cooling water and the high and low pressure steams used for the cooling and heating in the processes are recycled to reduce raw water consumption, and the annual recycled water is approximately 35% ~ 40% of the total annual water consumption. The underground pipes will gradually be phased out and replaced by elevated pipes in the future, which will allow the operators to have a clear understanding of the water supply route of the plant, and will also prevent the large losses of water resources when pipe leakage occurs.
3. Total weight of waste :
<table>
<tr><td></td><td>2021</td><td>2020</td></tr>
<tr><td>Heading</td><td>Carrying capacity (kg)</td><td>Carrying capacity (kg)</td></tr>
<tr><td>solvent</td><td>1,468,140</td><td>3,702,880</td></tr>
<tr><td>General garbage</td><td>39,340</td><td>88,840</td></tr>
<tr><td>General business waste</td><td>319,620</td><td>490,998</td></tr>
</table>
4. Other energy saving measure :
The company has implemented multiple energy-saving measures, such as using automatic devices to activate and deactivate the lights in the plant at a fixed time, installing water dispensers and automatic doors, enabling the air conditioner to be turned on only when the room temperature exceeds 28 degrees Celsius, setting the air conditioner to be automatically turned on and off, establishing a paperless working environment, using recycled paper, and the improvement renovation on the air conditioning ventilation of the office building, to save electricity and other resources.
</td>
<td></td>
</tr>
</table>

4. Social Issues				
(1) Has the Company referred to international human rights conventions to formulate policies and specific management plans for the protection of human rights, and disclose them on the company's website or annual report?	V		The Company treats and respects all employees in accordance with internationally recognized human rights standards, such as the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Human Rights Policies: The company's recruitment of new employees is based on the principle of equality, with the employment of the physically and mentally challenged, middle-aged, and elderly workers being practiced. The company complies with the Labor Standards Act and related laws and regulations to ensure human rights, as well as the rights and interests entitled to the employees. The company respects the basic human rights of the employees, such as property rights, privacy rights, and other rights. The company hires employees by evaluating their educational background, working experience, and working ability. The company treats all job applicants fairly and equally regardless of their nationality, political party preference, race, religion, gender, age, or disability. The company also complies with the governmental labor laws and regulations which prohibited any child labor, as no employees are under the age of 16. The company's recruitment activities are all conducted via public channels, such as employment websites or the company's official website, with sufficient disclosure on the job vacancies and equality recruitment policy practiced. Under the precondition of not impacting the corporate governance and internal control, the company encourages internal hiring as a priority to promote the harmony and stability of the labor-management relationship. To provide a safe and healthy working environment and to assist employees in maintaining physical and mental health and work-life balance. Specific management solutions: 1.Implement recruitment and selection control, screening application letters and interviews, and indeed check identity documents to eliminate the problem of child labor employment; since its establishment, SCI has not hired child laborers under the age of 16, nor has there been any labor disputes. 2.Take a 45-minute break at noon and leave work at 17:15 to avoid traffic spikes; hire a group meal company to provide food for employees, facilitate employee meals, and have a moderate lunch break after meals. 3.Implement leave and encourage colleagues to pay attention to work-life balance. 4.Provision is made for human rights protection education and training for colleagues once a year. 5.For other specific explanations, see Labor Relations on pages P.96-98.	None
(2) Does the company establish And Implement reasonable employee welfare programs (including salary, leave, and other benefits) and adjust	V		Employee remuneration : Please refer to page 133. Employee leave : All practices are in line with the Labor Standard Act. Other benefits : Trip activities, wedding gifts, childbirth gifts, funeral	None

employee remuneration according to business performance?			condolence money, hospitalization allowance, work-related injury leave, emergency aids, end of the year dinner party, employees' dormitory, complimentary meals, service award, insurance planning, and indoor sports court are all provided to employees.	
(3) Has the Company provided employees safe and healthy working environments? Are employees given regular training courses on health and safety?	V		The company provides employees' health examinations each year, 8 hours of fire emergency exercise each year, 4 sessions of industrial safety training for field operators each year, group catering and drinking water safety inspection each year, and environmental inspection for chemical agents, carbon dioxide, and noises every six months.	None
(4) Has the Company established effective career and competence development and training plans?	V		The company has enacted the performance evaluation and human resources management procedures, and outstanding employees with potential are nominated via the performance evaluation system and the managerial meetings, who shall receive training and position rotations to develop the employee career using both the bottom-up and top-down approaches.	None
(5) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		The company's products comply with the related laws and regulations of GMP and other international standards, while also have passed the inspection and review of the Ministry of Health and Welfare of Taiwan, FDA of the USA, EDQM of Europe, and PMDA of Japan. The company does not sell its products directly to the consumers and the company insured the products with the liability insurance of USD$2 million.	None
(6) Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, as well as supervised their compliance?	V		The company is regulated by Article 26 of the company's Sustainable Development Best Practice Principles and the Environment, Safety, and Health Management Procedures on its purchase operations. Due to the impact of the pandemic, the Quality Assurance Department of the company only inspected 2 suppliers through the Internet in 2021. In addition to the product quality, the supplier inspections also covered the environmental health, public safety, and environmental protection status of the suppliers. The company has enacted in the Corporate Social Responsibility Principle that the company most ideally shall evaluate the supplier's history of impacting the environment or society before establishing any business relationships to prevent conducting transactions with suppliers contradicting the Corporate Social Responsibility Principle. The company has enacted in the Ethical Corporate Management Best Practice Principle that the company shall most ideally evaluate the supplier's history of unethical behaviors, and if the contracted supplier was involved in any unethical behaviors, the company may terminate or cancel the agreement at any time.	None
5. Does the company refer to internationally accepted report preparation standards or guidelines to prepare Sustainable Development reports to disclose the company's non-financial information? Has the company received assurance or certification		V	The 2018-2019 CSR Report published by the company in 2020 was composed by referencing the international general standards, yet it has not been accreditated by any certification body. The 2020-2021 Sustainable Development Report is expected to be uploaded before the end of September 2022.	The company publishes Sustainable Development Report once every two years.

of the aforesaid reports from a third party accreditation institution?				

6. Where the Company has stipulated its own Best Practices on Sustainable Development according to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company : None.

7. Other important information useful for understanding the state of Sustainable Development operations :

(1) Environmental friendly :

A: Passed ISO 14001（2015）and ISO 45001（2018）Certification, and the company has been commissioning agencies recognized by the competent authority to conduct annual operational environment examinations and water quality examinations, enhancing the pollution prevention measures and maintaining the company’s compliance with laws and regulations of environmental protection.

B: Cooperation with Industrial Technology Research Institute allows the company to enhance its pollution protection facilities and technologies.

C: The company's related expense on environmental protection activities in 2021 is NT$15,497 thousand, approximately 1.79% of the revenue.

(2) Community involvement :

A: Sponsoring for temples’ religious ceremonies and donating to the temples’ funds.

B: Participating in community activities to maintain a decent relationship with the residents.

C: Performing joint fire safety exercises with the Shan Jiao Branch of the Fire Department.

D: Providing the venue to the Republic of China Armed Forces for military exercises.

(3) Social contributions :

A: Dedicating to the shareholders’ interest and benefit: The net profit after tax in 2021 is NT$ 47,860 thousand.

B: Contribution to the national treasury tax revenue as an honest taxpayer: The submitted business income tax in 2021 is NT$ 115,807 thousand.

C: Attending to the interest and benefits of the employees and creating job opportunities:
As of the end of March 2022, the company hired 203 employees with harmonious labor-management relations and zero records of labor-management disputes. The expense on employee welfare in 2021 is NT$ 188,569 thousand.

D: Manufacturing medical and pharmaceutical products, striving for the improvement of human health.

(4) Social service and welfare : Joining the Republic of China Criminal Investigation Association to support the development of police public services.

(5)Health and safety :

A: Enacting comprehensive standard operating procedures and requiring the employees to follow them strictly.

B: Requiring the employees to wear protective equipment, such as safety goggles, safety footwear, safety helmet, protective clothing, etc.

C: Installing adequate emergency medical equipment such as AED with regular inspections, updates, and operations.

D: Regularly performing internal and external industrial safety educational training sessions, as well as health, safety, and environment examinations, and the related deficiency shall be reflected in the distribution of performance bonuses.

E: Offering employees’ health examinations annually, with additional examination items provided to operators tackling special tasks.

(6) Other sustainable development activities :

A: Enhancing the mental and physical well-being of the employees through the promotion of travel and leisure activities.

B: The outdoor basketball court is converted into a dual-purpose indoor basketball and badminton court as a leisure sports venue for the employees.

3.3.6 Implementation of Ethical Corporate Management, Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons Thereof

Evaluation Item	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management				
(1) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies, practices, as well as the commitment of the board of directors and the senior management to rigorous and thorough implementation of such policies?	V		The company's Board of Directors approved the latest amendment of the Ethical Corporate Management Best Practice Principle on March 13, 2020, with the corporate ethical management policies specified in its contents, which shall be implemented thoroughly in the internal management and external business operations in a fair, just, and open manner. The company's ethical corporate management policy is "Treating all the stakeholders with honesty and integrity, promoting the transparency of the company management; Internalize honesty and integrity as the core value of the company and have zero-tolerance for any unethical behaviors." The company's Directors and the senior executives above the Manager level have signed the Declaration of Ethical Management.	None
(2) Has the company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within its business scope which are at a higher risk of unethical conduct, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The company's senior executive level discussed the progress of reconstruction, operational condition, and future operational risk in the annually convened operational management meeting. The company's Audit Office conducts audit operations following the annual audit plan enacted after the evaluation of risks every year, and no unethical behaviors were discovered through the audit for 2021. The contents of the company's Ethical Corporate Management Best Practice Principle include the prevention measures for every item stated under the subparagraphs of paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principle for TWSE/GTSM Listed Companies. The Audit Office audited the implementation of ethical corporate management in 2021, and no unethical behaviors were discovered. The company actively observes the development of the domestic and international ethical corporate management and encourages the Directors, Managers, and personnel to offer suggestions for the improvement of the ethical corporate management policy and implementation measures, enhancing the efficiency of the company's ethical corporate management.	None
(3) Has the company specified in its prevention programs the operating procedures, guidelines, disciplinary measures for violations, and a grievance system, and implemented them and reviewed the prevention programs on a regular basis?	V		The contents of the company's Ethical Corporate Management Best Practice Principle include the operational procedures, guidelines of behaviors, disciplinary actions when violating the rules, and the complaint systems (please refer to Attachment 1), which are implemented accordingly. To prevent any unethical behavior, the company requires the employees to actively propose	None

			explanations when they meet any ethical concerns and conflicts of interest and follow the regulation of the Ethical Corporate Management Best Practice Principle. The company has established a complaint channel for employees or related personnel to blow the whistle on any inappropriate business behaviors, which shall be handled by the managerial executives appointed by the company. There were no unethical behaviors discovered or any whistle-blowing incidents in 2021. The company's Board of Directors enacted the latest amended Ethical Corporate Management Best Practice Principle at the meeting on March 13, 2020, which was proposed to the shareholders' meeting on June 19, 2020.	
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and its trading counterpart clearly provide terms on ethical conduct?	V		Currently, before the company trade with a supplier, the personnel in charge of the case will review the supplier's past transaction record or conduct Internet searches on the supplier to ensure there is no record of unethical behaviors, and it shall be clearly stated in the agreement that the company may terminate or cancel the agreement at any time if any unethical behaviors are involved.	None
(2) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once a year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		The company's dedicated unit in charge of promoting ethical corporate management is the President Office, which is supervised by the President, while the assigned Head of Corporate Governance is required to report to the Board of Directors annually concerning the implementation progress of the previous year, and the Audit Office shall audit the compliance of above-mentioned systems. The most recent report to the Board of Directors occurred at the Board meeting on March 18, 2022, where the report on the 2021 ethical corporate implementation was conducted by the Head of Corporate Governance, and no fraud or unethical behaviors have occurred in 2021.	None
(3) Has the Company established policies preventing conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	V		To prevent any unethical behavior, the company requires the employees to actively propose explanations when they meet any ethical concerns and conflicts of interest and follow the regulation of the Ethical Corporate Management Best Practice Principle.	None
(4) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted CPAs to conduct the audit?	V		The company has established effective accounting and internal control systems to ensure the implementation of ethical corporate management, and the Audit Office will audit the compliance of the aforementioned systems following the annual audit plan.	None

(5) Does the Company regularly organize internal and external training courses on ethical corporate management?	V		The company has enacted the Procedures for Handling Material Inside Information and Ethical Corporate Management Best Practice Principle, which strictly prohibits insiders such as Directors or employees to gain profit from trading the company's shares with information not available to the public. The company has amended the Corporate Governance Principle in the Board of Directors' meeting on March 18, 2022, with the introduction of new control measures on the share trading by the company insider when acknowledging the financial report or relevant business contents of the company, which includes (but not limited to) that the Directors may not trade their shares within 30 days before the publishment of annual financial report and 15 days before the publishment of quarterly financial report. The company enacted the Procedures for Handing Material Inside Information and Ethical Corporate Management Best Practice Principles, which strictly prohibited the Directors, employees, and other insiders to make profits by exploiting information not available in the market to trade the Company's shares. In addition, to promote ethical behaviors and prevent insider trade, the company had been conducting educational training programs regularly. However, due to the fire accident, the consequent reconstruction, and the assignment of employees to work in a leased plant for production in 2021, it was not feasible for all the employees to attend in person, therefore the company sent internal emails to 207 employees as the educational training on October 14, 2021. Due to the impacts of the pandemic in Taoyuan, the 2022 annual educational training was conducted in form of a webinar to 206 of our employees on January 28, 2022, with 30 minutes of Ethical Corporate Management, Procedures for Processing Material Inside Information, Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Corporate Governance Principles, Sustainable Development Principles, and sample cases of the latest insider trading incident. The related regulations are uploaded to the company's internal network and websites for employees to reference at any time. Training courses from external institutes for corporate ethical management, corporate governance, and other related topics are provided in 2021, with 9 participants from the company reaching a total duration of 69 training hours.	None
3.Status for enforcing whistle-blowing systems in the Company (1) Has the Company established concrete whistle-blowing and reward systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case reported by the whistle-blower?	V		The company has established a channel for complaints with a dedicated unit to handle the related matters, following the process specified by terms enacted in the Best Practice Principle.(Please refer to Attachmemt 1)	None
(2) Has the company established the standard operating procedures for investigating reported	V		The company's Ethical Corporate Management Best Practice Principle has specified the investigation procedures and confidentiality mechanism. (Please	None

misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms?			refer to Attachmemt 1)	
(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistle-blower?	V		The company's Ethical Corporate Management Best Practice Principle has specified the investigation procedures and confidentiality mechanism. (Please refer to Attachmemt 1)	None
4. Improvement of information disclosure Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities on its official website or the Market Observation Post System (MOPS)?	V		The company has disclosed its Ethical Corporate Management Best Practice Principle on the company's official site and the MOPS (Market Observation Post System). The company has uploaded the annual report to the company's website and has set up a Sustainable Development page to disclose information related to ethical corporate management for investors to reference.	None
5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company : None.				
6. Any important information to better understand the Company's implementation of ethical corporate management (for example, any review or amendment to best practices for ethical corporate management of the Company): The company's Board of Directors approved the latest amendment of the Ethical Corporate Management Best Practice Principle on March 13, 2020.				

3.3.7 Access to the Corporate Governance Best Practice Principles and related regulations:

(1) The Company's related regulations are as follows:

Work Rules
Rules and Procedures of Shareholders Meeting
Rules for Election of Directors
Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
Rules and Procedures of Board of Director Meetings
Codes of Ethical Conduct
Self-Regulatory Rules on Disclosure of Merger and Acquisition Information
Procedures for Handling Material Inside Information
Audit Committee's Charter
Remuneration Committee's Charter
Ethical Corporate Management Best Practice Principles
Sustainable Development Best Practice Principles
Corporate Governance Best Practice Principles
Environmental Safety and health management of procurement practices
Performance Evaluation Regulation of the Board of Directors
Risk Management Policy and Procedure

(2) The company enacted the Procedures for Handing Material Inside Information and Ethical Corporate Management Best Practice Principles, which strictly prohibited the Directors, employees, and other insiders to make profits by exploiting information not available in the market to trade the Company's shares. In addition, to promote ethical behaviors and prevent insider trade, the company had been conducting educational training programs regularly. However, due to the fire accident, the consequent reconstruction, and the assignment of employees to work in a leased plant for production in 2021, it

was not feasible for all the employees to attend in person, therefore the company sent internal emails to 207 employees as the educational training on October 14, 2021. Due to the impacts of the pandemic in Taoyuan, the 2022 annual educational training was conducted in form of a webinar to 206 of our employees on January 28, 2022, with 30 minutes of Ethical Corporate Management, Procedures for Processing Material Inside Information, Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Corporate Governance Principles, Sustainable Development Principles, and sample cases of the latest insider trading incident. The related regulations are uploaded to the company's internal network and websites for employees to reference at any time.

(3) Available on : SCI's website : www.sci-pharmtech.com.tw

3.3.8 Other important information on the state of corporate governance activities :
(1) MOPS : http://newmops.twse.com.tw
(2) SCI's website : www.sci-pharmtech.com.tw

3.3.9 Implementation of the internal control system:
(1) Statement of Internal Control System:Please refer to attachment 2.
(2) Appointed accountants audit internal control system, should disclose accountant audition result : Not Applicable.

3.3.10 In the most recent year and as of the printing date of this annual report, where the Company and its internal personnel were imposed with penalties according to laws, or the Company imposed penalties on its internal personnel for violating the internal control system, or the results of the penalties may have a significant impact on shareholders' equity or securities prices, the content of the penalties, major deficiencies, and improvement shall be specified :

Object of disposition	The way of the dispositions	Major deficiency	Improvement
SCI	1. NT$ 225,000 Fine 2. NT$ 33,000 Fine 3. NT$ 600,000 Fine 4. NT$ 100,000 Fine 5. NT$ 50,000 Fine 6. NT$ 50,000 Fine 7. NT$ 500,000 Fine 8. NT$ 24,528 Fine 9. NT$ 5,000 Fine	The violation of laws and regulations in 2021 for the fire accident. 1. Violation of the Air Pollution Control Act due to the particulate pollutants from the fire accident dispersed into the air and onto the properties of others. 2. Violation of Water Pollution Control Act due to the wastewater after extinguishing the fire effluent to the drainage channel. 3. Violation of the Fire Services Act due to the related information of chemical storage in the plant was not cohere to the actual situation. 4. Violation of the Fire Services Act due to the metallic sodium storage at the production line exceeding the reported and authorized amount. 5. Violation of the Labor Standards Act due to the company not providing the employee with one regular leave every seven days as required by the regulation. 6. Violation of the Labor Standards Act due to the total number of overtimes exceeding the forty-six hours per month limit specified by the law. 7. Violation of the Toxic and Concerned Chemical Substances Control Act due to not actively preventing the accidents. 8. Violation of the Labor Insurance Act due to the declared insurance salary has not been verified and was falsely reported. 9. Violation of the Labor Insurance Act due to failure to comply with the specified due date for declaring the adjustments for the monthly contributions to labor pension.	As the result of the fire accident at the end of 2020, the company was fined for a total of 9 violations by the Ministry of Labor and various bureaus of the Taoyuan City Government. In addition to paying the fines within the designated duration, the company also requested all departments to comply with laws and regulations hereafter.

3.3.11 Major resolutions and state of implementation of the shareholders' meeting and the Board of Directors in the most recent year up to the printing date of this Annual Report:

（1）Major resolutions and state of implementation of the shareholders' meeting in 2021:

Ratification Items:
Propose 1
Proposal: Please ratify the 2020 business report and financial statements.
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.

Propose 2
Proposal: Please ratify the 2020earnings distribution.
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.

Note: For the complete meeting records, meeting manual, and supplementary information of this meeting, visit MOPS at: http://mops.twse.com.tw

（2）Review of the state of implementation of resolutions from the previous annual shareholders' meeting:

A. Proposal for capital surplus distribution:
The cash dividend of NT$39,742,655 (NT$0.5 of cash dividend per share) was distributed on September 28, 2021. New shares (NT$2 of cash dividend per share) issued as the result of capital increase from the surplus (share dividend of NT$158,970,620) were public-listed and traded on September 28, 2021. The amount distributed was the same as the resolution in the shareholders' meeting, and the company has implemented it accordingly.

B. All resolutions from the 2021 annual shareholders' meeting have been implemented accordingly.

（3）List of resolutions of the Board meeting:

Date	Content of Resolution	Result of Resolution
1st Meeting of the Board of Directors in 2021 (January 11, 2021)	Report Item : None. Discussion Items : Amendment to the Internal Contrul System.	All directors agreed to pass this proposal without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
2nd Meeting of the Board of Directors in 2021 (March 24, 2021)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of ethical corporate management. 5.Report of the performance evaluation of the board of directors. Discussion Items : 1.Buiness Planning for 2021 2.Recognize and measure of fire damage. 3.Distribution of compensation of the directors and employees. 4.The 2021 operation report and financial statements. 5.Distribution of retained earnings. 6.Recapitalization of retained earnings. 7.Statement of internal control system. 8.Convention of 2021 general shareholders' meeting. 9.Amendment to Article of Incorporation. 10.Amendment to Rules and Procedures of Shareholders Meeting.	All directors agreed to pass all proposals without objection. Opinions of independent directors: Director Du, Te-cheng proposed to the third case: please ask the company to issue them one by one according to the reconstruction progress and operation, and the specific methods will be proposed by the next board of directors; the remaining proposals of the independent directors: None. Disposal of opinions of independent directors : Obey.

Date	Content of Resolution	Result of Resolution
	11.Extension of bank credit lines. Extraordinary Motions : 1.Director Du, Te-cheng proposed to amend the performance objectives of managers and the policies, systems, standards and structures of salary and remuneration, which stipulate that employee remuneration is 8.8% profitable and changed to a range of 3%-10%. 2.Director Du, Te-cheng proposed that the company propose specific organizational reengineering and optimization plans, adjust the organizational structure, optimize personnel, and streamline expenses at the next board of directors, so that the company can be reborn.	All directors agreed to pass all extraordinary motions without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
3rd Meeting of the Board of Directors in 2021 (May 6, 2021)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of Q1 financial report and business. 3.Report of internal audit. Discussion Items : 1.Organizational transformation and optimization. 2.Amendment to Article of Incorporation.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
4th Meeting of the Board of Directors in 2021 (June 25, 2021)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of communicate with stakeholders. Discussion Items : 1.Date for convening the shareholders' meeting. 2.2020 employee remuneration schedule. 3.Establish the Remuneration rule for directors. 4.Donation to related party.	All the directors agreed to pass all the proposals without objection, but the fourth case was not recused from interest and was proposed to be reconsidered by the next board of directors. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
5th Meeting of the Board of Directors in 2021 (August 6, 2021)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of director liability insurance. 4.Report of internal audit. Discussion Items : 1.The Company's consolidated financial statements for the second quarter of 2021. 2.Extension of bank credit lines. 3.Set the base date for the issuance of new shares and the allotment of dividends by shareholders for the recapitalization of retained earnings. 4.Obtain long-term investment in securities. 5.Donation to related party.	All directors agreed to pass all proposals without objection. (Directors Wong, Wei-Chyun 、 Chen, Shiang-Li 、 Chou, Wen-Chih and Chen, Aurora recused themself from voting in Proposal 5 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors : None.
6th Meeting of the Board of Directors in 2021 (September 15, 2021)	Report Item : None. Discussion Item : The capex of Guanyin Plant.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.

Date	Content of Resolution	Result of Resolution
7th Meeting of the Board of Directors in 2021 (November 5, 2021)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of Q3 financial report and business. 3.Report of internal audit. Discussion Items : 1.The independent evaluation of CPAs and fees. 2.The first payment of employee's remuneration of the Managers in 2020.	All directors agreed to pass all proposals without objection. (Directors Wong, Wei-Chyun and Chou, Wen-Chih recused themself from voting in Proposal 2 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors : None.
8th Meeting of the Board of Directors in 2021 (December 29, 2021)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of CSR implementation. 5.Report of Risk Management Policy、Procedure and implementation. 6.Report of Information security management and implementation. 7.Report of Intellectual Property Management Plan and implementation. Discussion Items : 1.2021 Operational Review and 2022 Budget. 2.Apply to the bank for a comprehensive credit line. 3.Finalize the internal audit plan for 2022. 4.End of year bonus and the second employee's remuneration of the Managers in 2020.	All directors agreed to pass all proposals without objection. (Directors Wong, Wei-Chyun and Chou, Wen-Chih recused themself from voting in Proposal 4 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors : None.
1st Meeting of the Board of Directors in 2022 (March 18, 2022)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of ethical corporate management. 5.Report of the performance evaluation of the board of directors. Discussion Items : 1.The compensation for employees and directors. 2.The 2021 operation report and financial statements. 3.Distribution of retained earnings. 4.Statement of internal control system. 5.Convention of 2022 general shareholders' meeting. 6.Amendment to Article of Incorporation. 7.Amendment to Sustainable Development Best Practice Principles. 8.Amendment to SCI and Subsidiary's Procedure for Acquisition and Disposal of Assets. 9.Amendment to Corporate Governance Best Practice Principles. 10.Director election. 11.Lifting ban on directors from running the same business as SCI. 12.Apply for forward foreign exchange trading quota.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.

（4）List of proposals of the Audit Committee :

Date	Content of Resolution	Result of Resolution
1st Meeting of the Audit Committee in 2021 (January 11, 2021)	Discussion Item : Amendment to the Internal Contrul System.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
2nd Meeting of the Audit Committee in 2021 (March 24, 2021)	Discussion Items : 1.Recognize and measure of fire damage. 2.The 2021 operation report and financial statements. 3.Distribution of retained earnings. 4.Recapitalization of retained earnings. 5.Statement of internal control system.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
3rd Meeting of the Audit Committee in 2021 (June 25, 2021)	Discussion Item : None.	
4th Meeting of the Audit Committee in 2021 (August 6, 2021)	Discussion Item : The Company's consolidated financial statements for the second quarter of 2021.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
5th Meeting of the Audit Committee in 2021 (September 15, 2021)	Discussion Item : The capex of Guanyin Plant.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
6th Meeting of the Audit Committee in 2021 (November 5, 2021)	Discussion Item : The independent evaluation of CPAs and fees.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
7th Meeting of the Audit Committee in 2021 (December 29, 2021)	Discussion Item : Finalize the internal audit plan for 2022.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
1st Meeting of the Audit Committee in 2022. (March 18, 2022)	Discussion Items : 1. The 2022 operation report and financial statements. 2. Distribution of retained earnings. 3. Statement of internal control system. 4. Amendment to SCI and Subsidiary's Procedure for Acquisition and Disposal of Assets.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.

（5）List of proposals of the remuneration committee :

Date	Content of Resolution	Result of Resolution
1st Meeting of the Remuneration Committee in 2021 (March 24, 2021)	Discussion Item : Distribution of compensation of the directors and Employees in 2020. Extraordinary Motions : Director Du, Te-cheng proposed to amend the performance objectives of managers and the policies, systems, standards and structures of salary and remuneration, which stipulate that employee remuneration is 8.8% profitable and changed to a range of 3%-10%.	All members agreed to pass this proposals without objection. Opinions of members : Director Du, Te-cheng proposed to ask the company to issue them one by one according to the reconstruction progress and operation, and the specific methods will be proposed by the next board of directors Disposal of opinions of Remuneration Committee : Obey. All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
2nd Meeting of the Remuneration Committee in 2021 (June 25, 2021)	Discussion Items : 1. 2020 employee remuneration schedule. 2. Establish the Remuneration rule for directors.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None
3rd Meeting of the Remuneration Committee in 2021 (November 5, 2021)	Discussion Item : The first payment of employee's remuneration of the Managers in 2020.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
4th Meeting of the Remuneration Committee in 2021 (December 29, 2021)	Discussion Item : End of year bonus and the second employee's remuneration of the Managers in 2020.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
1st Meeting of the Remuneration Committee in 2022 (March 18, 2022)	Discussion Item : The compensation for employees and directors in 2021.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.

3.3.12 Any dissenting opinions on record or stated in a written statement made by Directors regarding key resolutions of the Directors' Meeting in the most recent year up to the publication date of this report: None.

3.3.13 Any resignation or dismissal of company personnel related to the financial report (such as chairman, directors, president, principle accounting officer, principle financial officer, internal audit officer and principle research and development officer) in the most recent fiscal year up to the publication date of this report: None.

3.4 Information on the CPA's fees:

3.4.1 The CPA's fees:

Unit: NT$ Thousand

Name of the accounting firm	Name of CPA	CPA's Audit period	Audit Fee	Non- audit Fee	Total	Note
KPMG	Daisy Kuo Swimming Hsu	Jan. 1, 2021 to Dec. 31, 2021	1,680	430	2,110	

Non- audit Fee				
Tax Compliance Audit	Business Registration	Recapitalization of retained earnings	Others	Subtotal
370	30	30	0	430

3.4.2 Where accounting firm was replaced and the accounting fee paid for the year was less than that of the previous year : Not Applicable.

3.4.3 The audit fee decreased by more than 10% compared with the previous year : Not Applicable.

3.4.4 The Company implements regular evaluate the independence and compliance every year :

After the self-evaluations conducted by the CPAs and the issuance of their Impartial and Independent Declaration, followed by the preliminary evaluation by the Manager level, the overall evaluation results were eventually submitted to the Audit Committee and Board of Directors for re-evaluation and resolution, the CPAs' Independency evaluation was passed on November 5, 2021.

Included evaluation Items:
The CPAs, the spouses of CPAs, and the minor children of CPAs having no investment or sharing a financial interest with the company, and the CPAs, the spouses of CPAs, and the minor children of CPAs having no financial debt with the company, etc.

3.5 Replacement of CPA information : Not Applicable.

3.6 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all relevant information should be disclosed : None.

3.7 Equity transfer or changes to equity pledge of directors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report :

3.7.1

List of changes to the equity of directors, managerial officers, and major shareholders

Unit: Shares

Title	Name	2021		As of April 22,2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director & more than 10% shareholding	Mercuries & Associates Holding,	5,047,226	0	0	0
Director	Hung-Chin Wu	0	0	0	0
Director	Chia-Chun Jay Chen	0	0	0	0
Director	Te-cheng Tu	0	0	0	0
President	Wei-Chyun Wong	90,166	0	0	0
BA Vice President	Michele Seah	(25,505)	0	0	0
Plant Manager	Wen-Chih Chou	52,55	0	0	0
R&D Vice President	Jinun Ban Yeh	8,962	0	0	0
PDM/EH Manager	Ricky Liu	1,457	0	0	0
EN Manager	Oliver Liu	299	0	0	0
R&D Manager	Wei-Song Yin	200	0	0	0
QA Manager	Vincent Chiang	402	0	0	0
F&D Manager	Deiter Yang	1,661	0	0	(9,000)
BA Manager	Nancy Lee	24,588	0	0	0
QC Manager	Bo-Fong Chen	275	0	0	0

3.7.2 Shares Trading with Related Parties : None.

3.7.3 Shares Pledge with Related Parties : None.

3.8 Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree :

Relationship information between the 10 largest shareholders

Name	Shares held by the person		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship		Note
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
Mercuries & Associates Holding, Ltd.	30,283,358	31.75%	None	None	None	None	Mercury Fu Bao	Note2 (A)	
Institutional representative：Chen, Shiang-Li	None	None	None	None	None	None	Mercuries & Associates Holding, Ltd Mercury Fu Bao Shanglin- Hsu, Chang-Hui	Chairman Director The first degree of kinship.	
Li-Wei Zhan	6,060,000	6.35%	None	None	None	None	None	None	
CTBC Bank is entrusted to SCI PHARMTECH, INC. Employee Shareholding Association Trust Property Special Account.	2,554,364	2.68%	None	None	None	None	None	None	
Mercury Fu Bao Co., Ltd.	2,317,170	2.43%	None	None	None	None	Mercuries & Associates Holding, Ltd	Note2 (B)	
Chen, Chun-Fang	2,099,808	2.20%	None	None	None	None	None	None	
Shuren Investment Co., Ltd. representative：Wong, Chau-Shi	1,129,000	1.18%	None	None	None	None	Wong, Wei-Chyun	The first degree of kinship.	
Chou, Yong-Cong	659,000	0.69%	None	None	None	None	None	None	
Shanglin Investment Co., Ltd. representative：Hsu, Chang-Hui	582,776	0.61%	None	None	None	None	Mercuries & Associates Holding, Ltd - Chen, Shiang-Li	The first degree of kinship.	
Wong, Wei-Chyun	526,970	0.55%	None	None	None	None	Mercuries & Associates Holding, Ltd Shuren – Wong, Chau-Shi	Director The first degree of kinship.	
Zhang, Chin-Min	317,000	0.33%	None	None	None	None	None	None	

Note 1: The 10 largest shareholders shall be listed. For corporate shareholders, the title of the corporate shareholder as well as the name of the representative shall be indicated.

Note 2: A.The investee company evaluated by the equity method for the enterprise.
B. It is an investor who evaluates the investment of the company by the equity method.

3.9 Number of shares held and percentage of stake of investment in other by the companies company, the company's director, managerial officer, or an entity directly or indirectly controlled by the company, and calculations for the consolidated shareholding percentage of the above categories : Not Applicable.

4、Capital Overview

4.1 Capital and Share

4.1.1 Source of Captial

Month/ Year	Issuance Price Per Share (NT$)	Authorized Capital		Paid-in Capital		Note		
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
September 1987	100	495	49,500	148	14,801	Funded	—	—
January 1988	100	495	49,500	495	49,500	Issuance of common stock	—	—
August 1990	100	800	80,000	800	80,000	Issuance of common stock	—	—
February 1991	100	1,200	120,000	1,200	120,000	Issuance of common stock	—	—
September 1991	100	2,000	200,000	1,600	160,000	Issuance of common stock	—	—
January 1993	100	2,000	200,000	2,000	200,000	Issuance of common stock	—	—
November 1995	100	1,200	120,000	1,200	120,000	Capital reduction	—	—
April 1996	10	20,000	200,000	20,000	200,000	Issuance of common stock	—	Note1
April 2002	10	30,000	300,000	22,800	228,000	Issuance of common stock & Recapitalization of retained earnings	—	Note2
January 2003	10	30,000	300,000	26,800	268,000	Issuance of common stock	—	Note3
June 2003	10	39,600	396,000	30,129	301,290	Recapitalization of retained earnings	—	Note4
July 2004	10	39,600	396,000	32,511	325,107	Recapitalization of retained earnings	—	Note5
June 2008	10	39,600	396,000	36,162	361,617	Recapitalization of retained earnings & employee bonus	—	Note6
July 2009	10	60,000	600,000	40,121	401,212	Recapitalization of retained earnings & employee bonus	—	Note7
November 2009	10	60,000	600,000	40,351	403,512	Issuance of stock from exercise of employee stock option	—	Note8
March 2010	10	60,000	600,000	40,462	404,622	Issuance of stock from exercise of employee stock option	—	Note9
July 2010	10	60,000	600,000	44,871	448,706	Issuance of stock from exercise of employee stock option	—	Note10
August 2010	10	60,000	600,000	44,991	449,906	Issuance of stock from exercise of employee stock option	—	Note11
November 2010	10	60,000	600,000	45,235	452,351	Issuance of stock from exercise of employee stock option	—	Note12
March 2011	10	60,000	600,000	45,267	452,671	Issuance of stock from exercise of employee stock option	—	Note13
July 2011	10	60,000	600,000	49,030	490,298	Recapitalization of retained earnings & employee bonus	—	Note14
December 2011	10	60,000	600,000	49,166	491,662	Issuance of stock from exercise of employee stock option	—	Note15
March 2012	10	60,000	600,000	49,191	491,913	Issuance of stock from exercise of employee stock option	—	Note16
November 2012	10	60,000	600,000	49,282	492,823	Issuance of stock from exercise of employee stock option	—	Note17
March 2013	10	60,000	600,000	49,317	493,173	Issuance of stock from exercise of employee stock option	—	Note18
August 2013	10	90,000	900,000	53,700	537,001	Recapitalization of retained earnings & employee bonus	—	Note19
September 2013	10	90,000	900,000	65,700	657,001	Issuance of common stock	—	Note20
March 2014	10	90,000	900,000	66,206	662,061	Restricted employee stocks & Convertible Bond	—	Note21
August 2014	10	90,000	900,000	69,690	696,905	Recapitalization of retained earnings & employee bonus / Cancellation of restricted employee stocks for a capital reduction	—	Note22

January 2015	10	90,000	900,000	69,652	696,525	Cancellation of restricted employee stocks for a capital reduction	—	Note23
August 2015	10	90,000	900,000	73,298	732,981	Convertible Bond	—	Note24
December 2015	10	90,000	900,000	75,121	751,213	Convertible Bond	—	Note25
April 2016	10	90,000	900,000	76,289	762,896	Convertible Bond	—	Note26
September 2016	10	90,000	900,000	79,485	794,853	Convertible Bond	—	Note27
September 2021	10	120,000	1,200,000	95,382	953,824	Recapitalization of retained earnings	—	Note28

Note 1：Approved by the MOEA Ching-(85)-Shou-Tzu Document No. 104652 of April 12, 1996.

Note 2：Approved by the MOEA Ching-(91)-Shou-Tzu Document No. 09101187210 of May 29, 2002.

Note 3：Approved by the MOF Tai-Cai-Zheng-Yi-Tzu Document No. 09100168605 of January 7, 1993.

Note 4：Approved by the MOF Tai-Cai-Zheng-Yi-Tzu Document No. 0920123426 of May 28, 1993.

Note 5：Approved by the FSC Jin-Guan-Zheng-Yi-Tzu Document No. 0930130746 of July 12, 2004.

Note 6：Approved by the FSC Jin-Guan-Zheng-Yi-Tzu Document No. 0970032412 of June 30, 2008.

Note 7：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 0980033622 of July 7, 2009.

Note 8：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09833408300 of November 10, 2009.

Note 9：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09931817460 of March 25, 2010.

Note 10：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 0990035314 of July 8, 2010.

Note 11：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09932503770 of August 26, 2010.

Note 12：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09932819330 of November 12, 2010.

Note 13：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10031763320 of March 18, 2021.

Note 14：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 1000031659 of July 8, 2011.

Note 15：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10032829090 of September 2, 2011.

Note 16：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10131774560 of March 19, 2012.

Note 17：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10132725810 of November 16, 2012.

Note 18：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10233283510 of March 20, 2013.

Note 19：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 1020025591 of July 2, 2013.

Note 20：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10201196540 of September 25, 2013.

Note 21：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301046450 of March 27, 2014.

Note 22：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301172650 of August 27, 2014.

Note 23：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401008270 of January 15, 2015.

Note 24：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401148370 of August 19, 2015.

Note 25：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401250530 of November 30, 2015.

Note 26：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10501075640 of April 22, 2016.

Note 27：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10501215700 of September 2, 2016.

Note 28：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 11001163710 of September 15, 2021.

4.1.2 Category of shares

April 22, 2022 Unit: Share

Category of shares	Authorized Capital Stock			Note
	Outstanding Shares	Unissued Shares	Total	
Registered common shares	95,382,372	24,617,628	120,000,000	Outstanding stock of a listed company

4.1.3 Shareholder Structure

April 22, 2022 Unit: Share

Shareholder Structure / Quantity	Governmental Institution	Financial Institution	Other Legal Persons	Natural Person	Foreign Institutions and Foreign Individuals	Total
Number of Persons	0	1	209	22,542	52	22,804
Shareholding	0	7,000	38,577,327	54,670,244	2,127,801	95,382,372
Shareholding ratio	0	0.01%	40.44%	57.32%	1.23%	100.00%

4.1.4 Shareholding Distribution Status

1. Common shares :

April 22, 2022 Unit: Share

Shareholding range	Number of Shareholders	Shareholding	%
1 ～ 999	13,411	813,571	0.85%
1,000 ～ 5,000	7,589	14,743,961	15.46%
5,001 ～ 10,000	918	6,624,891	6.95%
10,001 ～ 15,000	335	4,154,068	4.36%
15,001 ～ 20,000	167	2,968,600	3.11%
20,001 ～ 30,000	163	4,069,433	4.27%
30,001 ～ 40,000	69	2,447,843	2.57%
40,001 ～ 50,000	36	1,637,358	1.72%
50,001 ～ 100,000	59	3,926,480	4.12%
100,001 ～ 200,000	38	5,142,887	5.39%
200,001 ～ 400,000	10	2,640,834	2.77%
400,001 ～ 600,000	2	1,109,746	1.16%
600,001 ～ 800,000	1	659,000	0.69%
800,001 ～ 1,000,000	0	0	0%
1,000,001 以上	6	44,443,700	46.60%
Total	22,804	95,382,372	100.00%

2. Preferred stock : No preferred stock issued.

4.1.5 List of major shareholders :

April 22, 2021 Unit: Share

Shares / Name of major shareholder	Shareholding	%
Mercuries & Associates Holding, Ltd. Institutional representative：Chen, Shiang-Li	30,283,358	31.75%
Li-Wei Zhan	6,060,000	6.35%
CTBC Bank is entrusted to SCI PHARMTECH, INC. Employee Shareholding Association Trust Property Special Account.	2,554,364	2.68%
Mercury Fu Bao Co., Ltd.	2,317,170	2.43%
Chen, Chun-Fang	2,099,808	2.20%
Shuren Investment Co., Ltd. representative：Wong, Chau-Shi	1,129,000	1.18%
Chou, Yong-Cong	659,000	0.69%
Shanglin Investment Co., Ltd. representative：Hsu, Chang-Hui	582,776	0.61%
Wong, Wei-Chyun	526,970	0.55%
Zhang, Chin-Min	317,000	0.33%

4.1.6 Market Price, Net Value, Eearings and Dividends per Share in the last two fiscal years :

Item / Year			2020	2021	As of March 31,2022
Market price per share	Max		157.5	107.5	93.7
	Min		73.8	75.9	81.7
	Average		123.68	86.54	86.68
Net value per share	Before Distribution		41.80	34.81	35.43
	After Distribution (Note 1)		39.30	—	—
Earning Per Share (Note 2)	Weighted average (thousand shares)		79.485	95,382	95,382
	EPS before retrospective		4.53	0.58	0.43
	EPS after retrospective		3.78	0.58	—
Dividend per share	Cash Dividend		0.5	—	—
	Stock Dividend	Stock Dividend from Retained Earnings	2	—	—
		Stock Dividend from Capital Reserve	—	—	—
	Cumulative Un-paid Dividend (Note 3)		—	—	—
Return on investmen t analysis	Price-Earnings (P/E) Ratio (Note4)		32.72	149.21	—
	Price-Dividend(P/D) Ratio (Note5)		49.47	NA	—
	Cash dividend yield (Note6)		0.40	NA	—

Note 1 : The distribution is filled in based on the resolution of the Board of Directors or the shareholders' meeting of the following year.

Note 2 : If there retroactive adjustments are required in the event of share grants or other reasons , the EPS before and after the adjustment shall be listed.

Note 3 : If the conditions of issuing the equity securities provide that the unpaid dividend of the year may be accumulated to the years with earnings, the accumulated unpaid dividend until the present year shall be disclosed separately.

Note4 : P/E = Average closing price for each share of the year / Earnings per share

Note5 : P/D = Average closing price for each share of the year / (Cash dividend and stock dividend per share)

Note6 : Cash dividend yield = Cash dividend / Average closing price per share of the year

Note7 : The earnings distribution of 2021 was proposed to be resolved in the Shareholders' meeting.

4.1.7 Dividend Policy and Implementation Status

1. Dividend Policy:

Article 23 of the Articles of Incorporation：

If there is any surplus in the corporation’s general annual report, such surplus should be firstly used for paying various withholding taxes and covering the accumulated losses, and then 10% of such surplus should be withdrawn and deposited to serve as the statutory surplus reserve. In addition, a special surplus reserve shall be set aside in accordance with the provisions of the “Securities and Exchange Law”. If there are still any surplus profits after the remaining surplus have been used for distributing and paying dividends, the board of directors shall formulate an allocation proposal in accordance with the corporation's Dividend Policy, and submit it to the shareholders' meeting for a resolution to distribute bonuses to shareholders.

Article 23-1 of the Articles of Incorporation：

The Dividend Policy of the corporation is stipulated according to the provisions of the Company Act and the articles of incorporation and will be determined depending on the factors such as the corporation's capital and financial structure, operating conditions, surplus profits, and its industry peculiarities and cycles. All the allocation will be conducted based on conservatism principle. The surplus profits shall be allocated in accordance with the provisions of the preceding article; what’s more, the allocation of shareholders' dividends/bonuses in the current year should not be less than 50% of the after-tax surplus of the current year in principle, given that no special circumstances should be taken into account. The allocation of cash dividends will not be less than 10% of the total amount of dividends distributed.

2 . Dividend payout plans proposed during the most recent shareholder's meeting :

Table of 2021 Earnings Distribution

Unit: NT$

Item	Amount		Note
	Subtotal	Total	
Undistributed earnings at the beginning of the period		554,212,400	
Actuarial gains and losses included retained earning		2,006,950	
Undistributed earnings adjusted		556,219,350	
Add: Profit	55,695,707		
Minus: Legal reserve appropriated	(5,770,266)		
Minus: Reversal of special reserve	(19,551,377)		
		30,374,064	
Earnings available for distribution		586,593,414	
Distribution Item－			
Cash dividend		0	
Stock dividend		0	

Undistributed earnings at the end of the period		586,593,414	

3. Explanation of expected major changes in dividend policy:
   The company does not major changes in dividend policy.

4.1.8 Impact to the company's business performance and earnings per share (EPS) for free allotment of shares proposed by this shareholder's meeting : Not Applicable.

4.1.9 Remuneration for employees and directors :

1. The information regarding the remuneration of the employees and Directors is specified in the company's Articles of Incorporation are as the following:
   If the company gains profits within the fiscal year, it shall allocate part of it for the remuneration for employees and Directors. The profits allocated as the remuneration for employees shall be no less than 3%, and the profits allocated as the remuneration for Directors shall be no more than 2%. However, if the company had accumulated loss, the amount to offset such loss shall be allocated in advance.

2. If the basis for estimating the amount of the employees' and Directors' remuneration and calculating the number of shares to be distributed as employee remuneration, as well as the actual distributed amount, is different from the estimated figure in the current period, the CPAs will conduct the following process:
   The estimated employees' and Directors' remuneration payable in 2021 was allocated under the Article of Incorporation and the regulation related to remuneration, which was from utilizing the net income before tax without the deduction of the employees' and Directors' remuneration multiplied by the percentage of employees' and Directors' remuneration specified in the Article of Incorporation as the basis for distribution, and it was listed as the operating costs or the operating expense of that specific period. If the Board of Directors decided to distribute employees' remuneration via shares, the numbers of shares of the remuneration are to be calculated with the closing price of the common shares on the day before the resolution of the Board of Directors was made.

3. The status of remuneration distribution approved by the Board of Directors:
   (1) The approvals of the Board of Directors' meeting on March 18, 2022, are as follows:
   Employee remuneration : NT$ 6,424,000
   Director's remuneration : NT$ 876,000
   (2) The amount of the employees' remuneration distributed through shares and its proportion in the after-tax net income stated in the individual or independent financial reports and the total employee compensation of the current period: Not Applicable.

4. The distribution of employees' and Directors' remuneration in 2020:
   (1) The distribution of employee's and Directors' remuneration for the specific year is as follows:
   Employee remuneration : NT$ 44,000,000
   Director's remuneration : NT$ 1,000,000
   (2) The discrepancy between the actual and estimated amount of the employees' and

Directors' remuneration shall be listed with the reason and troubleshooting progress specified: No discrepancy was found.

4.1.10 Repurchase by the Company of its own shares : None.

4.2 Status of corporate bond : None.

4.3 Status of preferred share: None.

4.4 Status of global depositary receipt: None.

4.5 Status of employee stock option and restricted employee share : None.

4.6 Status of Mergers, Acquisitions, and Spin-Offs : None.

4.7 Financing plans and implementation status : None.

5、Operational Highlights

5.1 Business Activities

5.1.1 Business scope :

1. Primary business operated by the Company :
   (1) Research and development, production, and sales of active pharmaceutical ingredients (API), API intermediates, and specialized and fine chemicals.
   (2) Supporting for Quotation, bidding, and distribution of products from domestic and overseas manufacturers as a local partner.
   (3) Represent for research and development of the aforesaid products.

2. Proportion of primary business :

Unit: NT$ Thousand

Item of Primary Product	2021	%
APIs	396,602	45.89%
API Intermediates	451,915	52.29%
Other	15,700	1.82%
Total	864,217	100.00%

3. Current products (services) offered by the Company :

Product Item	Name of Primary Product
APIs	VA Probucol Divalproate Sodium Propafenone Hydrochloride Duloxetine Hydrochloride Allopurinol Clindamycin palmitate HCl Articaine Hydrochloride HOCLQ-Sulfate Brinzolamide Sodium Valproate Pentobarbital Sodium Methylphenidate HCl Biso-FA Thiopental acid Loxoprofen Sodium Hydrate Atomoxetine HCl Cannabidiol
API Intermediates	DEDPM PENT-2 AL-1 S-2 NBE EPMA-wet PEC Aminazole BHA PGA 2-BFAA

API Intermediates	BHZ 3-Azetidinol Hydroxifenone 5T(Ritalinic acid) 5TC 5-HMT BOV ZP-3 (S)-MMAA HOCLQ BPPCE-HCL Prop-3 Thiazole acid Isopropenyl MgBr Chiral Aux DPAEE EPA Olivetol PMDOL
Specialty chemicals	7 chemicals, including diethyl ketone (DEK)

4. Development projects for new products (services) :

Name of Primary Product	New Product Description
Pimobendan	API
Adenine	API
Buprenorphine	API

Note: Due to the fire incident, only the aforementioned R&D projects will go forward; all production lines for the existing products will undergo replacement and modification.

5.1.2 State of the industry :

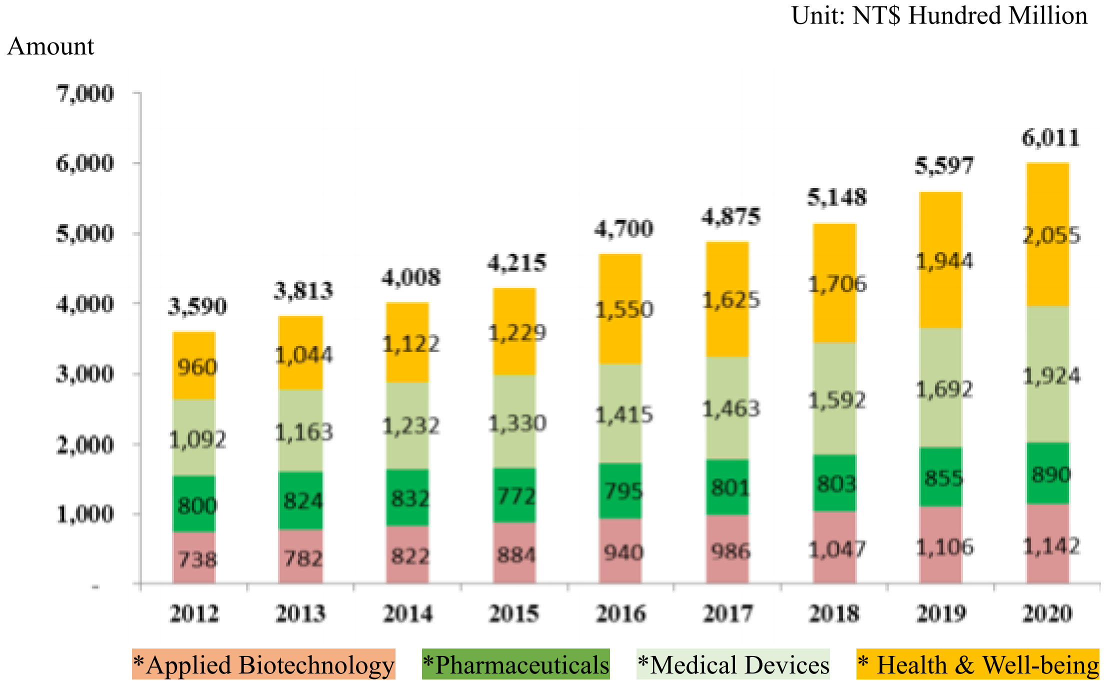
1. The current status and development of the industry:
   (Referenced from the 2021 YearBook of Pharmaceutical Industry and 2021 Biotechnology Industry in Taiwan)

The coronavirus COVID-19 pandemic has been ravaging the world and with multiple variants emerging, and the Omicron variant has been spreading worldwide after the Delta variant. As of April 17, 2022, 505 million people have been infected by the virus with more than 6.20 million people losing their lives to the disease, leaving the healthcare systems of all nations in critical situations. The pandemic impacted the global economy immensely, and also had a significant effect on the global pharmaceutical industry's supply chain, the conduct of clinical trials, as well as the development and review of pharmaceutical products. Therefore, governments from all nations have been speeding up their responses to the pandemic by implementing numerous policies and laws in the hope of reducing the pandemic's damages to the industry.

According to statistics form Fitch Solution, the scale of the total global pharmaceutic market is around US$1.2 trillion in 2020 in comparison to 2019 with 3.1% of growth, and the CAGR between 2016 to 2020 is 2.6%. It is anticipated that with several COVID-19 vaccines launched and a wider population vaccinated, the pandemic shall become stably controlled as the markets for the related vaccines, medicines, and diagnostic products are expected to expand in billions of dollars, plus the increasing demand for innovative medicines, the global pharmaceutical market will reach US$1.6 Trillion in 2025, with CAGR of 4.2% between the year 2021 to 2025. The top three regions of the pharmaceutical market in the world in 2020 are North America, Asia Pacific, and Europe, with the top three national markets being the US, Mainland China, and Japan, as the US$549.19 billion of sales with these three countries combined exceeded more than a half of the global pharmaceutical market.

The sales of the global APIs market reached US$187.8 billion in 2020, with a growth of 11.5% compared to 2019, which is mainly due to the impact of the pandemic in Mainland China and India caused the crisis in raw material supply chains disconnecting, and which urged pharmaceutical companies to seek supply from third parties and increase in the safety stock, which promoted the API market growth. The pharmaceutical market is expected to reach US$260 billion by 2025 with a CAGR of 8.5% between 2020 to 2025 due to the increase in demand for recent innovative medicines, especially biopharmaceuticals.

The biomedical industry of Taiwan covers four main fields: Pharmaceuticals, medical devices, applied biotechnology, and health & well-being. Along with the continuous development of new products and the expansion in the international market of the domestic biotechnology and pharmaceutical companies, increases have been seen in the exports of the Taiwanese biotechnology and pharmaceutical industry, which further expands the scale of the domestic industry. The turnover of the biotechnology and pharmaceutical industry in our country has exceeded NT$601.1 billion, with a growth of 7.4% compared to the NT$559.7 billion in 2019. With the domestic pharmaceutical industry actively expanding in the international market in recent years, as well as the increase in sales and royalty derived from the launch of new medicines, the growth of turnover has continued from NT$85.5 billion in 2019 to NT$89 billion in 2020.



Source: Biotechnology and Pharmaceutical Industries Promotion Office, MOEA; Medical and Pharmaceutical Industry Technology and Development Center; Industry, Science and Technology International Strategy Center (ISTI), ITRI (2021)

The pharmaceutical industry in our country is categorized into the manufacture of drugs and medicines, Chinese prescriptions, biopharmaceuticals, and APIs. The steady growth over the years has been the result of the increasing domestic market demand and the successful expansion in the export market. The production value of the overall pharmaceutical industry was NT$78.91 billion in 2020 with a growth of 4.2% driven by the growth of the production value of APIs and the manufacture of drugs and medicines. Visioning the future, with the pandemic became under control, the demand for pharmaceutical products recovered, new medicines launched and the continuous growth in exports, the total production value of the domestic pharmaceutical industry will reach NT$98.46 billion in 2025 with the CAGR between 2020 to 2025 will be 4.5%, according to the estimation published by the Industrial Information Section ITIS research team of the Development Centre for Biotechnology (DCB).

The domestic API market scale is rather humble, which is why the domestic APIs companies are mainly exporting, with 80% of the revenue coming from exports. According to the statistic on export and import from the Taiwanese customs, the number of countries importing APIsfrom Taiwan has increased to 69 in 2020 with a total export value of NT$4.49 billion, reaching 10% growth compared to 2019. Taiwan’s industries have been benefiting from the transfer of orders mainly due to the impact of the coronavirus pandemic. In addition, the APIs import value of Taiwan reached NT$6.54 billion with a 3.6% growth compared to 2019, the main reason is that pharmaceutical companies have been more actively preparing stock in response to the coronavirus pandemic. The top five countries Taiwan imported from are Mainland China, Japan, India, South Korea, and Italy, with the import value from Mainland China reaching NT$3.017 billion, covering 46.14% of the total API import value. This indicates that the API import was overly concentrated in one single country, which does not benefit the dilution of risks and the development of the domestic pharmaceutical industry.

Statistics on Import and Export Value of Taiwan's API Industry

Unit: NT$100 million; %

Year / Item	Export Value				
	2016	2017	2018	2019	2020
APIs	49.9	42.4	45.9	40.5	44.9

Unit: NT$100 million; %

Year / Item	Import Value				
	2016	2017	2018	2019	2020
APIs	62.1	66.0	65.2	63.2	65.4

Source: Total Import/Export Trade Statistic, Customs Administration, Ministry of Finance
Note: The import and export value of APIs is represented by the HS codes of the six more specific items of the API products.

According to the statistic from the Biotechnology and Pharmaceutical Industries Promotion Office, MOEA, the investments in Taiwanese biotechnology and pharmaceutical industries has reached NT$69.708 billion in 2020 with a growth of 26% compared to the NT$55.123 billion in 2019. If classified by industries, the investment in the pharmaceutical industry declined to second place in the same category, but the amount increased to NT$21.668 billion in 2020 with a growth of 9.15% compared to the NT$19.851 billion in 2019, which is mainly driven by the promotion of the three programs welcoming returning overseas Taiwanese businesses expanding the scale of investment for the domestic private companies. In addition, the investment in the pharmaceutical industry still reached NT$21.668 billion under the trade adversary of the two major economic powers, the US and China, the emergence of multiple coronavirus variants, inflation, as well as uncertainties of the geopolitical status, which indicates that the investing companies are especially optimistic in the future developments of the pharmaceutical industry.

The Taiwan government has continued to nurture the biotech industry. To facilitate the Five Major Industrial Innovations R&D Project and the Biotechnology and Pharmaceutical Industry Innovation Promotion Program, it is projected that, by 2025, the government will have assisted in introducing at least 20 new pharmaceutical products and 80 high-added-value medical devices into the foreign markets and will have fostered the establishment of at least 10 health-services premium brands, which will lead Taiwan's pharmaceutical, medical device, and health and wellbeing industries' output values to grow from the current 6% to a breakthrough of 9%, pushing it over the NT$ trillion-dollar mark. In doing so, the government intends to make the biotech industry the new locomotive for Taiwan’s economic development, driving innovations in regional industries and the economic growth as a whole while looking after the citizens' health and wellbeing at the same time.

Vision: Making Taiwan the Asia-Pacific Centre of the biotechnological and pharmaceutical industry

2025: The Trillion NT$ Industry; Hundreds of best-selling products (20 new products and 80 high-added-value medical devices launched internationally)

2020: Turnover Reaching 650 billion NT$ (more than 10 new drugs and more than 40 high-added-value medical devices launched internationally)

Construct the basic environment, perfect the ecosystem, strengthen regulations, talent, funds, and all other six major aspects to improve the efficiency of innovation.

Integrate innovative cluster, connecting the corridor of biotechnology and pharmaceutical industries from north to south.

Enter the international market and create sustainable development to drive the technology, talents, and competitiveness of the domestic industries.

Promote specialty and focused industries, develop the niche precision medicine, international medical specialty, and the Health and Wellbeing.

(Strategy)

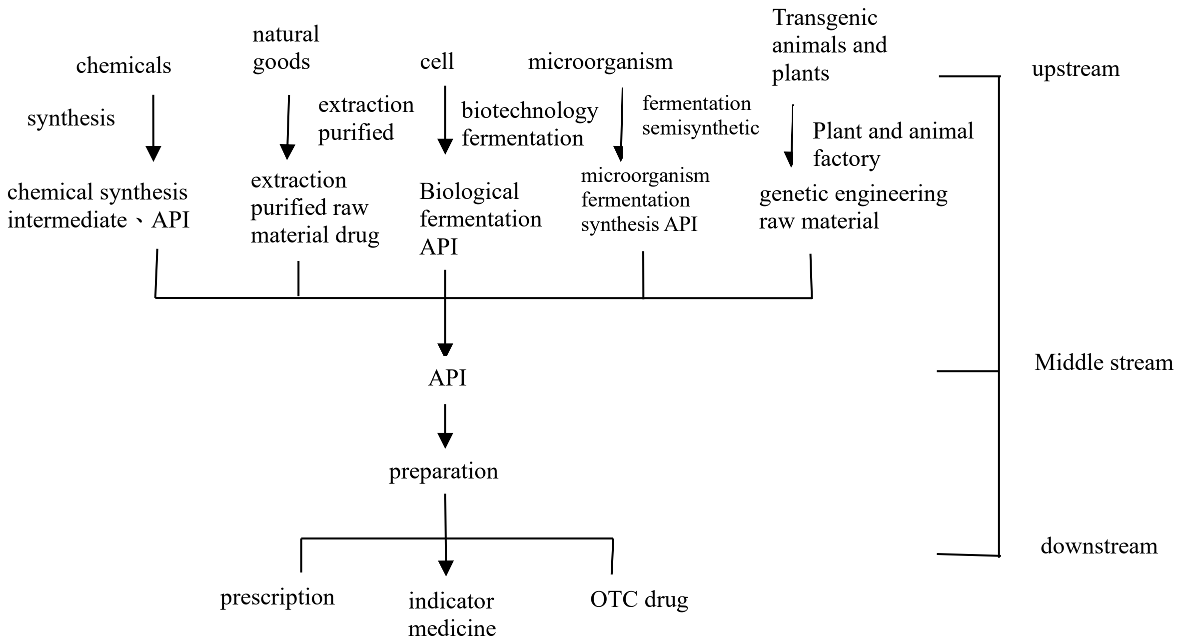
Connecting the locals		Connecting the future	Connecting the world

(Major actions)

Perfecting the ecosystems	Integrating the innovation clusters	Linking the international market resources	Promoting specialty and focused industries
□Talented Recruitment □Protection of Intellectual Properties □Perfection of Laws & Regulations □Fund Raising □Resource Integration □Carefully Chosen Topics	□New Pharmaceutical Products R&D Cluster in Nangang □Biotechnology and Pharmaceutical Cluster in Hsinchu □Specialized Biotechnology Clusters in Central and Southern Taiwan	□Global Deployment -Investment from international pharmaceutical companies -Development of niche projects □South Bound Strategy -Expand in public health and medical field to aid foreign countries	□Precision Medicine -Perfect the laws, regulations, and accreditation system. -Target specific diseases as □R&D directions. □International Medical Specialty □Health and Wellbeing Industries

Source: Office of Board of Science and Technology, Executive Yuan, and Office of Biomedical Industry Innovation Program

2. Correlation with upstream, midstream, and downstream sections of the industry



(1) Upstream

The upstream offers the raw material of the drug and medicine, including natural substances and common chemicals, intermediates and APIs mainly synthesized by chemical methods or prepared by the semi-synthesized method, as well as other raw materials or APIs obtained from plants, minerals, animal organs, microbial strains, and its related tissue cells. With the recent development of biotechnology, the production of medicine can be conducted by use of gene transfer, tissue culture technology, directly planting or animal culture.

(2) Midstream

The midstream is mainly the API industry. The majority of the API industry is the organic chemistry business, in which the products are commonly synthesized via biological or chemical methods. The characteristics of chemical methods are their convenience, fast speed, cheap prices, etc., therefore the industry majorly adopts chemical methods. In addition, different sources of raw materials require different methods of manufacturing. For raw materials obtained from natural substances, besides preparation processes such as fermentation, the main production technologies lie in extraction, isolation & hydrogenation, alcoholysis, esterification, saponification, alkylation, and purification (e.g. distillation, abstraction, crystallization, etc.).For those prepared from common chemicals, the main processing technologies are organic synthesis and isolation & purification. For those prepared from genetic engineering, utilized technologies include purification, recovery engineering, and others.

(3) Downstream

The downstream is the medicine manufacturing industry, where the main process is adding adjuvants to the APIs, such as an excipient, disintegrant, adhesive, lubricant, emulsifier, and others, and processing it into a convenient form for dosage, examples include tablets, capsules, creams, and others. The medicine can also be applied by injection, and depending on the nature of the contents, the injections can be divided into the liquid for injection or powder for injection. The production of liquid for injection requires the APIs, adjuvants, acidity regulators, and others to dissolve in a solvent, then bottling for packaging and distribution. The physicochemical properties of certain solvents are unstable, and products with the risk of decomposition or deterioration in the manufacture, distribution, and storage process shall be desiccated in advance to maintain the stability of the products' quality.

3. Product development trends and competition

(1) Production development trends

The overall demand for pharmaceuticals is closely related to population growth. There has been a steady growth in sales of pharmaceuticals which are less affected by the overall economic environment. Besides, the emerging countries have rapidly developed their economies in which the medical care expenses grew alongside the GDP. Therefore, driven additionally by the demand of the emerging countries, it is anticipated that the global pharmaceutical market will continue to grow. The global sales of pharmaceutical products in 2020 was US$1.2 trillion, which represented a growth of 3.1% compared to 2019. According to Fitch Solutions, the 2021 to 2025 CAGR for pharmaceutical sales will be about 4.2%, reaching US$1.6 trillion in 2025.

(2) Conditions of competition

The production value of the global pharmaceutical industry will reach US$1.6 trillion, with 60% to 70% of the products being generic drugs. The production value of the generic drug market will increase every year due to several proprietary drugs losing their market share to generic drugs when their patents expired, another reason is that medical institutions are switching to generic drugs to reduce costs. Mergers and acquisitions have become a critical method for major pharmaceutical companies to complete their research portfolio or enter new fields. According to the statistics from Dealogic, a research firm from the US, the global merger and acquisition of pharmaceutical companies have exceeded US$5 trillion with an increase of 63% compared to the same period of the previous year, surpassing the record set before the financial crisis in 2007. Technology and medical healthcare are the major fields where the mergers and acquisition of the industry in 2021 take place, which shall benefit the development of the industry.

Intense competition in the pharmaceutical preparations market also affected the development of API companies. The primary cause was price competitions between Chinese and Indian API companies. Companies from both countries enjoy advantages of a massive domestic market and planned support from the government, and their price competition may lead to reduced sales and competitiveness of API companies in other countries.

5.1.3 Technologies and R&D efforts

1. Research and development :

The fire accident caused a certain degree of damage to the new R&D building, but due to the safety assessment of the structure of the buildings not being required, the company rapidly finished repairing the building in July 2021, allowing the related units to station in and operate, with the R&D department being the major user of the building. The old R&D building is deconstructed after being damaged by the fire accident, and all R&D equipment was lost in the fire. Due to the lack of hardware and facility, the R&D capability temporally suffered a setback, but the R&D personnel didn't cease their progress, as part of the personnel modified of the production process and prepared a leased plant, enabling the production to continue externally, and part of the personnel supported the IQ, OQ, PQ process of newly acquired equipment to accelerate the resume of production at the company plant. Personnel was also assigned to optimize the production process of existing products, reducing the waste as much as possible to fulfill the global trend of ESG, saving both human lives and our planet. After settling in the new laboratory, the company started catching up on the delayed development progress immediately, completing the APIs of a controlled drug, which is anticipated to contribute significant revenue and profitability when commercialized.

The Research and Development Department is in charge of product development and process improvement; every year, new R&D employees are recruited to improve the capacity for R&D and accelerate R&D to meet the need of customers and business development; In 2021, the R&D expenses declined by 30.0% from the previous year. But SCI continued to apply for patents on processes.With excellent international customer relationships, SCI had unfailing R&D projects and was highly likely to commercialize them. Theexcellent capacity for R&D has contributed to the growing business in recent years.Newly developed products include CBD intermediate, anti-cancer drugs, and APIsfor Alzheimer's disease. Recently successfully developed APIs for cannabidiol, glaucoma, and Alzheimer's disease, etc.

2. R&D goals :

（1）Establish self-developed technologies to create entry barriers and enhance competitiveness.

Self-developed technologies mostly take a form of trade secrets. Considering business strategies, SCI applies for patents on some technologies.

Existing patents are as follows:

No.	Patent No.	Country
1	US 7,829,731 B2	USA
2	2228372	Europe
3	US 8,148,549 B2	USA
4	US 8,168,805 B2	USA
5	US 8,273,917 B2	USA
6	US 8,299,305 B2	USA
7	License No. 5143167	Japan
8	US 8,420,832 B2	USA
9	US 8,729,300 B2	USA
10	US 8,530,674 B2	USA
11	US 8,614,336 B2	USA
12	2386549	Europe
13	US 8,957,227 B2	USA
14	License No.5830245	Japan
15	US 9,718,765 B1	USA
16	3260442	Europe
17	US 10,556,899 B2	USA
18	US 10,981,849 B1	USA
19	License No.1738586	Taiwan

（2）Respond to customers' questions and provide effective solutions quickly.

（3）Seek for R&D projects with potential and commercialize them efficiently.

3. R&D strategies :

（1）Recruit experienced R&D personnel to improve the capacity for R&D.

（2）Seek for complementary partners to expand the R&D fields and strengthen cooperation.

(3) Cooperation with the new drug development companies to enter the development of pharmaceutical products in their early stage.

4. Key R&D projects :

(1) Develop the manufacturing processes and technologies of niche products.

(2) Expand and commercialize manufacturing processes of new drugs under R&D.

5. R&D expenses invested in the most recent year up to the date of publication of the Annual Report :

Unit: NT$ Thousand

Year / Item	2021	As of Q1 2022
R&D expenses	30,347	8,446

6. Products successfully developed in the most recent year up to the date of publication of the Annual Report :

Trial Production of New Product	Commercialized Mass Production of New Product	Improvement in Production Process
SCI172 DB-12	CBD	DB-12 Adenine Pimobendan Buprenorphine

5.1.4 Short-term、Mid-term and Long-term business developing plans :

1. Short-term plans :

(1) Lease factories from, and contract OEM with, other pharmaceutical manufacturers to meet the customer needs.

(2) Plan which factories are prioritized for rebuilding and restoration procedures.

(3) Plan production schedule to process the accumulated orders and maintain the relationship with our clients.

2. Mid-term plan :

(1) Continue to introduce more intermediates and APIs and reinforce the development of APIs because APIs have high entry barriers and are subject to stringent regulations so that further development of the API market will increase the Company's competitiveness in the future.

(2) Maintain good relations with the existing customer base and actively develop new customers to increase each product's growth momentum.

(3) Optimize the product lineup and eliminate products that contribute little.

(4) Optimize the production process, lower costs, and increase competitiveness.

(5) Optimize production scheduling and reduce production line replacement items.

(6) Construct the factory complex at the Guanyin Industrial Park to dilute the risk of concentration of production lines.

3. Long-term plans :

(1) Develop and secure new businesses related to new drugs, capturing business opportunities from the early stage of development.

(2) Develop new production capacities while growing the business and introduce the latest technologies and equipment.

(3) Continue to improve and refine the production process and secure patents on those for niche products to improve production efficiency.

(4) Cultivate talents with global perspectives for the Company's future growth.

(5) Promote circular economy and reduce the environmental impact of business operations while lowering operating costs and increasing competitiveness.

5.2 Market and Sales Overview

5.2.1 Market analysis

1. Areas of sales (provision) of primary products (services) :

Unit: Thousand NT$

Business Areas \ Year		2020		2021		As of Q1 2022	
		Sales	%	Sales	%	Sales	%
Export	Europe	1,422,867	52.91	467,009	54.04	138,993	73.93
	America	479,583	17.83	119,785	13.86	646	0.34
	Asia	455,464	16.94	202,435	23.42	27,964	14.87
	Others	106,839	3.97	16,409	1.90	2,071	1.10
	Subtotal	2,464,753	91.65	805,638	93.22	169,674	90.24
Domestic Sales		224,469	8.35	58,579	6.78	18,349	9.76
Total		2,689,222	100.00	864,217	100.00	188.023	100.00

2. Market share

(1) The world's leading manufacturers are PEB.Na, PGA, VA, NaVA, Di-VNa and HOCLQ.

(2) The Company is the only supplier of intermediates for controlled drugs, such as Pent-2, NBE, S-2, and AL-1.

(3) Due to limited information, it is difficult to estimate market share of other Products.

3. State and growth of market supply and demand

Overall demand for pharmaceuticals will continue to grow given the medical advances and increasing population in emerging countries as well as aging populations and rising medical expenses in developed countries. The compound annual growth rate is estimated at 4.2% from 2021 to 2025, and the scale of the global pharmaceutical market is estimated to reach US$1.6 trillion in 2025. Currently, the biggest market remains North America. API are active chemical components with pharmacological action, and the chemical structure must conform to the pharmacopoeia. Pharmaceuticals are basically composed of APIs and excipients. In the past, the compound average growth rate was about 8.5% of the pharmaceutical market. In 2020, the global sales reached US$187.8 billion. In 2025, it is estimated to reach US$260 billion. Operational strategies for this year as well as short-term and mid-term business plans of SCI Pharmtech focus on APIs, key intermediates, and other upstream products of the pharmaceutical industry. SCI Pharmtech will optimize product portfolio, develop new products, expand customer base, and develop extensive partnerships in order to reduce the impact of business fluctuations, achieve better profitability, and improve its position within the sector.

4. Positive and negative factors affecting competitive niches and long-term development, as well as response strategies

(1) Competitive niches

A. Professional R&D team :

The R&D personnel specializes in chemical synthesis. SCI's R&D team is capable of timely developing the products within the stringent requirements as demanded by the customers, which helps the Company to innovate and capture business opportunities.

B. Quality products :

The quality of products must meet the requirements of health authorities and customers. As the business success and performance depends on the quality of products, the Company has strived to improve the quality management system and obtained ISO9001 verification in 2001. APIs and intermediates are produced based on the GMP standards, and products are reviewed and licensed by the Ministry of Health and Welfare, FDA of the U.S., EDQM in Europe, and health authorities in other countries. In 2021, 17 customers conducted online audits and the auditing process well.

C. Advanced production technology and equipment

The Company has laid a solid foundation for establishment of plants, such as API plants. Currently, the plant establishment team is able to add and expand production lines in the most efficient way at any time within the given time limit and cost.

With more than 30 years of experience in production research and development,the Company has established operating technologies, such as alkylation, hydrogenation, condensation, Fridel-Crafts, Chapman, and Dieckmann reaction, and developed dozens of products. The solid foundation for technology is beneficial to the development of future business opportunities.

D. Adequate cost management

SCI has developed and refined process technologies to achieve competitive costs and has patented some of the technologies in the US and Europe to gain competitive advantages in those markets. Assisted by a complete supply chain, SCI Pharmtech timely meets the customers' demands and has gradually raised the profit in the recent years in the global market in which competition has been getting ever more intense. The accomplishment is truly remarkable.

E. Marketing

Products were mainly exported to Europe, the U.S., Japan, India, and Taiwan . Over the past 30 years, the international business network has been established. The Company worked with international drug manufacturers to develop new drugs, which was highly beneficial to the future development of international markets.

(2) Positive factors for development vision :

A. Aging population and gradually increasing living standards

The world's population is moving toward aging society. Demand for various drugs will continue to increase as the population ages, providing API companies located upstream or mid-stream of the pharmaceutical supply chain with a growing market scale. More and more countries are placing greater importance on healthcare. Governments had enacted policies or legislation to lower and control drug prices and medical expenses, so as to improve the overall medical quality. Such policies and legislation will lead to increased demands for generic drugs. API developers would also continue to search for low cost solutions and collaborate with API producers that could achieve processing quality that complies with international standards. This measure would help future marketing and development efforts within SCI.

B. Government focus and consultation

To improve the quality of APIs, governments have strengthened control over APIs, such as DMF and GMP implemented in the U.S. and China, respectively, increasing the threshold for API production. Overall, M&A among global API manufacturers will be sped up to eliminate less competitive small and medium manufacturers. In the end, manufacturers with a large scale, and premium quality stay in the market.

C. Friendly drug review environment of FDA

The US FDA has provided a friendly drug approval process which is conducive to the development of the medical industry. As the FDA had accelerated the review process, there were a record of 48 new drugs in 2019 and 53 in 2020.

(3) Positive and negative factors affecting competitive niches and long-term development, as well as response strategies :

A. Negative factors :

a.The small scale of API companies in Taiwan and the limited capacity of the domestic market meant that the competitive niche offered in Taiwan could not compare to competitors from Mainland China or India. Taiwan's government also tend to neglect the API industry as it believes new drug development and rejected the motion of providing funding and establishing relevant statutes applicable for innovations within this industry.

b.The global API market faced challenges, such as increases in stringent requirements, on-site audits, environmental awareness, production costs, industrial competitiveness, prices of raw materials, and no room for product prices increase, which would cause less competitive small and medium manufacturers to reduce or terminate production.

c.The science-isolationism intensified by the state of the global politics has versely affected the cooperation and sharing of the scientific and medical researches.

d.The COVID-19 pandemic continues to plague the world and might cause a breakage in the supply chains for the pharmaceutical raw materials and semi-finished products, about 80% of which comes from China and India.

e. The API upstreams of Taiwan are mostly from the market of Mainland China. A the new wave pandemic in China is spreading, Chinese API suppliers are suffering from restricted electricity, and the Chinese upstreams have raised the prices of their products, putting more pressure on Taiwanese businesses.

B. Response strategies :

a. Establish a quality system compliant to international quality standards and select products carefully to segregate the market.
b. Work with the original drug developers to enter the patented drug market which offered greater profits.
c. Recruit R&D talents around the world and solidify capability in R&D to meet customers' needs.
d. The Company should sign the API production contracts with new drug developers to increase long-term cooperation in clinical experiments.
e. The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.
f. Continually evaluate the raw materials supply chain and establish alternative suppliers in different countries to avoid the risk of supply chain interruption.
g. In planning for new production lines , emphasize on automation and the concept of smart factory to increase production efficiency.
h. We will actively coordinate with our client in response to the increase in production costs and increase the price of our products timely.

5.2.2 Primary purpose of primary product and production process

1. Major uses of the primary products:

	Name of Primary Product	Primary Purpose
APIs	VA	Antiepileptic and anticonvulsant
	Probucol	Antiatherescloresis
	Divalproate Sodium	Antiepileptic and anticonvulsant
	Propafenone Hydrochloride	Arrhythmia
	Duloxetine Hydrochloride	Anti-depression
	Allopurinol	Gout
	Clindamycin palmitate HCl	Antibiotics
	Articaine Hydrochloride	Anesthetics
	HOCLQ-Sulfate	Malaria, rheumatoid arthritis, and lupus erythematosus
	Brinzolamide	Glaucoma
	Sodium Valproate	Antiepileptic and anticonvulsant
	Pentobarbital Sodium	Anesthetics
	Methylphenidate HCl	Anti-ADHD
	Biso-FA	High blood pressure and angina pectoris
	Thiopental acid	Anesthetics
	Loxoprofen Sodium Hydrate	Heat-relieving pain relief
	Atomoxetine HCl	ADHD
	Cannabidiol	Epileptic rarely in children、Multiple sclerosis
API Intermediates	Pent-2	Anesthetics

	PGA	Antiparkinson medication
	NBE	Sleeping pills and anesthetics for surgical use
	5-HMT	Anti-AIDS
	BOV	Steroid
	(S)-MMAA	Anti-depression
	HOCLQ	Anti-malaria
	Prop-3	Heart rhythm disintegration
	Thiazole acid	Antitumor agent
	Olivetol	Antiepileptic
	PMDOL	Antiepileptic

2. Production process:

All these products were produced using chemicals available on the market as raw materials. Various chemical processing (such as hydrogenation, alcoholysis, esterification, saponification, and alkylation) were employed to create unrefined products which would then undergo purification (such as distillation, extraction, and crystallization) to create purified products of an acceptable grade. The following describes the production process:

Basic Materials	→	Chemical Reaction	→	Chemical Separation	→	Products
(raw materials, solvents, and catalysts)		(such as hydrogenation, condensation, saponification, and alkylation)		(such as distillation, extraction, and crystallization)		(powder, liquid)

5.2.3 Main Material State of Supply

Raw materials used by SCI are chemicals sold in the market without any risk of supply monopoly; however, due to strict laws pertaining to environmental protection enforced by the government of China and COVID-19, the supply of some raw materials is unstable and the prices is increasing . SCI has followed up related laws and some key materials tried outsourcing production in Taiwan to ensure the sufficient supply of raw materials. The following table shows the supply of main materials:

Main Material	Name of the Main Supplier	State of Supply
Chemical Material	a	Acceptable
Chemical Material	b	Acceptable

5.2.4 Primary suppliers and customers e in the most recent 2 years

1. Primary customers

Unit: Thousand NT$

	2020				2021				As of Q1 2022			
Item	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relation ship with the Issuer	Name	Amount	Percentage of Net Sales for the Current Year up to Q1 2022(%)	Relation ship with the Issuer
1	Client A	296,613	11.03	None	Client C	244,025	28.24	None	Client C	70,872	37.69	None
2	Client C	295,751	11.00	None	Client V	91,910	10.64	None	Client W	48,906	26.01	None
3	Others	2,096,858	77.97	None	Client W	90,973	10.53	None	Others	68,245	36.30	None
4					Others	437,309	50.59	None				
5												
	Net Sales	2,689,222	100.00		Net Sales	864,217	100.00		Net Sales	188,023	100.00	

Note: Where sales to the customer exceed 10% of the total sales value in the most recent 2 years, the name, sales value, and proportion of the said salesshall be disclosed. However, contractual terms dictate that the names of such customer or trading counterparty cannot be disclosed if the said customer or trading counterparty is an individual and unrelated party, and may be suitably replaced by codes.

2. Reason for changes :

A.Due to the fire accident, the fulfillment of orders had been relying on our stock in inventory and productions in a leased plant. Also, due to the limitations of the leased plant from another supplier in the industry, only a small number of product types can be produced. The company is mainly producing PGA, Pent-2, and SCI172.

B.Client C is the major client for PGA, with SCI resuming the regular supply through time, Client C has risen from the second-largest client in 2020 to the largest client in 2021.

C.Client V is a project client for SCI172, with SCI Pharmtech resuming the regular supply through time, Client V has become the second-largest client in 2021.

D.Client W is the major client of Pent-2, with SCI Pharmtech resuming the regular supply through time, Client W has become to the third-largest client in 2021.

3. Primary goods supplier

Unit: Thousand NT$

	2020				2021				As of Q1 2022			
Item	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Current Year up to Q1 2022(%)	Relationship with the Issuer
1	a	210,177	26.59	None	d	161,310	60.17	None	d	58,055	54.82	None
2	c	78,055	9.88	None	a	46,747	17.44	None	a	18,032	17.03	None
3	Others	502,097	63.53	None	Others	60,037	22.39	None	Others	29,822	28.15	None
	Net Purchase	790,329	100.00		Net Purchase	268,094	100.00		Net Purchase	105,909	100.00	

Note: Where procurement acquired from a supplier exceed 10% of total procurement for the most recent two years, the name of the said supplier, procurement value, and proportion of the procurement shall be disclosed. However, contractual terms dictate that the name of such a supplier or trading partner cannot be disclosed if the said supplier or trading partner is an individual and unrelated party, and codes may be used to replace the names instead.

4. Reason for changes :

A.The significant decrease in net purchases occurred due to the impact of the ceased production in 2021. Supplier d became the biggest supplier due to the company leasing a plant for the production of PGA.

B.Influenced by the ceased production, Supplier A, the largest supplier in 2020, dropped to the second-largest supplier in 2021, and Supplier c, the second-largest supplier in 2020, dropped to the fourth-largest supplier in 2021.

5.2.5 Production value in the most recent 2 years

Production Volume/Value in the Most Recent Two Years

Unit: Ton / Unit: thousand NT$

Year / Production Volume/Value / Primary Product	2020			2021		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
APIs	3,700	1,055	1,240,562	NA	1.7	41,039
API intermediates		304	566,432		158.39	241,404
Others		914	102,740		0	0
Total	3,700	2,273	1,909,734	NA	160.09	282,443

Note1：Production capacity for each individual product was not listed as production equipment can be employed for the production of any product. Only rough estimates of production capacity was provided in the table above as the required capacity may differ for different products.

Note2：The production line of the company was completely destroyed due to the fire accident, and the production of 2021 was fully contributed by the capacity from the leased plant.

Note3：A partial recovery of the production was only achieved by the end of December 2021, providing approximately 10% of the production capacity before the accident occurred.

5.2.6 Sales volume/value in the most recent 2 years

Sales volume/value in the most recent 2 years:

Unit: Ton / Unit: thousand NT$

Year / Sales Volume/Value / Primary Product	2020				2021			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs	45.17	84,995	770.00	1,877,652	18.80	43,717	62.95	352,885
API intermediates	1.12	11,981	186.92	585,515	17.48	4,447	161.73	447,468
Others	898.06	127,493	0	1,586	42.6	10,415	19.09	5,285
Total	944.35	224,469	956.92	2,464,753	78.88	58,579	243.77	805,638

5.3 Human Resources

Information of employees for the 2 most recent years

March 31, 2022

Year		2020	2021	As of Q1 2022
Number of Employees	Managerial Level or Above	12	11	12
	General Employees	224	194	190
	Foreign Employees	42	1	1
	Total	278	206	203
Average Age		39.62	41.94	42.38
Average Years of Service		9.35	11.40	11.76
Education Distribution (%)	PhD	3.24	3.88	3.94
	Master	14.39	17.48	17.24
	University/College	53.60	62.14	62.56
	Senior or Vocational High School	12.59	15.05	14.78
	Below High Schoo	16.18	1.46	1.48

5.4 Environmental Protection Expenditure

5.4.1 SCI is a professional API manufacturer and focuses greatly on environmental protection. Waste reduction processing would be considered as early as the process development phase. All controlled chemical ingredients, unless required, would be avoided in order to reduce the potential sources of pollution. Disposal of any waste (such as wastewater 、exhaust gas 、waste solvent 、etc.) generated during production would be undertaken by processing equipment and professional personnel, or subcontracted to professional waste management agencies. The following describes the details of waste management :

1. Status on applications for setup permits for polluting facilities or pollution release permits ：

A. Wastewater treatment

Part of the waste generated in the production process was processed by an in-house wastewater treatment system operated by specialty personnel, and once processed past the regulatory standard, the effluent would then be released to the water cycle outside the factory. SCI has obtained a wastewater/sewage release permit from the Taoyuan County government, numbered "Fu-Huan-Shui-Tzu No. 1090199881, Tao-Hsien-Huan-Pai-Hsu-Tzu No. H0558-07," effective from Aug. 11, 2020, to Aug. 10, 2025. SCI Pharmtech has also laid underground drain water pipelines so that the drain water would not contaminate the irrigation ditches for the farmlands.

B. Exhaust gas treatment

The company has acquired the Stationary Pollution Source Operating Permit and appointed a dedicated air pollution control specialist as required by the Air Pollution Control Act.

Fixed source of pollution	Permit No.	Valid date
Pharmaceutical production/general production process M01	Fu-Huan-Kong-Tzu No.1060296196, permit number for operations: H6175-00	Dec. 6, 2017 - Dec. 5, 2022

Boiler and steam generating processes M02	Fu-Huan-Kong-Tzu No.1070140103, permit number for operations: H4714-04	Jun. 12, 2018 - Jun. 11, 2023
Hating processes M03	Fu-Huan-Kong-Tzu No.1070138665, permit number for operations: H4715-04	Jun. 12, 2018 - Jun. 11, 2023

C.Waste solvent handling

(a) SCI has established solvent distillation and recycling towers in order to recover as much organic solvent as possible from the various processes for recycling and reuse. The treatment of un-recyclable waste was subcontracted to qualified and professional agencies.

(b) SCI has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.

D.General waste

Treatment of general wastes produced during the production process was subcontracted to qualified professional agencies for regular handling.

2. Payment of pollution prevention fees :

In 2021, air pollution prevention fees paid amounted to NT$394,123; Subcontracted Processing fees amounted to NT$617,966; internal processing expenses amounted to NT$14,485,010.

3.Conditions for setting up dedicated units for environmental protection A total of 9 employees were assigned to the environmental protection department.

Item	Description
Air Pollution Control Specialists	Class A Air Pollution Control Specialist (85) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. FA090525 Class B Air Pollution Control Specialist (92) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. FB010012 Class B Air Pollution Control Specialist (98) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. FB080462
Wastewater And Sewage Treatment Specialists	Class A Wastewater And Sewage Treatment Specialist (85) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA120070 Class A Wastewater And Sewage Treatment Specialist (94) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA060315 Class A Wastewater And Sewage Treatment Specialist (100) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA450783 Class A Wastewater And Sewage Treatment Specialist (101) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA140253
Toxic Chemical Control Specialists	Class B Professional and Technical Control Specialists of Toxic Chemical (89) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. JB280970
Waste Processing Specialist	Class A Waste Disposal Technician (92) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA020737 Class A Waste Disposal Technician (94) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA170156 Class A Waste Disposal Technician (102) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA060049

5.4.2 Any losses suffered by the Company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

Disposition dates	Disposition reference numbers	The articles of law violated	The substance of the legal violations	The content of the dispositions
Decembe 25, 2020	Taoyuan City Government Huan-Chi-Tzu No. 1090335668	The Air Pollution Control Act	Due to the particulate pollutants from the fire accident dispersed into the air and onto the properties of others.	NT$ 225,000 Fine
Decembe 25, 2020	Taoyuan City Government Huan-Chi-Tzu No. 1090335672	The Water Pollution Control Act	Due to the wastewater after extinguishing the fire effluent to the drainage channel.	NT$ 33,000 Fine

5.4.3 Possible disbursements for future responsive measures (including corrective measures) :

1. The Company attaches great importance to environmental protection and has invested no small efforts in the setup of pollution prevention facilities, employee training programs for improving awareness for environmental protection, active provision of on-job training, and development of waste reduction processes for the purposes of preventing environmental protection issues.
2. The Company has made relevant preparations as the government established stronger controls for various sources of pollution. We are technically capable of fulfilling these requirements, and provided the needed budgetary allocations to setup relevant equipment.
3. Environmental protection expenses have always been part of operational costs and were adequately reflected in product sales prices.
4. Seek support from external research institutions and adopt advanced treatment equipment to improve waste treatment capabilities at lower costs.
5. Use equipment that consumes clean energies to reduce the impact and effects upon the environmental and business aspect of the pollution.
6. The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs
7. Potential current and future losses :

   The controlled plan for groundwater pollution for the plant site expired on May 20, 2021. Due to the chemical spill caused by the fire accident, the company applied for an extension. The Department of Environmental Protection of Taoyuan City Government sent an official letter agreeing that the controlled plan of groundwater pollution for the site (third modification) will be acknowledged for future reference, extending the improvement of groundwater pollution to 32 months until July 11, 2024. The company listed a NT$15 million budget for land remediation in 2022.

5.4.4 Response to RoHS : Products are not affected by the Restrictions of Hazardous Substances Directive (RoHS) of the EU.

5.5 Labor Relations

5.5.1 The systems and implementation status of the company's employee welfare policies, continuing education, training, and retirement, as well as the labor-management agreements, and the measures protecting employees' rights and interests:

1. In addition to the basic protection of labor insurance and health insurance, the company provides comprehensive employees' group insurances, including life insurance, medical insurance, casualty insurance, cancer insurance, etc. The employee's benefits include trip activities, wedding gift money, childbirth gift money, funeral condolence money, hospitalization allowance, work-related injury leave, emergency aids, end-of-the-year dinner party lucky draw, employees' dormitory, nursery room, and complimentary meals. Employees can also receive bonuses and performance bonuses for the operational results of the company each year. The company offers competitive salary standards, the average salary for non-executive full-time employees was NT$891,000 in 2020, ranking 23rd of the 113 public listed biomedical companies.
2. The company continuously promotes the educational training and continuous learning of the employees to improve the quality of human resources and the development advantage to consolidate the foundation of sustainable management and development. The company enacted procedures for employees' educational training, which can be classified as internal training, external training, and overseas learning, as the annual educational training plan for each department is enacted by each department and uploaded to the internal network with regular records and updates. The internal training accumulated 18,223 session participants in 2021, with 5,377 session participants from the Production Department, 589 session participants from the Quality Assurance Department, 9,461 session participants from the Quality Control Department, 42 session participants from the Safety Office, and 30 session participants joining the external training program in 2021, achieving outstanding results. The expenses for the external training program in 2021 are NT$61,562.
3. The company enacted the Employees' Pension Procedures as required by the Labor Standard Act, with 5% of the total monthly salary allocated as the fixed proportion for pension, which is deposited in the trust department of the Bank of Taiwan for fructus civiles. The company also contributes 6% as pension to the personal account of the employees monthly as required by the Labor Pension Act. In addition, the criteria for the employees' retirement application shall comply with the requirement of the Labor Standard Act, and the application form of retirement shall be signed and approved by the General Manager.
4. The employees' shareholding trust is implemented. The current major shareholder of the company is the Conference of Share Holding Employees to increase the security for employees' retirement.
5. The Board of Directors approved the purchase of employees' annuity on March 30, 2016, to increase the security of employees' retirement life.
6. The company adopts an open and two-way communication approach in disseminating the company's policies and understanding the opinions of the employees, the labor-management meetings are also held regularly in the hope to maintain the concordances between management and employees. There have been no records of labor-management disputes as of today.
7. The outdoor basketball court shall be converted into a dual-purpose indoor basketball and

badminton court to provide a leisure sports venue for the employees.

8. Implementation situations : SCI were implemented according to the regulations in 2021.

5.5.2 List any losses suffered by the Company in the most recent years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken :

1. Disposition :

Disposition dates	Disposition reference numbers	The articles of law violated	The substance of the legal violations	The content of the dispositions
February 1, 2021	Taoyuan City Government Lao-Chien-Tzu No. 1100026295	Labor Standards Act	Due to the total number of overtimes exceeding forty-six hours per month limit specified by the law.	NT$ 50,000 Fine
February 1, 2021	Taoyuan City Government Lao-Chien-Tzu No. 11000262951	Labor Standards Act	Due to the company not providing the employee with one regular leave every seven days in accordance with the regulation.	NT$ 50,000 Fine
May 26, 2021	Ministry of Labor Lao-Chu-Na-Tzu No. 11001854951	Labor Insurance Act	Due to the declared insurance salary is not verified and falsely reported.	NT$ 24,528 Fine
May 26, 2021	Ministry of Labor Pao-Tui-Erh-Tzu No. 11060057530	Labor Pension Act	Due to failure to comply with the specified due date for declaring adjustments to monthly contributions to labor pension.	NT$ 5,000 Fine

2. The Company always attaches great importance to employee benefits, two-way communication, and compliance with relevant laws and regulations; therefore, the labor-management relations are quite harmonious. Since the incorporation of the Company, there has been no labor dispute resulting in any loss. In the future, the Company will continue to improve labor-management communication and do its best to provide employee benefits properly to enhance the harmony of labor-management relations.
3. Potential current and future losses : NT$ 0
4. Response measures : N/A

5.5.3 Protective measures for the safety of the workplace and personal safety of the employees :

SCI is a chemical industry. In the manufacturing process, failure to follow standard operating procedures may cause employees' personal injury; therefore, the following measures are taken to safeguard the personal safety of employees:

1. Conduct preventive maintenance every month.
2. Carry out hazard awareness training for new employees.

3. Write up SOPs and strictly require employees and contractors to follow.
4. Require employees to wear protective devices, such as goggles, safety shoes, and safety helmets.
5. Set up emergency rescue devices, such as eye wash devices and AED.
6. Conduct industrial safety training every half a year.
7. Promote environmental protection, safety, and health.
8. Organize the employee health examination in the middle of every year and arrange special examinations for employees working in special operations.
9. Hold an environmental safety meeting every two weeks to review deficiencies found in the environmental safety and health inspections.
10. Organize a meeting of the Occupational Safety and Health Committee every quarter to assess the risks of occupational safety and health.
11. Conduct the survey of musculoskeletal symptoms, personal overwork scale, and survey of violence and risk assessment every two years.
12. Encourage employees to provide recommendations for improvement through the environmental feedback form.
13. The were pedestrian passes laid out in each factory to separate pedestrians from vehicle traffic.
14. Implementation status: In 2021, all the above-mentioned measures were taken in accordance with the regulations.

5.6 Information security management

5.6.1 The Information security risk management framework, information security policies, concrete management programs, and resource investments for information security management:

1. Information security risk management framework: The Information Office under the President's Office is in charge of the matters related to organizing information security, and the Audit Office has enacted internal control and management procedures and is conducting internal audits regularly.
2. Information Security Policies: Revised on September 15, 2021. Please refer to Attachment 3.
3. Concrete Management Programmes:
   A. To ensure the company's information security, the Information Office has subscribed to the Intrusion Prevention System services provided through Hinet by Chunghwa Telecom to block the network-based virus and intrusion attacks, which is further strengthened with the installation of the firewall, blocking attacks targeting the internal network. For the user end, Windows Update will automatically update and fix the bugs for Windows users through the Windows Update Services Server, preventing viruses and hackers from exploiting the bugs of windows. In addition, the company installed the enterprise anti-virus software Symantec and Palo Alto Traps Advanced Endpoint Protection, enhancing the protection for all user end.

B. The Information Office will also evaluate the necessity of information security insurance for reducing operational losses if a critical information security incident occurs.

C. In May 2021, the company invited the National Information Infrastructure Enterprise Promotion Association to conduct an on-site audit of the company's information security and provide improvement opinions that were utilized for the future planning of the company's information security management.

D. For the rest of the concrete management programs, please refer to Attachment 3.

4. Resource investments for information security management :

A. Applied and implemented the Intrusion Prevention System service provided by Chunghwa Telecom.

B. Installation of Firewalls.

C. Purchasing 171 sets of Antivirus Software (Symamtec Endpoint Protection).

D. Purchasing 200 sets of Endpoint Protection Software (Palo Alto Networks Traps).

E. Joining the membership of the Taiwan Computer Emergency Response Team / Coordination Center(TWCERT/CC).

5.6.2 The list of any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and countermeasures. Immeasurable incidents shall be specified with the reason of the incident being immeasurable: None.

5.7 Important Contracts

The parties, major contents, restrictive terms, and start/end dates of major contracts that could affect the shareholders' equity, such as supply contracts, technical partnership contracts, construction contracts, and long-term loan contracts that are still effective by the printing date of this annual report or have expired in the most recent fiscal year :

Nature of the agreement	Parties	The commencement and termination dates of the agreements	Major Content	Restrictive Provisions
Intellectual Property Licensing Agreement	Company A	April 2012 ~ April 2022	Acquired the technology and clients' information under a product license. The company exclusively uses Articaine Hcl in the related intellectual properties for production, registration, packaging, and sales.	Non-Disclosure Agreement
Intellectual Property	Company A	October 2012 ~ October 2022	Acquired the technology and clients' information under a product license. The company exclusively uses	Non-Disclosure

Licensing Agreement			Hydroxichloroquine Sulfate in the related intellectual properties for production, registration, packaging, and sales.	Agreement
Pharmaceutical Commissioning Manufacturing Agreement	Energenesis Biomedical Co., Ltd.	Jan. 14, 2019 ~ Jan. 14, 2024	Energenesis Biomedical Co., Ltd. commissioned the company for producing and manufacturing the APIs.	Non-Disclosure Agreement
Shareholders' Agreement	Veolia	Aug. 12, 2020 ~	Introducing advanced technology of Veolia, purifying and re-using the chemical solutions in the pharmaceutic process, also promoting the circular economic development.	
Lease Agreement for the Plant	Cheng Fong Chemical Co., Ltd.	Mar. 1, 2021 ~ Aug. 31 2021	Leasing a plant and related equipment from Cheng Fong Chemical Co., Ltd while also stationing employees for production and manufacturing.	
Commissioning Manufacturing Agreement	Everlight Chemical Industrial Co.	Mar. 1, 2021 ~ Aug. 31 2021	The company commissioned Everlight Chemical Industrial Co. to manufacture an API required for a clinical trial with its manpower, plant, and equipment.	
Agreement of commissioning construction on the land owned by the company	ECO Technical Service CO.	Oct. 19, 2021 ~	Service Agreement on the construction of the plant in Guanyin.	
Mid-Term Loan Agreement	Mega International Commercial Bank, Tao Hsin Branch	Five years since the first loan draw date	Signed a mid-term loan agreement with the Tao Hsin Branch of the Mega International Commercial Bank.	

6、Financial Information

6.1 Most Recent 5-Year Financial Information

6.1.1 Individual financial information

Condensed Balance Sheet

Unit: Thousand NT$

Item \ Year		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		1,304,270	1,673,068	1,905,404	1,888,734	1,367,820
Available-for-sale financial assets		42,366	---	---	---	---
Non-current financial assets at fair value through profit or loss		---	---	---	667,955	---
Non-current financial assets at fair value through other comprehensive income		---	75,296	137,329	85,697	72,521
Investment accounted for using equity method		355,604	354,688	349,723	349,186	401,046
Property, plant, and equipment		1,464,781	1,563,227	1,557,790	1,180,943	1,778,788
Right-of-use assets		---	---	2,974	2,568	2,134
Intangible assets		1,047	47,368	47,661	41,319	60,290
Other assets		127,463	75,332	80,496	353,436	507,196
Total assets		3,295,531	3,788,979	4,081,377	4,569,838	4,189,795
Current liabilities	Before distribution	342,873	556,611	584,164	1,122,114	747,837
	After distribution	513,766	890,449	1,045,179	1,161,857	Note
Non-current liabilities		22,910	22,137	22,573	125,502	121,327
Total liabilities	Before distribution	365,783	578,748	606,737	1,247,616	869,164
	After distribution	536,676	912,586	1,067,752	1,287,359	Note
Total equity attributable to owners of the parent		2,929,748	3,210,231	3,474,640	3,322,222	3,320,631
Common stock		794,853	794,853	794,853	794,853	953,824
Capital surplus		1,348,339	1,348,339	1,348,339	1,348,339	1,348,339
Retained earnings	Before distribution	794,443	1,071,827	1,309,194	1,208,408	1,067,397
	After distribution	623,550	737,989	848,179	1,009,695	Note
Other equity interest		(7,887)	(4,788)	22,254	(29,378)	(48,929)
Treasury stocks		---	---	---	---	---
Non-controlling interest		---	---	---	---	---
Total equity	Before distribution	2.929,748	3,210,231	3,474,640	3,322,222	3,320,631
	After distribution	2,758,855	2,876,393	3,013,625	3,282,479	Note

Note：The earnings distribution of 2021 was proposed to be resolved in the Shareholders' meeting.

Individual Condensed Statement of Comprehensive Income

Unit: Thousand NT$；earnings per share NT$

Item / Year	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating revenue	1,301,050	1,939,913	2,355,747	2,689,222	864,217
Operating margin (loss)	395,682	748,943	935,770	1,274,328	208,089
Net operating income (loss)	235,928	516,743	697,849	1,052,240	74,316
Non-operating income and expense	(1,154)	28,044	13,311	(597,025)	(8,810)
Profit (loss) before tax	234,774	544,787	711,160	455,215	65,506
Income tax expense	43,798	97,550	140,059	95,091	9,810
Net profit (loss) from continuing operations	190,976	447,237	571,101	360,124	55,696
Income from discontinued operations	---	---	---	---	---
Net profit (loss) for the year	190,976	447,237	571,101	360,124	55,696
Other comprehensive income (loss) (income after tax)	107	3,979	27,146	(51,528)	(17,544)
Total comprehensive income for the year	191,083	451,216	598,247	308,596	38,152
Earnings per share	2.00	4.69	5.99	3.78	0.58

6.1.2 Consolidated financial information

Consolidated Condensed Balance Sheet

Unit: Thousand NT$

Item \ Year		Financial Summary for The Last Five Years					As of Q1 2022
		2017	2018	2019	2020	2021	
Current assets		1,338,784	1,706,919	1,936,018	1,918,811	1,397,310	1,270,368
Available-for-sale financial assets		42,366		---	---	---	---
Non-current financial assets at fair value through profit or loss		---	---	---	667,955	---	---
Non-current financial assets at fair value through other comprehensive income		---	75,296	137,329	85,697	72,521	90,370
Investment accounted for using equity method						52,447	50,278
Property, plant, and equipment		1,785,971	1,884,164	1,876,999	1,500,152	2,097,997	2,361,140
Right-of-use assets		---	---	2,974	2,568	2,134	1,723
Intangible assets		1,047	47,368	47,661	41,319	60,290	58,461
Other assets		127,463	75,332	80,496	353,436	507,196	567,493
Total assets		3,295,631	3,789,079	4,081,477	4,569,938	4,189,895	3,129,465
Current liabilities	Before distribution	342,973	556,711	584,264	1,122,214	747,937	789,488
	After distribution	513,866	890,549	1,045,279	1,161,957	Note	---
Non-current liabilities		22,910	22,137	22,573	125,502	121,327	230,692
Total liabilities	Before distribution	365,883	578,848	606,837	1,247,716	869,264	1,020,180
	After distribution	536,776	912,686	1,067,882	1,287,459	Note	---
Total equity attributable to owners of the parent		2,929,748	3,210,231	3,474,640	3,322,222	3,320,631	3,379,653
Common stock		794,853	794,853	794,853	794,853	953,824	953,824
Capital surplus		1,348,339	1,348,339	1,348,339	1,348,339	1,348,339	1,348,339
Retained earnings	Before distribution	794,443	1,071,827	1,309,194	1,208,408	1,067,397	1,108,570
	After distribution	623,550	737,989	848,179	1,009,695	Note	---
Other equity interest		(7,887)	(4,788)	22,254	(29,378)	(48,929)	(31,080)
Treasury stocks		---	---	---	---	---	---
Non-controlling interest		---	---	---	---	---	---
Total equity	Before distribution	2,929,748	3,210,231	3,474,640	3,322,222	3,320,631	3,379,653
	After distribution	2,758,855	2,876,393	3,013,625	3,282,479	Note	---

Note : The earnings distribution of 2021 was proposed to be resolved in the Shareholders' meeting.

Consolidated Condensed Statement of Comprehensive Income

Unit: Thousand NT$；earnings per share NT$

Item \ Year	Financial Summary for The Last Five Years					As of Q1 2022
	2017	2018	2019	2020	2021	
Operating revenue	1,301,150	1,939,913	2,355,747	2,689,222	864,217	188,023
Operating margin (loss)	395,682	748,943	935,770	1,274,328	208,089	55,162
Net operating income (loss)	234,540	515,566	697,121	1,051,578	73,658	18,226
Non-operating income and expense	234	29,221	14,039	(596,363)	(8,152)	33,780
Profit (loss) before tax	234,774	544,787	711,160	455,215	65,506	52,006
Income tax expense	43,798	97,550	140,059	95,091	9,810	10,833
Net profit (loss) for the year	190,976	447,237	571,101	360,124	55,696	41,173
Other comprehensive income (loss) (income after tax)	107	3,979	27,146	(51,528)	(17,544)	17,849
Total comprehensive income for the year	191,083	451,216	598,247	308,596	38,152	59,022
Earnings per share	2.00	4.69	5.99	3.78	0.58	0.43

6.1.3 Names of the CPAs for the 5 most recent fiscal years and audit opinions

Year	Name of the CPA	Audit opinions
2017	KPMG Daisy Kuo and Swimming Hsu	Unqualified opinion
2018	KPMG Daisy Kuo and Swimming Hsu	Unqualified opinion
2019	KPMG Daisy Kuo and Swimming Hsu	Unqualified opinion
2020	KPMG Daisy Kuo and Swimming Hsu	Unqualified opinion emphasizes special matters
2021	KPMG Daisy Kuo and Swimming Hsu	Unqualified opinion

6.2 Five-year financial analysis

6.2.1 Individual Financial Analysis

Item analyzed \ Year		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	11.10	15.27	14.87	27.30	20.74
	Ratio of long-term capital to property, plant and equipment	201.58	206.78	224.50	291.95	193.50
Solvency (%)	Current ratio	380.39	300.58	326.18	168.32	182.90
	Quick ratio	238.43	209.34	231.82	131.43	138.84
	Interest earned ratio (times)	0	272,394.5	13,677.15	10,587.40	1,598.71
Operation performance	Accounts receivable turnover (times)	6.11	6.87	6.34	7.79	4.11
	Average collection period	60	53	58	47	89
	Inventory turnover (times)	1.85	2.42	2.76	3.12	1.94
	Accounts payable turnover (times)	19.42	19.16	15.48	16.15	11.45
	Average days in sales	198	151	132	117	188
	Property, plant, and equipment turnover (times)	0.90	1.28	1.51	1.96	0.58
	Total asset turnover(times)	0.38	0.55	0.60	0.62	0.20
Profitability	Return on total assets (%)	5.58	12.63	14.51	8.33	1.27
	Return on equity (%)	6.37	14.57	17.09	10.60	1.68
	Profit ratio (%)	14.68	23.05	24.24	13.39	6.44
	Earnings per share (NT$)	2.00	4.69	5.99	3.78	0.58
Cash flow	Cash flow ratio (%)	82.53	86.93	135.59	86.63	37.55
	Cash flow adequacy ratio (%)	85.96	119.85	126.83	128.48	112.51
	Cash reinvestment ratio (%)	-1.18	6.77	9.47	16.57	6.51
Leverage	Operating leverage	1.68	1.45	1.34	1.21	2.80
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Description of causes for changes in financial ratios in the most recent two years.
(Analysis is not required if the change is within 20 %.)

1. A Decreased debt ratio and accounts payable turnover ratio: Due to the small amount of product manufactured at the leased plant, trade payable and the agreement liability both decreased, and the compensation of NT$110 million was already paid to the damaged manufacturers of the fire accident, resulting in the current liability decreased.
2. Decrease in the ratio of long-term funds to fixed assets: Part of the buildings, equipment, and ongoing construction is gradually entering the account, causing the increase in property, plant, and equipment.
3. Decrease in times interest earned and cash flow ratio: Due to the impact of the fire accident, shipments were sent relying on the stock and the manufactured products from the leased plant, causing decreases in account receivable, inventory, and profit margin before tax.
4. Decrease in receivables turnover rate, property, plant, and equipment turnover rate, and total assets turnover rate, as well as increase in the average collection days for receivables: Due to a significant decline in the revenue in 2021.
5. Decrease in inventory turnover and increase in average days in sales: Due to the stock being nearly sold out and the limited production of the leased plant.
6. Decrease in return on assets and equity, profit margin, and EPS: Due to the significant decrease in the net profit after tax in 2021.
7. Decrease in the cash re-investment ratio: Due to the decrease in net cash inflow from operating activities during the period.
8. Increase in the degree of operating leverage: Due to the operating profit falling at a greater rate than revenue in 2021.

1. Financial structure
   (1) Debt Ratio = Total liabilities / Total assets
   (2) Ratio of long-term capital to Property, plant, and equipment = (Net shareholder equity + Long-term liabilities) / Net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current asset – inventory-prepaid expense) / Current liabilities
   (3) Interest earned ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period
3. Operating performance
   (1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / Average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant, and equipment turnover = Net sales / Average net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
   (7) Total asset turnover = Net sales / Average total asset
4. Profitability
   (1) Return on total assets = [Net income + Interest expenses x (1 - tax rate)] / Average total asset
   (2) Return on equity = Net income / Average total equity
   (3) Profit ratio = Net income / Net sales
   (4) Earnings per share (EPS) = (Net income - preferred shares dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
   (2) Cash flow adequacy ratio = Net cash flow from operating activities within five year / (Capital expenditure + Inventory increase + Cash dividend) within five year
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Total fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net operating income - Operating variable cost and expense) / Operating income
   (2) Financial leverage = Operating income / (Operating income - Interest expense)

6.2.2 Consolidated Financial Analysis

Item analyzed \ Year		Financial Summary for The Last Five Years					As of Q1 2022
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	11.10	15.28	14.87	27.30	20.75	23.19
	Ratio of long-term capital to property, plant and equipment	165.33	171.55	186.32	229.82	164.06	152.91
Solvency (%)	Current ratio	390.35	306.61	331.36	170.98	186.82	160.91
	Quick ratio	248.43	215.38	237.02	134.10	142.76	113.37
	Interest earned ratio (times)	0	272,394.5	13,677.15	10,587.40	1,598.71	754.71
Operation performance	Accounts receivable turnover (times)	6.11	6.87	6.34	7.79	4.11	5.84
	Average collection period	60	53	58	47	89	62
	Inventory turnover (times)	1.85	2.42	2.76	3.12	1.94	1.65
	Accounts payable turnover (times)	19.42	19.16	15.48	16.15	11.45	13.48
	Average days in sales	198	151	132	117	188	221
	Property, plant, and equipment turnover (times)	0.73	1.06	1.25	1.59	0.48	0.34
	Total asset turnover(times)	0.38	0.55	0.60	0.62	0.20	0.18
Profitability	Return on total assets (%)	5.58	12.63	14.51	8.33	1.27	---
	Return on equity (%)	6.37	14.57	17.09	10.60	1.68	---
	Profit ratio (%)	14.68	23.05	24.24	13.39	6.44	21.90
	Earnings per share (NT$)	2.00	4.69	5.99	3.78	0.58	0.43
Cash flow	Cash flow ratio (%)	82.12	86.25	135.49	86.57	37.47	---
	Cash flow adequacy ratio (%)	73.30	104.53	126.53	128.32	112.37	---
	Cash reinvestment ratio (%)	-1.21	6.75	9.46	16.55	6.49	---
Leverage	Operating leverage	1.69	1.45	1.34	1.21	2.83	3.03
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Description of causes for changes in financial ratios in the most recent two years.
(Analysis is not required if the change is within 20 %.)

1. A Decreased debt ratio and accounts payable turnover ratio: Due to the small amount of product manufactured at the leased plant, trade payable and the agreement liability both decreased, and the compensation of NT$110 million was already paid to the damaged manufacturers of the fire accident, resulting in the current liability decreased.
2. Decrease in the ratio of long-term funds to fixed assets: Part of the buildings, equipment, and ongoing construction is gradually entering the account, causing the increase in property, plant, and equipment.
3. Decrease in times interest earned and cash flow ratio: Due to the impact of the fire accident, shipments were sent relying on the stock and the manufactured products from the leased plant, causing decreases in account receivable, inventory, and profit margin before tax.
4. Decrease in receivables turnover rate, property, plant, and equipment turnover rate, and total assets turnover rate, as well as increase in the average collection days for receivables: Due to a significant decline in the revenue in 2021.
5. Decrease in inventory turnover and increase in average days in sales: Due to the stock being nearly sold out and the limited production of the leased plant.
6. Decrease in return on assets and equity, profit margin, and EPS: Due to the significant decrease in the net profit after tax in 2021.
7. Decrease in the cash re-investment ratio: Due to the decrease in net cash inflow from operating activities during the period.
8. Increase in the degree of operating leverage: Due to the operating profit falling at a greater rate than revenue in 2021.

1. Financial structure
   (1) Debt Ratio = Total liabilities / Total assets
   (2) Ratio of long-term capital to Property, plant, and equipment = (Net shareholder equity + Long-term liabilities) / Net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current asset – inventory-prepaid expense) / Current liabilities
   (3) Interest earned ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period
3. Operating performance
   (1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / Average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant, and equipment turnover = Net sales / Average net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
   (7) Total asset turnover = Net sales / Average total asset
4. Profitability
   (1) Return on total assets = [Net income + Interest expenses x (1 - tax rate)] / Average total asset
   (2) Return on equity = Net income / Average total equity
   (3) Profit ratio = Net income / Net sales
   (4) Earnings per share (EPS) = (Net income - preferred shares dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
   (2) Cash flow adequacy ratio = Net cash flow from operating activities within five year / (Capital expenditure + Inventory increase + Cash dividend) within five year
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Total fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net operating income - Operating variable cost and expense) / Operating income
   (2) Financial leverage = Operating income / (Operating income - Interest expense)

6.3 Audit Committee's review report for the most recent year

SCI PHARMTECH, INC.

Audit Committee' Review Report

2021 Consolidated Financial Statement and Individual Financial Statements of the Company submitted by the Board of the Directors, have been audited by CPA Daisy Kuo and Swimming Hsu of KPMG. All Audit Committee members of the Company have verified the above along with the Company's Business Report and Earnings Distribution, and we are of the opinion that misstatement has not been found. Hence, we have issued the above statement for your reference and inspection in accordance with Article 14-4 of Securities and Exchange Act. and Article 219 of the Company Act.

To

2022 Annual Shareholders' Meeting

Audit Committee Convenor: Te-cheng Tu

March 18, 2022

6.4 The Audited Consolidated Financial Report for the most Recent Fiscal Year：
Please refer to attachment 8.

6.5 The Audited Parent Company only Financial Report for the most Recent Fiscal Year：
Please refer to attachment 9.

6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation : None

7、Review of Financial Conditions, Operating Results, and Risk Management

7.1 Financial Status:

Analysis of financial situation

Unit: Thousand NT$

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	1,397,310	1,918,811	(521,501)	(27.18)
Non-current financial assets at fair value through profit or loss	---	667,955	667,955	NA
Non-current financial assets at fair value through other comprehensive income	72,521	85,697	(13,176)	(15.38)
Property, plant, and equipment	52,447	---	52,447	NA
Right-of-use assets	2,097,997	1,500,152	597,845	39.85
Intangible assets	2,134	2,568	(434)	(16.90)
Deferred tax assets	60,290	41,319	18,971	45.91
Other non-current assets	241,552	263,546	(21,994)	(8.35)
Total assets	265,644	89,890	175,754	195.52
Current liabilities	747,937	1,122,214	(374,277)	(33.35)
Non-current liabilities	121,327	125,502	(4,175)	(3.33)
Total liabilities	869,264	1,247,716	(378,452)	(30.33)
Common stock	953,824	794,853	158,971	20.00
Capital surplus	1,348,339	1,348,339	0	0
Retained earnings	1,067,397	1,208,408	(141,011)	(11.67)
Other equity	(48,929)	(29,378)	(19,551)	(66.55)
Total equity	3,320,631	3,322,222	(1,591)	(0.05)

Analysis of changes in ratios :

1. Decreased current assets: Due to the fire accident, the company can only ship with the stock and the products manufactured in the leased factories, causing the account receivable and inventory to decrease, and the other receivables decreased as the company recorded the first insurance claims of NT$253,518 thousand.
2. Increased property, plant, and equipment: Part of the properties, equipment, and the constructions ongoing are gradually entering the account.
3. Increased intangible assets: Due to an increase in the expense of purchasing computer software.
4. Increased other non-current assets: Due to the increase in the advanced payment for equipment.
5. Decreased current liabilities, total liabilities: Due to the decrease in account payable and agreement liabilities, as well as

NT$110 million of the listed liabilities for the compensation of the accident have been paid.

6. Increase in share capital: Due to the share dividend distributed as NT$2.

7. Decrease in other equity: Due to the recognized valuation losses of Energenesis Biomedical and Sunny Pharmtech Inc.

Note : The analysis would not be required if the change is within 20% with the amount exceeding NT$10 million.

7.2 Operation Results:

7.2.1 Analysis of financial performance

Unit: Thousand NT$

Item	2021	2020	Difference amount	Proportion of change %
Operating revenue	864,217	2,689,222	(1,825,005)	(67.86)
Operating cost	656,128	1,414,894	(758,766)	(53.63)
Operating margin	208,089	1,274,328	(1,066,239)	(83.67)
Operating expenses				
Selling expenses	49,108	111,927	(62,819)	(56.12)
Administrative expenses	54,976	68,637	(13,661)	(19.90)
R&D expenses	30,347	43,365	(13,018)	(30.02)
Impairment loss	---	(1,179)	1,179	NA
Net operating income	73,658	1,051,578	(977,920)	(93.00)
Non-operating income and expense	(8,152)	(596,363)	588,211	98.63
Profit before tax	65,506	455,215	(389,709)	(85.61)
Income tax expense	9,810	95,091	(85,281)	(89.68)
Net profit for the year	55,696	360,124	(304,428)	(84.53)
Other comprehensive income	(17,544)	(51,528)	33,984	65.95
Total comprehensive income for the year	38,152	308,596	(270,444)	(87.64)

Analysis of changes in ratios :

1. Decrease in operating income, operating costs, gross profit, operating expense, net operating profit, net profit before tax, income tax expenses, net profit for the current period, and comprehensive profit or losses for the current period: Due to the impact of fire accident, all shipments have been relying on the stocks and the products manufactured in the leased plant, causing the significant drop in revenue and the profitability of the company.
2. Decrease in non-operating expenses: Due to the listed compensational loss for the accident of NT$509,076 thousand in the previous year, and none was listed this year.
3. Decrease in other comprehensive losses of the current period: Mainly due to the valuation losses from Energenesis Biomedical and Sunny Pharmtech were higher last year, as a result, the valuation losses are relatively less this year.

Note : The analysis would not be required if the change is within 20% with the amount exceeding NT$10 million.

7.2.2 Estimated sales volume and its basis:

1. Estimated sales volume:

Item	Sales Volume (Ton)
APIs	216
API Intermediate	111
Others	0
Total	327

2. Estimated sales basis:

The expected sales volume in the above chart is based on the summary of the company's 2022 Annual Budget approved by the board of directors. The estimation basis is mainly based on the external supportive capacity as well as the schedules of in-house assembly line reconstruction. Although most of the inventory were destroyed in the disaster, the sales value is expected to grow compared with that of the previous year, thanks to the gradual recovery and the re-operation of production capacity. The corporation hopes to keep on making profits in this industry.

7.2.3 Possible impact on the future finance of the Company and response measures :

1. Restore most of the production capacity by the end of 2022 and maintain a close relationship with customers.
2. Arrange the places of production in separate locations to maintain operational flexibility.
3. Promote circular economy to keep the sustainability of the earth.

7.3 Cash flow:

7.3.1 Analysis and explanations of changes in cash flow in the 2 most recent fiscal years (if the change is within 20%)

Item \ Year	December 31, 2021	December 31, 2020	Proportion of change %
Cash flow ratio %	37.47	86.57	(56.72)
Cash flow adequacy ratio %	112.37	128.32	(12.43)
Cash reinvestment ratio %	6.49	16.55	(60.79)

Analysis of changes in ratios :
Decrease in cash flow ratio and cash re-investment ratio:
Due to the impact of the fire accident, all shipments have been relying on the stock and products manufactured in the leased plant, causing the revenue and the net cash inflow to decrease. Also, for the rapid reconstruction, capital expenses increase significantly.

7.3.2 Analysis of cash liquidity in 2021

Unit: Thousand NT$

Cash at beginning of year (1)	Cash flows from operating activities for the entire year (2)	Cash outflow for the entire year (3)	Sum of cash surplus (inadequacy) (1)+(2)-(3)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
663,029	280,278	611,076	332,231	—	—

1. Analysis of the cash flow changes of the year:
   (1) Operating activities:
   The net cash inflow from operating activities is NT$280,278 thousand,which is more than the net profit after tax of NT$55,696 thousand, indicating that the quality of the company earnings is still decent maintained.
   (2) Investment activities:
   The net cash outflow from investing activities is NT$539,560 thousand, which is mainly used as the expenses for the follow-up construction of the newly built R&D building, and the reconstruction of other buildings, production lines, and equipment.
   (3) Funding activities:
   The net cash outflow from funding activities is NT$41,516 thousand, and is mainly for the distribution of cash dividends.
2. Remedial actions for cash shortfall and the liquidity analysis:
   With the disposal of part of the money market funds on the account in 2021, there is no issue of cash shortfall.

7.3.3 Cash liquidity analysis for the following year

Unit: Thousand NT$

Cash at beginning of year (1)	Expected cash flows from operating activities for the entire year (2)	Expected cash outflow for the entire year (3)	Expected sum of cash surplus (or inadequacy) (1)+(2)-(3)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
332,231	324,000	1,792,000	(1,135,769)	－	As noted in 2

1. Analysis of the projected cash flow changes for 2022:
   (1) Projected net cash flow from operating activities within the year:
   The projected cash outflow from operating activities is NT$1,792,000 thousand.
   (2) Projected net cash outflow within the year:
   The company planned to construct the Research & Development Centre, build the new Guanyin Plant, and invest in the Framosa Co., Ltd., along with expenses for the reconstruction and the compensation for the losses of neighboring factories.
2. Projected Remedial Actions for Cash Shortfall and the liquidity analysis:
   An estimated NT$1.32 billion loan from the bank will serve as the response measure.

7.4 Impact of major capital expenditures on the financial business in the most recent year :

The major capital expenditure in 2021 was in the R&D building and rebuilding plants and equipment.

7.4.1 Expected benefits :

1. Research and development is the cornerstone of the pharmaceutical business. Every new product requires the R&D department to develop the production process before mass production on the line. When the product is commercialized, the R&D department will continue to refine the process to lower costs, reduce waste, and enhance competitiveness of the product. Although we have increased the R&D personnel and equipment in response to the growth of the business, our R&D capability has become insufficient to meet the demand, in that the physical facilities have become outdated and need upgrade and expansion to help increase the capacity in R&D.
2. The company is in rebuilding plants and equipment destroyed by the fire, which is expected to resume productivity.

7.4.2 Possible risks : None.

7.4.3 Response measures : None.

7.5 Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year :

7.5.1 Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan :

1. The reinvestment policy of the company is to invest in related fields of the medical and pharmaceutical industries, or businesses that can generate synergy with the major business of the company.
2. Yushan Pharmaceuticals, Inc. generated approximately NT$586 thousand of losses in 2021, mainly contributed by the undetermined future operational direction of Yushan Pharmaceuticals, Inc. A cost of NT$600 thousand is estimated each year for Yushan to maintain its operation.

7.5.2 Investment plans for the upcoming fiscal year :

1.The company invested the Framosa Co. with NT$66 million in 2021, introducing the advanced technology of Veolia, which is for purifying and reusing the solvent applied in the production process, which shall promote the circular economy development and reduce the operational impacts to the environment, while increasing the operating capacity and reducing the operating costs of the company. However, due to modifications in the construction designs, the construction of the plant has not been initiated yet.

2. The construction budget for 2022-2029 totals NT$1.424 billion, and the board of directors has first approved the capex of 1.175 billion for 2022-2023. It is expected that the debt ratio will increase to about 30% due to med-term bank borrowings raised for the capex.The building is expected to be completed in early 2023 and can accommodate 4 production lines, which will provide about 50% of the capacity of Luzhu Plant.In 2023, 2 production lines will be installed and the required fire fighting, water and electricity, clean room and storage systems built.In 2027 and 2029, an other new production line will be built separately according to demand.

7.6 For risks, the following items shall be analyzed and assessed for the most recent year up to the printing date of this annual report :

7.6.1 The policies and organizational structure of risk management: The Board of Directors approved the Risk Management Policy and Procedure on May 8,2020. Please refer to Attachment 6.

1. Policies: The company's risk management policy is to establish a risk management mechanism to identify, evaluate, supervise, and control risks following the company's operating policies, and to achieve the goals of rationalizing the risks and the reward within the tolerable scope of risk.
2. Authority and responsibilities of each unit in the organisation:

(1) Board of Directors:
This is the highest authority of the company's risk management, and is in charge of approving, reviewing, and supervising the company's risk policies, ensuring the management structure and the operation of risk control functions.

(2) Presidemt Office:
The unit is in charge of planning the operational strategy, also supervising and implementing its execution to fulfill the effectiveness and efficiency of the operation, reducing the operational and strategic risks. This unit is also in charge of legal risk management, compliance with the government monitoring measures, and determining possible agreement disputes or legal disputes to reduce the legal risks.

(3) Audit Office:
The unit is in charge of evaluating the key risks matters, which shall be referenced for the audit plan operation. This unit is also in charge of enacting or amending the related control procedures and practices for possible risks.

(4) IT Office:
The unit is in charge of overall planning and set-up of the ERP information equipment and the enterprise network, and is also responsible for managing the Internet information security to reduce the information security risks.

(5) Safety Office:
The unit is in charge of the planning and execution of the industrial safety and health practices to comply with the related laws and regulations, and reduce the related risks.

(6) Business Department:
In the aspect of business:
The unit is in charge of the development of clients and products, as well as enacting the transaction terms and conditions based on the relationship with the client, the client's financial condition, and the political and economic condition of the client's location to prevent the risks of unable to receive the account receivables.
In the aspect of purchasing:
The unit is in charge of the management of a decent supply chain, ensuring the stable supply of raw materials, their qualities meeting the specification, and the stability of the price, to reduce the risks of daily operations.

(7) Research & Development Department:
The unit is in charge of evaluating and ensuring the development of new products does not involve the risk of violating others' patents and intellectual properties. This unit is also in charge of the management of patents and intellectual properties.

(8) Quality Assurance and Quality Control Department:
The unit is in charge of ensuring the products are manufactured following the GMP and standards demanded by the clients, while also complying with the regulations of health competent authorities in different countries, to reduce the risks of relating to decreases in quality and client complaints.

(9) Production Department:
The unit is in charge of ensuring the production operation is following the schedule and related SOP to prevent the risks of delayed shipments or production disruptions.

(10) Production Management Department:
The unit is in charge of optimizing the quantities of raw materials and final products to control the inventory cost while preventing the shortage of raw materials and finished products. The unit is also in charge of managing the production schedule to improve production efficiency and planning for the requirements of sufficient future capacity to avoid the risk of production capacity shortage.

(11) Environmental Protection Department:
The unit is in charge of planning and implementing the environmental protection policies to maintain compliance with related laws and regulations and reduce the related risks.

(12) Engineering Department:
The unit is in charge of the design and execution of the plant construction to ensure the plant and equipment meet the standard of the clients and the health-related authorities of different countries. This unit is also responsible for the preventive maintenance of the plant and equipment to reduce the risk of ceasing production due to the damaged production equipment.

(13) Finance and Administration Department:
The unit is in charge of the risk management for assets and compliance with the related laws and regulations from the government to ensure the sustainable operation of the company and the security of its assets. This unit is also responsible for evaluating the medium- and long-term investment performance, the financial operations and adjustment, the establishment of a hedging mechanism, and achieving the reliability of financial reports and compliance with laws and regulations to reduce the financial-related risks.

3. The company reports to the Board of Directors with the operational condition regularly every year, the latest company report to the Board of Directors have been conducted on December 29, 2021, and the operational conditions are as follows:

(1) Operational risks - Supply chain risks:

A. Evaluate: a.Mandatory suspension of the PRC supplier operations for environmenta protection reasons.

b.Impacts of COVID-19 lockdowns on supply.

B. Impact: In 2021, due to the aftermath of the fire accident, only a few intermediates products were manufactured in the leased plant, therefore the raw materials are not yet in short supply.

C. Response: a.To disperse the supply chain (new suppliers in Taiwan have been established for the affected materials).

b.To overstock, as possible, raw materials with questionable supply conditions.

c.To design multi-functional/multi-purpose production lines so they can be converted to other uses during the affected period.

(2) Operational risks - EHS risks:

A. Evaluate: a.Being in the chemical manufacturing industry carries high potential for fire and toxicity.

b.Equipment damage or employee death or injuries due to negligent operations that might lead to suspension of operations.

c.Environmental pollution due to negligent operations that might lead to suspension of operations.

d.Net zero carbon impact.

B. Impact: a.Fixed assets and inventories losses of NT$580 million and estimated legal damages of NT$510million paid to the neighboring factories by Dec. 20, 2020. The company then recognized a further losses of NT$19.55 million in fixed assets at the end of 2021, with an additional NT$25 million as the reversal compensation losses after assessing the compensation claim submitted from the damaged neighboring factories. SCI has been compensated with NT$ 110 million by the end of 2021.

b.NT$15 million is budgeted in 2022 for the remediation of land (for the chemical leakage caused by the fire accident).

C. Response: a.To execute standard operational procedures faithfully , ensuring adherence to ISO45000 and ISO14000.

b.To conduct educational training and fire drills and include environmental pollution and work safety incidents as factors for performance awards and punishments.

c.To have fire insurance, the current combined insurance amount of which is about NT$1.5 billion (including insurance for interruption of operations).

d.To have Insurances for public accident liability and employer liability.

e.To hire external institutions to calculate the carbon footprint of the company’s products.

(3) Operational risks - Quality risks:

A. Evaluate: Failing a client audit or health authority inspection or receiving warning letters, which create issues in product quality that necessitate remake or scrapping.

B. Impact: NT$4.37million lost due to scrapping in 2021.

C. Response: a.To implement quality assurance policies and good manufacturing practice, ensuring adherence to ISO9000.

b. To have introduced the SAP ERP and Master Control softwares for data integrity and launch the Laboratory Information Management System (LIMS) in 2022.

c. To have a product liability insurance for US$2 million.

(4) Financial risks - Exchange rates risks:

A. Evaluate: 90% of the company's revenue is derived from exports. The quoted price is mainly in US dollars, and the appreciation or depreciation of the currency impacts the company's revenue significantly.

B. Impact: The appreciation and depreciation of NT$1 in the foreign exchange between US dollars and New Taiwan dollars approximately impact 2% of the gross margin. The position of US dollars generates non-operating exchange gains and losses, a NT$15 million of non-operating exchange losses in 2021, affecting NT$0.12 in EPS after tax.

C. Response: a. To increase the product price to maintain the gross margin.

b. To undertake Forward Foreign Exchange to reduce exchange gains and losses.(The cost of hedging is currently not high, however, it may become very expensive at a later point.)

(5) Financial risks - FVP&L:

A. Evaluate: The current amount of financial assets at fair value through profit or loss is NT $360 million, mainly in money funds and preference shares in financial institutions.

B. Impact: a. The preferred shares of financial institutions are paying stable dividends with a dividend income of approximately NT$9.44 million in 2021.

b. The valuation gains or losses from the investment positions, generate the valuation gains of NT$2.24 million in 2021.

C. Response: a. 93% of the subject of investment are rated as investment grade and approximately 7% are ETF (with more diluted in risks). The company plans to maintain such arrangement, as there are currently no better options for liquidating the funds.

b. Control the amount of singular subject of investment under NT$50 million.

(6) Financial risks – PVOCI:

A. Evaluate: Currently, the financial assets at fair value through other comprehensive income is NT$73 million with NT$31 million from Sunny Pharmtech Inc. and NT$42 million from Energenesis Biomedical Co., Ltd.

B. Impact: Other comprehensive losses in 2021 are approximately NT$18 million, mainly the losses on the valuation of Energenesis Biomedical Co., Ltd. and Sunny Pharmtech Inc.

C. Response: a. As the investments in those companies are part of a long-term strategy, there is currently no disposal plan.

b. The operation of Sunny Pharmtech Inc. has improved.

c. The delays in the OTC listing and the progress of the product licensing of Energenesis Biomedical Co., Ltd. are behind schedule, however, the company is still optimistic about the future development.

(7) Financial risks - Credit risks:

A. Evaluate: a. For the default risk of account receivables, the current account balance is

NT$83 million.

b.For the default risk of cash and cash equivalent, the current balance is NT$332 million.

B. Impact: There is no bad debt expense in 2021 and the interest income of cash and cash equivalent generated is approximately NT$600 thousand.

C. Response: a.The company shall implement proper client credit investigation, prepayment transactions shall be requested to the clients with concerning status, and factoring of accounts receivables and insurance shall be implemented when necessary.

b.The company shall decentralize the bill companies for handling short-term notes and bills (Cash Equivalent), currently the company is corresponding with International Bills Finance Corporation, Ta Ching Bills Finance Corporation, and Mega Bills Finance Co., Ltd.

c.The company's cash deposits are in financial institutions with high credit ratings, which are mainly Mega Bank, E. Sun Bank, and Taishin Bank.

(8) Financial risks－Others:

A. Evaluate: a. Interest rates risks.

b. Liquidity risks.

c. Inflation risks.

B. Impact: a. No major impact in 2021, but the Central Bank of Taiwan announced a quarter of a percent hike in rates following the US, which will inevitably cause an increase in operational costs.

b.Liquidity and inflation would not result in significant impacts on the Company in 2021.

C. Response: a. Interest rates :The mid-term loan agreement signed with Mega International Commercial Bank Co., Ltd. in 2022 is qualified for the "Loan for Speeded Up Investment by Domestic Corporations", therefore with a relatively lower interest rate.

b. Inflation : Expected cost increases, and raises products prices.

c. Liquidity :The company is planning to increase the mid-term loan in 2022 as the corresponding measure.

(9) Strategy risks:

A. Evaluate: a.The company joint venture with Veolia to establish the Framosa Co., Ltd in the hope to reduce the consumption and the outsourced processing of chemical solvent, enhancing the competitiveness in operation and meeting the global trend of ESG, thus the company support Framosa to construct its plant and operate within the schedule.

b. Construction of a second plant: The plant in Guanyin is to decentralize the production locations and stabilize the relationships with clients.

B. Impact: a. The company is holding 40% of the shares of Framosa Co., Ltd., allowing it to become one of the company's affiliated companies. The shareholding ratio will be utilized to recognize the loss on investment (NT$9 million of losses recognized in 2021). The decrease in consumption and the outsourced processing of chemical solvent will reduce the operating costs and increase the gross profit margin of products.

b.The initial investment of the Guanyin Plant is NT$1.175 billion, if the utilization rate of the production capacity is not high enough after the operation started, it will affect the profitability of the company's main business.

C. Response: a.To support the construction and operation of the Framosa Co., Ltd. under the schedule to secure the solvent processing service agreements within the industry and establish economic scale.

b.To strengthen the business team, especially the market development capability in Northern America, and to ensure the increase in production capacity utilization.

(10) Hazard risks – Natural disaster risks:

A. Evaluate: a. Taiwan is easily impacted by natural disasters such as typhoons, earthquakes, etc.

b. Risks of emerging infectious diseases.

B. Impact: No losses related to natural disasters occurred in 2021.

C. Response: a.To enact the continuous operation plan of the company.

b.To enact the reporting and protection measures of infectious diseases, and implement them accordingly.

c.To purchase property insurance, currently the total coverage amount of insurance is approximately NT$1.5 billion (the scope of insurance includes the stock, machinery equipment, buildings, and the interruption in operation.)

(11) Law risks :

A. Evaluate: a.Compliance with government laws and orders.

b.Investment agreement signed by the President's Office.

c.Non-disclosure agreement and supply agreement signed by the Business and Purchase Department.

d.Service agreement and equipment agreement from other departments.

B. Impact: a.None in 2021.

b.The criminal responsibility of negligent homicide.

c.Subrogation litigation proceeded by Shinkong Insurance Co., Ltd.

C. Response: a.Each department shall assign personnel to review the amendment of laws and regulations and review its impact and the corresponding measures that shall be taken by the company.

b.Each department shall review all agreements carefully, and strictly enforce the internal control procedures requiring signatures and seals.

c.To commission services from legal firms for special and significant events.

d.To consult the opinions of General Counsel from the parent company for special and significant events.

(12) Others risks – Market risks:

A. Evaluate: a.The market for pharmaceuticals grows steadily each year under population growth, aging, and economic growth.

b.The risk of losing clients.

c.The risk of having excessive ratios of a single product and a single client in the company's revenues.

B. Impact:The disruption of supply due to the fire accident may result in future risks of losing clients.

C. Response: a.To continuously enhance the relationship with the clients, speed up the processes of reconstruction, returning to production, and the construction of Guanyin Plant to restore the confidence of our clients.

b.To continuously develop new products with the goal of reducing the ratio of a single product to the company's revenue to below 15%.

c.To continuously develop new clients with the goal of reducing the ratio of a single client to the company's revenue to below 10%.

7.6.2 Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures:

1. Policy : The Company always focuses on its scope of business and does not engage in high-risk or highly-leveraged investment activities. In 2017, the Company made no capital loan to other parties nor provided any endorsement or guarantee. All derivatives trading were carried out for the purpose of hedging. The Company will continue to strictly abide by related procedures for derivatives trading stipulated by both the competent authorities and the Company, thoroughly review any associated activities and strengthen the controls.
2. Cause of profit or loss: N/A.
3. Future response measures: None.

7.6.3 Future R&D plans and expected R&D investments:

R&D Project Name	Current Progress	Expected Completion Time Mass Production Time	Key Factors Influencing R&D Success	Expected R&D Investments
Adenine	Process improvement	March 2022	Key technology	Investment of about NT$ 50million
Buprenorphine	Process improvement	June 2022	Key technology	
Pimobendan	Process improvement	September 2022	Key technology	
Lisdexafatamine	Process improvement	December 2022	Key technology	

Note: Due to the fire incident, only the aforementioned R&D projects will go forward; all production lines for the existing products will undergo replacement and modification.

7.6.4 Changes in local and overseas policies and laws, impact on the Company's finances and operations, and response measures:

The business operation is faced with numerous laws and regulations. The pharmaceutical industry is more subject to the pharmaceutical laws and regulations, such as the Pharmaceutical Affairs Act and Pharmaceutical Good Manufacturing Practice Regulations. As the regulatory environment continues to change and improve, each department of SCI has designated personnel to be responsible for management of changes in laws and regulations. In addition, APIs are related to the quality of preparations, so the Ministry of Health and Welfare implements source management and continuously promotes policies related to API management to ensure that domestic API companies fully comply with PIC/S GMP standards.

7.6.5 Changes in technology and industry, impact on the Company's finances and operations, and response measures: None.

7.6.6 Changes in the corporate image, impact on the Company's risk management, and response measures:

1. Evaluate: The company has been operating steadily with stable growth and profitability before the fire accident, and has been maintaining decent financial conditions. However, the fire accident impacted the corporate image and resulted in a decrease in share price.
2. Response: The company will strive to continue the corporate spirit of maintaining steady operations, accelerating the reconstruction progress with practical and responsible approaches, and increasing revenue and profitability to win back the trust og shareholders and investors.

7.6.7 Expected benefits and possible risks of mergers and response measures: None.

7.6.8 Expected benefits and possible risks of expanding factory buildings and response risks:

The major capital expenditure in 2021 was in the R&D building.

1. Expected benefits:
   Research and development is the cornerstone of the pharmaceutical business. Every new product requires the R&D department to develop the production process before mass production on the line. When the product is commercialized, the R&D department will continue to refine the process to lower costs, reduce waste, and enhance competitiveness of the product. Although we have increased the R&D personnel and equipment in response to the growth of the business, our R&D capability has become insufficient to meet the demand, in that the physical facilities have become outdated and need upgrade and expansion to help increase the capacity in R&D.
2. Possible risks and Response measures: None.

7.6.9 Risks resulting from the concentration of purchases or sales and response measures:

Most suppliers and customers of SCI are trading partners with long-term and close relationships, resulting in low risk levels. In 2021, the largest supplier accounted for 60.17% of total purchases, and the largest customer accounted for 22.84% of total sales. Overly concentration in purchase and sales, which is mainly due to ceased production caused by the fire accident and the limited amount of manufactured products.

7.6.10 Impacts, risks, and response measures pertaining to major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than ten percent (10%) of the Company's shares : None.

7.6.11 Impacts, risks, and response measures pertaining to changes in ownership: None.

7.6.12 Any litigious or non-litigious matters or administrative disputes up to the printing date of this annual report where the Company and its Directors, President, actual person in charge, and major shareholders holding more than 10% of the Company's shares, and affiliated companies that have been concluded by means of a final judgment or are still under litigation, to be a party thereof, and where the results thereof could materially affect shareholders' equity or prices of the Company's securities, as well as the facts of the dispute, amount of money at stake, start date of litigation, and main parties to the litigation:

1.Case Number of 2020 Hsiang Tzu No.1994 -The litigation of criminal responsibility of negligent homicide:
The explosion in the company's production line at noon, December 20, 2020, caused the death of a foreign employee who was sent to the hospital but died from injuries. The litigation of criminal responsibility of negligent homicide was under the investigation of the Taiwan Taoyuan District Prosecutors Office, and the case was not prosecuted in April 2022.

2.Case Number of 2021 Chung Su Tsu No. 379- Subrogation litigation by Shinkong Insurance Co. Ltd:
Tao Yuan Paper MFG. Co., Ltd was affected by the fire accident, and after its insurance company, Shinkong Insurance claimed its settlement, Shinkong Insurance filed subrogation litigation against the company and the case was settled by the court in March 2022.

7.6.13 Other important risks:

1.Impacts of the coronavirus pandemic and the emergence of variants, and the responding measures:

(1) Impact of the pandemic:The discoveries of new coronavirus variants brought significant impacts to the world. With rapid increases in global case numbers and the partial lockdown in China, a slight impact was suffered by thecompany's raw material supply chain.

(2)Response: A. To seek out and increase the number of major raw materials suppliers globally and speed up the process of decentralization and transfer of supply chains.

B. To continue monitoring the macro-level environment and make systems and operations adjustments accordingly.

C. To maintain sufficient working capital to work with the changes.

2. Global geopolitical risk increased by the Russian invasion of Ukraine:

(1) Impact of the war:

A. A price hike was seen in the global raw material and the heavy metal, the price of steel and nickel have been soaring since early March 2022, resulting in the vendors reluctant to perform the quotation for heat exchangers purchasing negotiations, impacting the reconstruction progress of the company.

B. Economic sanctions on Russia from nations impacted the global energy supply.

C. The business operation costs increased under the rise in global inflation and the continuous port congestion.

(2) Response:

A. To continuously monitor the prices of steel and nickel, and make separate purchase orders.

B. To actively communicate with the client, convey the increase in production costs, and increase the product price timely.

7.7 Other important issues: None.

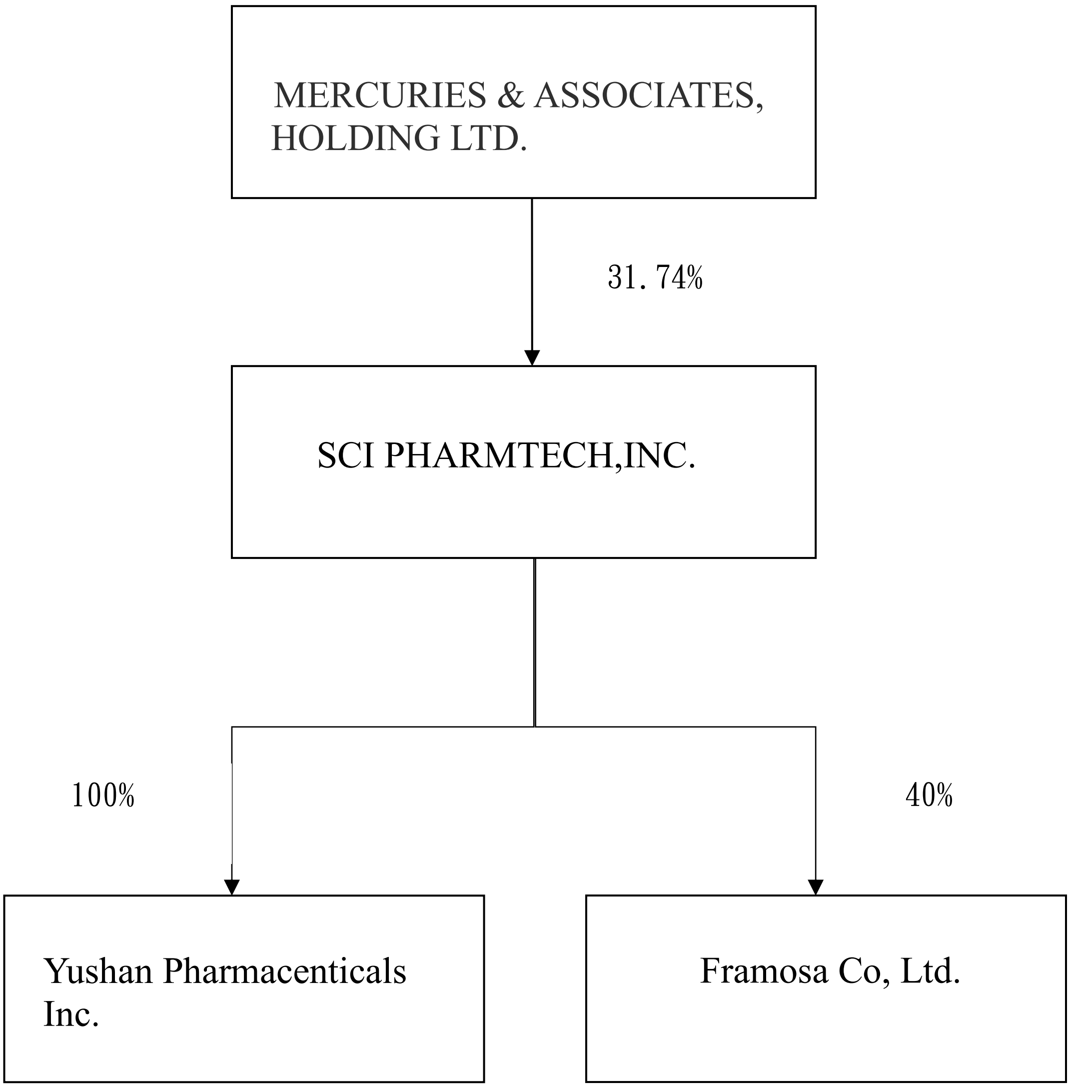
8、Special Disclosure

8.1 Affiliated enterprises:

8.1.1 Consolidated business report of affiliated companies

1.Overview of affiliated companies

(1) Organization chart of affiliated companies (December 31, 2021)



(2) Basic information on affiliated companies :

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business orProducts	Note
Yushan Pharmacenticals Inc.	2013/6/24	No.61, Ln. 309, Haihu N. Rd., Luzhu Dist., Taoyuan City	NT$ 351,900,000	Research and development, production, and sales of API and preparation.	
Framosa Co, Ltd.	2021/5/6	5F, No. 26 Gangu Street, Datong District, Taipei City	NT$ 165,000,000	The basic chemical industry, other chemical materials manufacturing industry, other chemical product manufacturing industry, except for licensed business, may operate business that is not prohibited or restricted by law.	

(3) Overall business scope of every affiliated enterprises:

Research and development, production, and sales of active pharmaceutical ingredients (API), API intermediates, and specialized and fine chemicals. The basic chemical industry, other chemical materials manufacturing industry, other chemical product manufacturing industry, except for licensed business, may operate business that is not prohibited or restricted by law.

(4) Directors, supervisors, and presidents of affiliated enterprises :

Company Name	Title	Name or Representative	Hold shares	
			number	%
Yushan Pharmacenticals Inc.	Chairman / President	Wei-Chyun Wong	35,190,000	100%
	Director	Wen-Chih Chou、Aurora Chen		
	Supervisor	Deiter Yang		
Framosa Co, Ltd.	Chairman	Lu-Ke Zuo	6,600,000	40%
	Director	Wei-Chyun Wong、Chih-Sheng Ci、Yu-Ru Liang、Jing-Sin Hsu		
	Supervisor	Deiter Yang、Chih-Lung Chen		

2.Business operating conditions of the affiliated enterprises :

Unit: Thousand NT$

Company Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating income (loss)	Profit (loss) Before tax	Endorsed by the Company investment gains and losses
Yushan Pharmacenticals Inc.	351,900	348,700	100	9.91	0	(658)	(587)	(587)
Framosa Co, Ltd.	165,000	140,999	9,881	7.95	0	(17,991)	(33,883)	(13,553)

3. Information on endorsements and guarantees, capital loans to other parties, and other derivative products for the affiliated enterprises:

Company Name	Endorsements and guarantees	Capital loans to other parties	Derivatives
Yushan Pharmacenticals Inc.	None	None	None
Framosa Co, Ltd.	None	None	None

8.1.2 Consolidated financial statements of affiliated enterprises：Please refer to attachment 8.

8.2 Private placement of securities of the most recent year up to the publication date of this report printed: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries of the most recent fiscal year up to the publication date of this report printed: None.

8.4 Other items that must be included:

8.4.1 Employee output value in 2021. (Productivity):

The annual revenue of 2021 was NT$ 864,217 thousand , the average number of employees was 206, and the average output value (productivity) of employees in 2021 was NT$ 4,195 thousand.

8.4.2 The annual report was sent to the accountant for reading on May 10, 2022.

8.4.3 Professional training for directors:

Title	Name	Year	Trained
Chairman	Wei-Chyun Wong	2021	March 10 / Corporate Governance and Securities Act Practice Conference / SFI / 3 hours September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours
Director	Shiang-Li Chen	2021	March 10 / Corporate Governance and Securities Act Practice Conference / SFI / 3 hours August 19 / Corporate Integrity and Anti-money Laundering / TII / 3 hours
Director	Aurora Chen	2021	May 18 / New policies for sustainable development of enterprises and analysis of anti-fraud cases / ARDF / 3 hours May 25 / Analyze the positive impact of ESG on the business / ARDF / 3 hours
Director	Wen-Chih Chou	2021	September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours
Independent Director	Te-cheng Tu	2021	September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours
Independent Director	Hung-Chin Wu	2021	September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours
Independent Director	Chia-Chun Jay Chen	2021	September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours

8.4.4 Professional training for Accounting Supervisor、Accounting supervisorAgent、Audit officer and Audit officeragent:

Title	Name	Year	Trained
Accounting Supervisor	Deiter Yang	2021	Accounting supervisor continuing course / ARDF / 12 hours
Accounting supervisor agent	Lisa Kuo	2021	Accounting supervisor continuing course / ARDF / 12 hours
Audit officer	Jacky Hsu	2021	The latest Companies Act and shareholders' meeting law comply with audit practices / ARDF / 6hours Internal auditors should have the practice of "corporate governance" and financial reporting risk assessment / ARDF / 6hours
Audit officer agent	Renee Chen	2021	From corporate governance 3.0 to see how enterprises build risk management development blueprint practice analysis / SFI / 6 hours Internal audit and internal control workshops / SFI / 6 hours

8.4.5 Persons associated with transparency in financial information who have obtained the relevant certificates specified by the competent authorities :

Title	Name	License	License No.
Accounting Supervisor	Deiter Yang	CPA	FSC Zheny-Tzn N0.5467

8.4.6 Managers participate in training related to corporate governance :

Title	Name	Year	Trained
President	Wei-Chyun Wong	2021	March 10 / Corporate Governance and Securities Act Practice Conference / SFI / 3 hours September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours
Plant Manager	Wen-Chih Chou	2021	September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours
CG Officer	Deiter Yang	2021	September 1 / The 13th Taipei Corporate Governance Forum / SFI / 6 hours September 17 / Employee and director compensation / SFI / 3 hours December 10 / The global risks acknowledge / SFI / 3 hours

8.4.7 The Foundation for evaluating the method of recognizing the valuation account of assets and liabilities:

1. Notes and accounts receivable are processed with a simplified approach to estimate the expected credit losses, which means the measurement is conducted by using the expected credit losses within the duration. For such measurements, these notes and accounts receivable are grouped in accordance with the common credit risks characteristics that represent the client's ability to pay all the amount due under the terms and conditions of the agreements while also incorporating the fair expectation of forward-looking information such as the historical credit losses experience and the future economic conditions, including the overall economic situation and the related industry information.

2. Following IAS 2 “Inventories”, inventories and allowance for inventory write-down to be recognized are measured by the net realizable value. The company recognized the allowance for inventory valuation and obsolescence losses due to the inventory write-down reaching the net realizable value. In addition, obsolete inventory from disasters, sales, or write-offs are no longer the factors of the net realizable value of the inventory dropping below cost, resulting in the reversal inventory write-down, with the related expenses presented as the cost of sales. The gain from the inventory write-downs and obsolete recovery of 2021 is NT$5,597 thousand.

8.4.8 Key Performance Indicator for the company’s Industry characteristics:

1. Capacity Utilisation:
(1) Due to the impact of the fire accident on December 20, 2020, the company’s capacity utilization rate in 2021 is 0%, and the average capacity utilization rate in 2020 is 88%.
(2) Zone 03B has only recovered for production by the end of 2021 and has been providing 10% of the production capacity.
2. Authorized medicament license:

No.1	*API*	*DMF (USA)*	*CEP (EDQM)*	*MF (Japan)*	*DMF (Canada)*	*CGMP certified (TFDA)*	*China DMF*
1	Articaine Hydrochloride	2014	2014			2013	2021
2	Allopurinol	2011	2003			2004	
3	Atomoxetine Hydrochloride	2018	2018			2016	
4	Bisoprolol Fumarate					2006	
5	Brinzolamide	2015		2017		2015	
6	Clindamycin Palmitate HCl	2011					
7	Cyclophosphamide					2014	
8	Divalproex Sodium	2005			2010	2005	2010
9	Duloxetine Hydrochloride	2011	2014	2017	2016	2012	2013
10	Hydroxychloroquine Sulfate	2014	2019		2014	2014	2020
11	Loxoprofen Sodium Hydrate			2011		2012	
12	Methylphenidate HCl		2014			2011	
13	Pentobarbital Sodium		2011			2009	
14	Probucol	2004		2017	2015	2015	
15	Propafenone Hydrochloride	2010	2012	2012	2012	2010	2018
16	Sodium Valproate	2019	2006	2017		2004	2014
17	Thiopental					2012	
18	Valproic Acid	2003	2004	2008	2008	2003	2019
19	Cannabidiol (CBD)	2020				2020	
No.2	*API intermediate*	*DMF (USA)*	*CEP (EDQM)*	*MF (Japan)*	*DMF (Canada)*	*CGMP certified (TFDA)*	
1	Menthadienol (PMDOL)	2019					
2	Olivetol	2019					
3	Ethyl Olivetolate	2019					

8.4.9 The company disclosed the related information about financial instruments except for shares and depository receipts, please refer to the Consolidated Financial Statement of 2021.

8.4.10 The company has not enacted a code of conduct or the code of ethics for the employees, however, the current Work Rules, Ethical Corporate Management Best Practice Principles, Codes of Ethical Conduct, and related procedures are serving as the code of conduct for employees’ behaviors, audits are also performed, with the implementations of such rules reported the to themanagement.
Inquiry method for the related procedures:

The company's website: www.sci- pharmtech.com.tw

8.4.11 The company has amended the related articles for a whistle-blowing system in the Ethical Corporate Management Best Practice Principles and has set up a stakeholder zone and complaint process flowchart on the website.
Inquiry method: The company's website: www.sci-pharmtech.com.tw

8.4.12 Descriptions for the Employees' salary and remuneration:
The company's salary and remuneration policy is to provide competitive salary standards to recruit and retain the required employees for the business operation to achieve stable growth and sustainable development. The salary and remuneration paid to the employees of the company can be classified as fixed and variable salaries. Fixed salaries are the monthly salary paid to the employees, with the payment standard referring to the statistics of industries and labor market, adding considerations for the job position, nature of the job, professional abilities, and the occupational supply & demand. Variable Salary consists of the end of year bonus, employees' remuneration, and performance bonus. Part of the salary and remuneration are connected with the operational performance by the variable salary.
The company enacted the Salary Management Procedures and Performance Bonuses Procedures, which are thoroughly conveyed to all employees with the educational training for the new recruits and the internal mail system for a full understanding of the salary and remuneration system of the company. In addition, for the Managers, the company set up performance goals and enacted related procedures for the salary and remuneration policies, system, standard, and structure. The salary and remuneration for personnel above the Manager level require the approval of the Salary and Remuneration Committee and the Board of Directors, which is to improve the transparency of the company's corporate governance, and the decisions for salary and remuneration.
1. Fixed salary: Monthly salary paid to the employees each month.
2. Variable salary: Connected to the operational performance.
   (1) End of the year bonus: Paid according to the performance with a minimum of 1.5 months and a maximum of 4 months of the monthly salary.
   (2) Remuneration of the employees: Approximately 3% to 10% of the annual profit.
   (3) Performance bonus: Distributed according to the performance with consideration of work safety, environmental protection, client complaints, and other events impacting the performanceof the company with a maximum of NT$22 thousand for each employee per quarter.

Inquiry method: The company's website: www.sci-pharmtech.com.tw

8.4.13 Descriptions for the succession planning of the member of the Board of Directors and key executives:
The key executives are the employees above the Manager level, there are currently 11 people classified in such positions. Each of the key executives has completed their job description manuals and roadmap for duties, assigned the deputies for the jobs, and conducted further training on them. The company requested Managers to take all their annual leaves, giving their deputies adequate opportunities to experience managerial roles and prepare for future succession. There is a Manager and Deputy General Manager in all the key departments of the company, such as the R&D and Business departments, and the succession plan has basically been completed. As for the Production, Quality Control, Finance & Accounting, Engineering, and other departments, there are chief-level staff members qualified as the future

successor to carry the duties of the key executives. Basically, the company has thoroughly implemented and completed the planning on the successions of the key executives, with periodic reviews and adjustments being performed. In addition, the company rotates the positions of key executives in different departments often in the hope to develop talents who are capable of managing in multiple fields, enabling flexible adjustments necessary when necessary, which shall strengthen the company's vast foundation of achieving a century-long business operation. The Manager of Engineering, Oliver Liu, applied for retirement in late February 2022, the executives then followed the succession plan and promoted the chief of the Engineering Department, Chung-Lung Su, as the new Manager on March 1, 2022.

The company currently has 7 Directors, 4 of which are legal representatives from the parent company, the Mercuries & Associates Group, 2 of which are professionals in finance & accounting and operational management, and another 2 are the professionals in chemistry who are concurrently serving as the senior executives of the company. Of the 3 Independent Directors, one of them is a professional in finance & accounting, and the other 2 are professionals in chemistry and chemical engineering, which are required for the company's main business. The future composition and the experience backgrounds of the Directors will apply the structure same as the current Board of Directors.

With regards to the succession plans of the Board of Directors, the legal representatives of the parent will be 2 senior executives from the parent and 2 senior executives of the company as planned in the foreseeing future. There are dozens of companies underneath Mercuries & Associates Holding, Ltd. and several of them are public listed companies, resulting in the numerous Directors and professionals in senior management, therefore Mercuries & Associates Holding has an abundant talent pool for the succession of the two Directors position, and as for the two Directors from the senior executives of the company, please refer to the aforementioned succession plan of key executives. As for the Independent Directors, 1 of them shall be a professional in finance & accounting by law, experts in this field are sufficient domestically, and the company has planned the successor of this position as a Director to be an individual with academic background. The other 2 Independent Directors shall be professionals in chemistry and chemical engineering, the company still plans to invite 1 individual with academic background and the other from the industry. The company has been conducting close industry-academia cooperation with the National Tsing Hua University and National Taiwan Normal University, and has also been maintaining close relationships with several professors, which shall provide sufficient candidates for the company's Independent Director. As for the Independent Director from the industry, members of the domestic API industry have been actively differentiating each company's product portfolio to avoid excessive competition, and often held gatherings to exchange the industrial information and know-how while participating in overseas exhibitions in the same group. In addition, the company has been actively participating events such as the operations of the Taiwan Pharmaceutical Manufacturer Association and the Institute for Biotechnology and Medicine Industry to familiarize itself with other significant figures in the medical and pharmaceutical industry, providing suitable potential candidates for this Independent Director position.

In addition, supervisors above the Manager level of each department have reported their succession plans in the Board of Directors' meeting on December 13, 2019.

8.4.14 The Intellectual Property Management Plan and its implementation:

1. The Intellectual Property Management Plan: Please refer to Attachment 7.
2. Implementation status:
   The Implementation status shall be reported to the Board of Directors at least once per year. The implementation status report of 2021 has been delivered to the Board of Directors on December

29, 2021, by the Head of Corporate Governance.

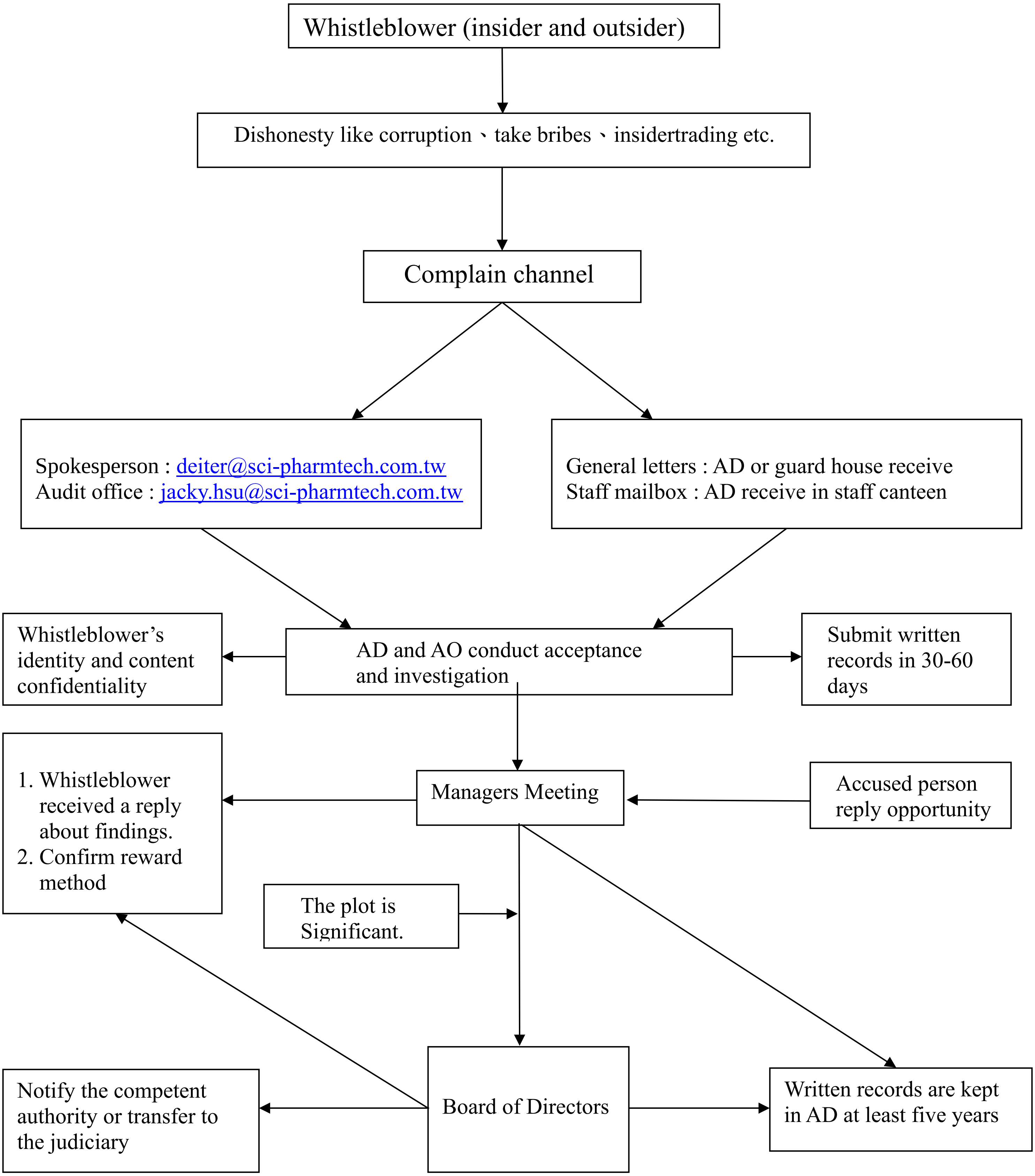
8.4.15 Descriptions for the company’s progress in the post-fire accident reconstruction:

1. 03B area has resumed production in lateDecember, providing about 10% of production capacity.
2. It is planned that the restoration of Production area. SCI will be completed at the end of June 2022, and the production capacity will be restored to 40%.
3. The restoration of Production area II will be completed at the end of December 2022, and the capacity will be restored to 90%.
4. Available on : SCI’s website : www.sci-pharmtech.com.tw/investors-05-112

8.5 Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year up to the printing date of this annual report: None.

Attachment 1 :

Complain (Report) Flowchart



Attachment 2 : Statement of Internal Control System

SCI PHARMTECH, INC.

Statement of Internal Control System

Date: March 18, 2022

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2021:

1. The Company has achieved full understanding that the establishment, implementation, and maintenance of the internal control system (ICS) are the responsibilities of the Company's Board of Directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the 3 objectives listed above. Changes to the environment and status will also affect the effectiveness of internal control systems. However, The Company's internal control system has been furnished with self-monitoring systems. The Company shall also initiate corrective actions for any verified defects.
3. The Company shall refer to the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "ICS Regulations") to stipulate assessment items for determining the effectiveness of the ICS as well as the performance of the designs and implementation of the system. The ICS is divided into 5 key components according to the process of management control to generate ICS assessment items used by ICS Regulations, namely: (1) Control environment; (2) risk assessment; (3) control activities; (4) information and communications and; (5) monitoring activities. Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions provided in the ICS Regulations.
4. The Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
5. The Company has referred to the results of the aforementioned assessments and determined that the Company's ICS of December 31, 2021(including monitoring and management of its subsidiaries), including the Company's understanding of the level of effectiveness and efficiency of business operations achieved, the reliability, timeliness, transparency, and regulatory compliance of reporting, the compliance with applicable laws, regulations, and by laws, are effectively designed and implemented and capable of reasonably ensuring the attainment of the aforementioned objectives.
6. This Statement shall be a major content of the Company's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contain misrepresentations, nondisclosures, or other illegal acts, the Company shall be subject to legal responsibilities provided in Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. We hereby declare that this Statement has been approved by the Board of Directors on March 18, 2022. Amongst the 7 Directors present in the meeting, none (0) held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

SCI PHARMTECH, INC.

Chairman and President : Wei-Chyun Wong

Attachment 3 : Information security management policy

SCI PHARMTECH, INC.
Information Security Management Policy

1. Explanation

SCI PHARMTECH, INC. (hereinafter referred to as "the company") enacted this Information Security Management Policy by taking into account the company's business needs, in order to strengthen information security management, ensure the security of our company's software, hardware and network management, for establishing various reliable information and communication systems, thereby enhancing the information security and service quality of the operations related to the research and development, production and marketing of intermediates, APIs and specialty chemicals.

2. Purpose

The company aims to maintain the overall information security, strengthen the security management of various information assets, and ensure relevant confidentiality, integrity, and availability, to prevent any intentional or accidental threat and damage internally or externally that may result in any risks such as unauthorized business information alteration, disclosure, damage, loss, or others.

3. Scope of Applications

This policy applies to all the information and communication systems in the company as well as their relevant users. The information users include formal employees, contractors, personnel related to business maintenance and operation, external units using information resources, service providers, outsourced vendors, and other authorized personnel.

4. Definition

Generally, the basic requirements for information security can be divided into three categories:

A. Confidentiality: Ensure that only the authorized personnel have the access to information.
B. Integrity: Ensure the correctness and integrity of information and processes.
C. Availability: Ensure that authorized users have access to information and related services if necessary.

In addition to the above-mentioned three basic requirements, the following requirements must be met according to the characteristics of various business sectors. Relevant explanations are as follows:

A. Authenticity: Ensure that an appropriate authentication process is required when a user logs in.
B. Accountability: Ensure that appropriate traceability is available for tracing the executor whenever a user executes any task.
C. Non-repudiation: Ensure that a user cannot deny the operations completed on the system.
D. Reliability: Ensure that the performed operations demonstrate consistent results.

5. Explanations about Authority and Responsibility

A. The Information Office governed by President is responsible for organizing and promoting information security and relevant matters in the company. The Audit Office draws up relevant internal control procedures to conduct audit tasks regularly.
B. The company, as well as relevant personnel from corresponding authorities/institutions and vendors, shall comply with this policy.

6. Objectives of Information Security Management

The company divides the objectives of information security management into two categories, which are qualitative and quantitative:

A. Qualitative Indicator
   a. Enhance internal control, to prevent unauthorized access, and ensure the confidentiality of the

company's business-related information.

b. Ensure the availability of the company's business-related information equipment, and meet the needs for business operations regarding research and development, production, marketing, etc.

c. Ensure that no information leakage will reveal to any unauthorized third party in the process of information transmission or due to any unintentional behavior, so as to ensure the correctness and integrity of the company's business-related information and enhance operational performance and quality.

B. Quantitative Indicator

a. The management objective should be "no information security incident occurs" every year.

b. Conduct the drills of data backup and disaster recovery for important systems, at least once every year.

c. Ensure that important, confidential, and sensitive information will not leak out while data backup is in place. Internal audits shall be conducted once every year.

7. Responsibility of Information Security

A. Senior executives should actively participate in the activities of information security management and operation, to support information security management systems.

B. The Information Office governed by President is in charge of the operations of information security management. The Audit Office conducts internal audits according to relevant laws, regulations, and policies, to ensure the implementation and effectiveness of these systems.

C. Review and discuss the issues related to internal and external information security, requirements from stakeholders/parties, and information security operation activities from other organizations, to enhance the protection ability of information security.

D. The Information Office should provide regular propaganda and training courses regarding information security, to enhance the company personnel's awareness of information security.

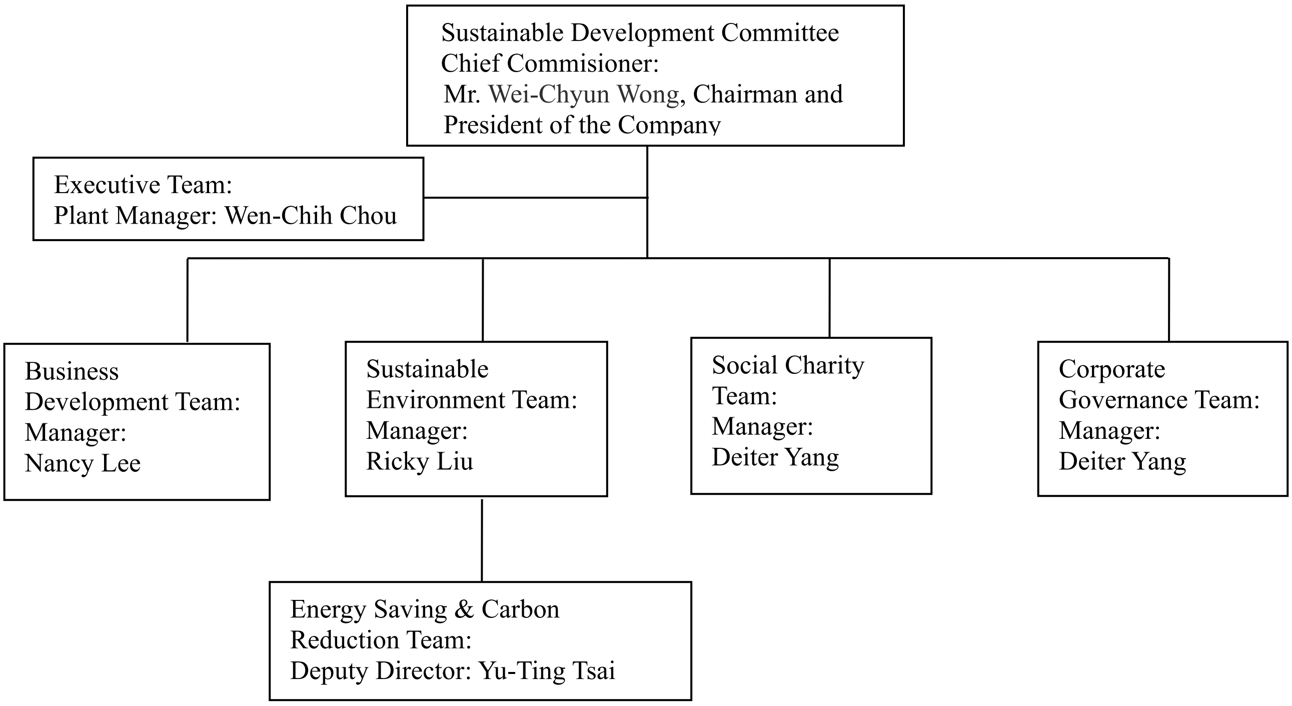
E. Ensure all the information security incidents or suspicious information security weaknesses have been escalated following appropriate reporting systems to the upper management and that appropriate investigation and handling have been undertaken.

8. Review and Implementation of Information Security Policies

These policies shall be reviewed regularly every year. In case of any changes in organizations, businesses,laws and regulations, environments, or other factors, appropriate amendments should be made to these policies and then approved by the President for further proclamation and implementation, to ensurethe validness of information security exercise and operation.

Attachment 4 : Sustainable Development

1. Sustainable Development Committee :



2. Sustainable Development Policies :
   (1) Comply with the laws and regulations, to implement integrity management.
   (2) Value employees' rights and benefits, to create happy workplaces.
   (3) Practice environmental protection policies, to contribute to society and communities.
   (4) Value shareholders' rights and benefits, to advocate activism.
   (5) Cooperate with suppliers, to improve product quality.
   (6) Protect customer rights, to contribute to human health.

3. Sustainable Development Management System :
   To be executed in following the company's Sustainable Development Principle.

4. The Implementation Status of Corporate Social Responsibility:
   Please refer to Page 47 for the Implementation Status of Corporate Social Responsibility. In addition, the Head of Corporate Governance reported the implementation status of corporate social responsibility to the Board of Directors on Dec. 29, 2021.

Attachment 5 :

SCI PHARMTECH, INC.

Performance Evaluation Regulation of the Board of Directors

1. Set purpose and legal basis
   To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the board of directors, this regulation is established pursuant to Article 37 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.According to other appropriate methods, the internal evaluation of the board(include functional committees), and self-evaluation by individual board members shall be conducted annually.

2. Regulation compliance
   The general evaluation cycles, evaluation periods, scope and method of evaluation, the unit conducting evaluations, evaluation procedures and other matters for compliance under the Company's regulations governing the board performance evaluation shall be subject to this regulation.

3. Evaluation cycle and period
   Beginning of each year, the Company's board of directors shall conduct an internal board performance evaluation according to the evaluation procedures and the evaluation indexes, and evaluation period is previous years.
   Internal board performance evaluations shall be completed before the end of the first board meeting of the following year.

4. Evaluation scope and methods
   The Company's board evaluation scope covers the evaluation of the board(include functional committees) and individual directors.
   Methods of evaluation include the internal evaluation of the board(include functional committees), and self-evaluation by individual board members.

5. Evaluation executor
   Corporate Governance officer conducting internal evaluations of the Company's board of directors shall have an adequate understanding of the operation of the unit subject to evaluation and shall play a fair, impartial and independent role.

6. Evaluation procedure
   a. End of each year, Corporate Governance officer will collect information about the activities of the board of directors and distribute the Questionnaire of Self-Evaluation of Performance of the Board in Annex 1, the Questionnaire of Self-Evaluation of Performance of Board Members in Annex 2, and the Questionnaire of Self-Evaluation of Performance of the Functional Committee in Annex 3 to be completed.
   b. Corporate Governance officer will collect all information, give scores based on the evaluation indexes in Article 8, record the evaluation results in a report, and submit the report to the board of directors.

7. Evaluation index and score standard
   The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:
   a. Participation in the operation of the company;
   b. Improvement of the quality of the board of directors' decision making;
   c. Composition and structure of the board of directors;

d. Election and continuing education of the directors; and
e. Internal control.

The criteria for evaluating the performance of the board members, should cover, at a minimum, the following six aspects:
a. Alignment of the goals and missions of the company;
b. Awareness of the duties of a director;
c. Participation in the operation of the company;
d. Management of internal relationship and communication;
e. The director's professionalism and continuing education; and
f. Internal control.

The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects:
a. Participation in the operation of the company;
b. Awareness of the duties of the functional committee;
c. Improvement of quality of decisions made by the functional committee;
d. Makeup of the functional committee and election of its members; and
e. Internal control.

The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company, subject to regular reviews and constructive comments of the remuneration committee.
Scoring criteria may be modified and adjusted based on the company's needs. The weighted scoring method may be adopted based on the aspects of evaluation.

8. Use of evaluation results
When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.

9. Annual report information disclose
It is advisable that the Company disclose in its annual report whether regulations governing the board performance evaluation have been established as well as how the board performance evaluation has been conducted each year, with a description of the evaluation method provided.

10. Disclose way
The performance evaluation regulation established by the Company shall be fully disclosed on the Market Observation Post System (MOPS) and the Company's website at all times, to be made available for consultation.

11. Implement
The Company's regulation shall take effect after having been discussed and approved by the board of directors. Subsequent amendments thereto shall be effected in the same manner.

12. Enact and amendment date
This regulation were enacted on Nov. 12, 2019 and amended on Nov. 6, 2020 for the first time.

Attachment 6 :

SCI PHARMTECH, INC.

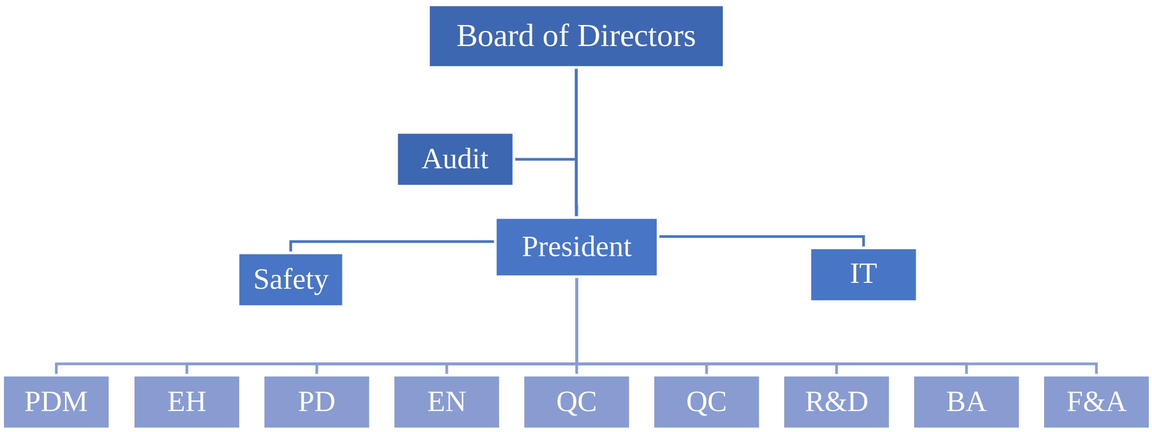
Risk Management Policy and Procedure

Article 1 Purpose of Enactment

This policy and procedure are hereby enacted to achieve the purpose of sustainable and stable management, in order to strengthen corporate governance, implement a sound and effective risk management mechanism for the company, and reduce potential risks that may occur in operations.

Article 2 Organizational Structures and Duties in Risk Management

1.The Organizational Structure Chart of the company's risk management:



2.Duties of each unit in the risk management organization:

(1) Board of Directors:
This is the highest authority of the company's risk management, and is in charge of approving, reviewing, and supervising the company's risk policies, ensuring the management structure and the operation of risk control functions.

(2) Presidemt Office:
The unit is in charge of planning the operational strategy, also supervising and implementing its execution to fulfill the effectiveness and efficiency of the operation, reducing the operational and strategic risks. This unit is also in charge of legal risk management, compliance with the government monitoring measures, and determining possible agreement disputes or legal disputes to reduce the legal risks.

(3) Audit Office:
The unit is in charge of evaluating the key risks matters, which shall be referenced for the audit plan operation. This unit is also in charge of enacting or amending the related control procedures and practices for possible risks.

(4) IT Office:

The unit is in charge of overall planning and set-up of the ERP information equipment and the enterprise network, and is also responsible for managing the Internet information security to reduce the information security risks.

(5) Safety Office:

The unit is in charge of the planning and execution of the industrial safety and health practices to comply with the related laws and regulations, and reduce the related risks.

(6) Business Department:

In the aspect of business:

The unit is in charge of the development of clients and products, as well as enacting the transaction terms and conditions based on the relationship with the client, the client's financial condition, and the political and economic condition of the client's location to prevent the risks of unable to receive the account receivables.

In the aspect of purchasing:

The unit is in charge of the management of a decent supply chain, ensuring the stable supply of raw materials, their qualities meeting the specification, and the stability of the price, to reduce the risks of daily operations.

(7) Research & Development Department:

The unit is in charge of evaluating and ensuring the development of new products does not involve the risk of violating others' patents and intellectual properties. This unit is also in charge of the management of patents and intellectual properties.

(8) Quality Assurance and Quality Control Department:

The unit is in charge of ensuring the products are manufactured following the GMP and standards demanded by the clients, while also complying with the regulations of health competent authorities in different countries, to reduce the risks of relating to decreases in quality and client complaints.

(9) Production Department:

The unit is in charge of ensuring the production operation is following the schedule and related SOP to prevent the risks of delayed shipments or production disruptions.

(10) Production Management Department:

The unit is in charge of optimizing the quantities of raw materials and final products to control the inventory cost while preventing the shortage of raw materials and finished products. The unit is also in charge of managing the production schedule to improve production efficiency and planning for the requirements of sufficient future capacity to avoid the risk of production capacity shortage.

(11) Environmental Protection Department:

The unit is in charge of planning and implementing the environmental protection policies to maintain compliance with related laws and regulations and reduce the related risks.

(12) Engineering Department:

The unit is in charge of the design and execution of the plant construction to ensure the plant and equipment meet the standard of the clients and the health-related authorities of different countries. This unit is also responsible for the preventive maintenance of the plant and equipment to reduce the risk of ceasing production due to the damaged production equipment.

(13) Finance and Administration Department:

The unit is in charge of the risk management for assets and compliance with the related laws and regulations from the government to ensure the sustainable operation of the company and the security of its assets. This unit is also responsible for evaluating the medium- and long-term investment performance, the financial operations and adjustment, the establishment of a hedging mechanism, and achieving the reliability of financial reports and compliance with laws and regulations to reduce the financial-related risks.

Article 3 Risk Management Policy

The company's Risk Management Policy is established following the company's business guidelines, to set up a risk management mechanism for identifying, measuring, supervising, and controlling risks, achieving the goals of rationalizing the risks and the rewards within the scope of tolerable risks.

Article 4 Risk Management Procedure

To perform the sound function of operational risk management, the company determines the scope of operational risks and takes appropriate measures to ensure relevant operational risks related to management through the procedures for risk identification, risk measurement, risk monitoring, risk report, and disclosure.

1. Risk Identification: Risk Identification is to find out the risk factors required to be managed. By referring to the factors such as the company's business characteristics, internal and external environments, etc., the company is likely exposed to the risks classified as follows:
   A. Business Risk: It means the risk that may affect the company's normal management due to uncertainty factors in the process of the company's production and management, such as operational risk (factors such as material shortage or improper production schedules), product quality risk, and information system risk.
   B. Financial Risk: It means the risk that may affect the company's financial status and business due to factors such as economic and industrial changes both domestically and internationally, e.g. the risks concerning interest rate, foreign exchange rate, liquidity, credit, etc.
   C. Strategic Risk: It means the risk arising from the loss due to any business strategy error, e.g. the risks due to excessive concentration of sales territories, excessive concentration of clients, mergers and acquisitions, etc.
   D. Hazard Risk: It means the risk that may cause damage to the company due to the occurrence of any incident such as major natural disasters or man-made disasters, e.g. earthquake, fire, chemical leakage, pandemic disease, etc.
   E. Legal Risk: It means the risk that causes damage to finance or goodwill due to any failure at complying with relevant laws and regulations enacted by the competent authorities, or due to other factors such as any invalid agreement that has been signed, or due to any breach, inadequate regulations, omissions in terms and conditions, etc.
   F. Other Risk: This indicates the risk apart from the risks mentioned above. If any other risk caused the company to suffer losses, then appropriate risk management procedures shall be established according to risk characteristics and susceptibility degree.

2. Risk Measurement

   After identifying the potential risks that may affect the company, the company shall analyze the nature and scale of various business and operational activities as well as the degree of the company's risk tolerance, then set up appropriate risk measurement standards. For risks that can be quantified, rigorous statistical analyses and techniques should be applied to conduct analyses and management. For risks that are difficult to be quantified, the risk impact degree can be described in writing. Compare the risk level determined according to risk analysis results with the risk measurement standards enacted by the company, and then determine the priority of such risks for serving as the reference of risk management.

3. Risk Monitoring

   Each department shall continuously monitor business-related risks. Whenever the risk exposure level exceeds the risk limit, relevant departments shall propose countermeasures, and then escalate the risks and countermeasures to the senior executive level.

4. Risk Report and Disclosure

   To fully document risk management procedures and subsequent implementation results, the company shall regularly report the risk conditions to the Board of Directors for reference, to ensure that management structures and risk control functions can operate properly.

Article 5 Risk Management Execution

The company executes risk management on three levels:

The First Level is carried out by the business case responsible person in each department. The business case responsible person performs daily risk management activities following internal control systems and internal regulations related to business, then conducts risk assessments of risk control activities.

The Second Level is carried out by the supervisors of each level in a department. The supervisors are responsible for business-related risk management, compiling the results of risk management implementation activities, and supervising the risk management activities within the department. The supervisors can determine risk levels and recommend risk assumption methods depending on the changes in external environments and internal strategies. The supervisors shall coordinate interactions and communications regarding cross-department risk management when necessary.

The Third Level is carried out by the executive management, who are required to review the integrity of the company's mechanisms related to risk management and supervise relevant risks in each unit through risk management decisions and related risk management practices.

Article 6 Operation Condition and Disclosure of Risk Management

1. The company manages business-related risks through the following regular and irregular meetings:

A. Regular Meeting on Production and Marketing.

B. Regular Meeting on Research and Development.

C. Meeting on Good Manufacturing Practice of Drugs.

D. Regular Meeting on Engineering.

E. Meeting on Environmental Safety and Health.

F. Regular Meeting on Production.

G. Meeting on Quality Control Review.

H. Business Management Meeting of Senior Executives.

I. Board of Director's Meeting.

J. Other Meetings (for example, Labor-Management Meeting, etc).

2. In addition to the disclosure of relevant information following the regulations enacted by the competent authority, the information related to risk management should be disclosed on the company's website and in annual reports.

Article 7 This risk management policy and procedure had been approved according to the resolution of the Board of Directors on May 8, 2020.

Attachment 7 :

SCI Pharmtech, INC

Intellectual Property Right Management Plan

1. Purpose: For effective management of the company's intellectual property rights, the plan is hereby established.

2. Scope: This plan includes patent rights, trademark rights, copyrights, and trade secrets. Its objects cover all kinds of intellectual property rights produced or obtained by the company's employees and the external parties involved in the company's research projects.

3. Principles:
   3.1 The company values its own intellectual property rights and respects others' intellectual property rights. The main concern of the company is not to infringe others' intellectual property rights in the process of research and development or technology introduction.
   3.2 The intellectual property rights arising from the employees when performing their duties, including the rights of any invention, creation, writing, trade secret, and others, shall belong to the company following the Labor Agreement.
   3.3 The company may implement and use the invention, creation, writing, and trade secrets made by the company's employees if such property is created through the company's resources or experiences.
   3.4 When the company entrusts others, accepts any commission, or collaborates with others to research and develop any technology, the ownership of such intellectual property shall be determined by the agreement thereof.
   3.5 When the patent is owned by two persons/parties or more, it shall not be assigned or authorized to be exercised by any person other than the co-owners themselves, unless unanimous consent from all the co-owners has been acquired. However, if an agreement is provided otherwise, the agreement shall prevail.
   3.6 The co-owner of a patent may not assign, trust, or create a pledge of his or her rightful portion without any unanimous consent from all the other co-owners. However, if an agreement is provided otherwise, the agreement shall prevail.
   3.7 The company shall have the priority use of any patent for which an employee is the patent applicant on behalf of the company, and the employee shall not assign or authorize such a patent to others.

4. Patent Management:
   4.1 Case creation: The patent will be analysed jointly by the personnel from the departments of Research & Development, Legal, and Business, to confirm the value of the patent and its necessity for application. The patent will be submitted to the Research & Development Meeting for discussions and further approval, and then be recorded in the meeting minutes.
   4.2 Application: The personnel of the Research & Development Department shall prepare and provide the patent portfolio planning. They are also responsible for patent applications, responses, and maintenance. If necessary, the R&D and legal compliance personnel will contact a patent firm to discuss matters related to intellectual property rights. The legal compliance and business personnel will have communications with clients, while the R&D personnel will provide relevant assistance.
   4.3 Safekeeping, Litigation, and Maintenance:
      4.3.1 R&D personnel shall properly keep the reports or records arising from the research and development process of intellectual property.
      4.3.2 In the event of any dispute or legal proceeding brought by a third party against any intellectual property right owned by the company, the R&D personnel shall assist the legal firm in handling legal proceedings such as objections, petitions, administrative litigation, or legal actions regarding such intellectual property.
      4.3.2 The Research & Development Department assistants shall be responsible for the safekeeping of the patent certificate as well as the annual maintenance of such a patent.

5. Trademark Management:
   5.1 The trademark of the company shall be used in the company and its related business by each trademark user from every unit.
   5.2 The Administration Division shall be responsible for the application and maintenance of the trademark.

6. Trade Secret Management:
   6.1 The SOP documents, manufacturing batch records, and other documents are controlled by Master Control System.
   6.2 The employees of the company shall comply with the regulations in the SOP "Controlled Documents and Security Management", to implement the controls on the controlled document.
   6.3 Article 6 of the Labor Agreement enacted by the company indicates that "The employee agrees that confidential information known or held by the employee during his/her employment shall not be disclosed, communicated, delivered, or transferred to others or published publicly without any written consent from the company. This non-disclosure agreement shall remain valid after the Contract has been terminated, except for the extent that the company's information and materials have already been publicly available, known to the public, or become public property."
   6.4 Each unit of the company shall take appropriate confidentiality measures when handling any information that has economic value or confidential nature regarding the production, sale, or operation of the company.
   6.5 Before resigning from the company, any employee of the company shall return all of the company's trade secrets such as information, documents, reports, and files held in his/her own possession.

Attachment 8 : The Audited Consolidated Financial Report for the most Recent Fiscal Year

Representation Letter

The entities that are required to be included in the combined financial statements of SCI Pharmtech, Inc. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SCI Pharmtech, Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: SCI Pharmtech, Inc.
Chairman: Weichyun Wong
Date: March 18, 2022

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Independent Auditors' Report

To the Board of Directors of SCI Pharmtech, Inc.:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations developed by the International Financial Reporting Interpretations Committee (" IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification 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 significance 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. The key audit matters we judged shall be presented in the financial report as follows:

1. **Inventory valuation**

   Please refer to Note 4(h) and Note 5 of the consolidated financial statements for the accounting policy of inventory valuation, as well as the estimation of inventory valuation, respectively. Information regarding the inventory and related expenses are shown in Note 6(e) of the consolidated financial statements.

Description of key audit matters:

Due to the characteristics of the pharmaceutical industry, products are manufactured for specific customers, providing batch-specific differentiation services according to their needs while the Group estimates the net realizable value of inventory. If there were no objective information regarding the current sales price available for reference, the Group has to make an evaluation of each product's various factors, such as the demands of the market, to determine the net realizable value of the product. As the reasonableness of estimation might have an impact on the inventory valuation, the test of inventory valuation is one of the key audit matters in our audit.

Our audit procedures include:

. Assessing the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the evaluation of changes in the market, customer demand and inventory turn-over to identify the obsolete inventories.

. Performing a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.

. Sampling and inspecting the Group’s sales price; as well as verifying the calculation of the lower of cost or net realizable value; evaluating the adopted net realizable value as a basis for obsolete inventories.

2. **Revenue recognition**

Please refer to Note 4(o) of the consolidated financial statements, for the accounting policy of Revenue recognition for operating revenue recognition.

Description of key audit matters:

The Group’ s main products are the manufacture of Active Pharmaceutical Ingredients, and Intermediates, etc. The Group’ s major customers are foreign pharmaceutical companies that have transaction terms different from each other, and the revenue recognition was booked by using manual adjustments, which may result in an inappropriate risk in revenue recognition. Therefore, the revenue recognition is one of the key audit matters in our audit.

Our audit procedures include:

. Understanding and testing the related controls surrounding the aforementioned sales and collection cycle;

. Testing of details;

. Verifying whether the revenue had been recognized in the proper period by testing the selected sales transactions before and after the balance sheet date in order to evaluate the accuracy of the timing of the Group's operating revenue recognition.

3. Disaster indemnity estimates for major disasters

As stated in Note 10 of the consolidated financial statements, SCI Pharmatech, Inc., a major fire accident occurred on December 20, 2020 and caused major damage. Because the fire spead to several nearby factories, the Company is actively negotiating related compensation losses with these damaged companies. As the assessment of the compensation loss involves significant accounting judgments and estimates of the management, the compensation loss estimates for major disasters is considered as one of the significant evaluations in our audit procedures.

Our audit procedures include:

- Evaluating the adequacy of the provision relating to the fire indemnity based on the insurance verification report, which was claimed by the damaged companies, and the value identification of damaged assets reports, which were prepared by the professional third-party.

- Sampling and inspecting the actual payments of the indemnity and the settle agreements; and verifying the correctness of the accounting records.

Other Matter

SCI Pharmtech Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion including an emphasis of matter paragraph.

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, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Ying Kuo and Shu-Min Hsu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 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)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 332,231	8	633,029	14
1110	Current financial assets at fair value through profit or loss (note 6(b))	360,401	9	-	-
1170	Notes and accounts receivable, net (notes 6(d) and 6(r))	82,976	2	337,749	8
1206	Other receivables (notes 6(f) and 10)	265,586	6	519,651	11
1310	Inventories, net (note 6(e))	294,182	7	380,879	8
1470	Other current assets	61,934	1	47,503	1
		1,397,310	33	1,918,811	42
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	667,955	14
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	72,521	2	85,697	2
1550	Investments accounted for using equity method (note 6(g))	52,447	1	-	-
1600	Property, plant and equipment (notes 6(h) and 8)	2,097,997	50	1,500,152	33
1755	Right-of-use assets (note 6(i))	2,134	-	2,568	-
1780	Intangible assets	60,290	2	41,319	1
1840	Deferred tax assets (note 6(o))	241,552	6	263,546	6
1900	Other non-current assets	265,644	6	89,890	2
		2,792,585	67	2,651,127	58
	Total assets	$ 4,189,895	100	4,569,938	100

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2170	Notes and accounts payable	$ 33,779	1	80,878	2
2130	Current contract liabilities (note 6(r))	41,764	1	97,295	2
2200	Other payables (note 6(k))	128,748	3	188,938	4
2213	Payables on contractors and equipment	118,194	3	21,064	1
2230	Current tax liabilities	-	-	127,490	3
2250	Current provisions (notes 6(m) and 10)	418,840	10	595,232	13
2280	Current lease liabilities (note 6(l))	1,584	-	1,340	-
2300	Other current liabilities	5,028	-	9,977	-
		747,937	18	1,122,214	25
	Non-Current liabilities:				
2580	Non-current lease liabilities (note 6(l))	571	-	1,248	-
2570	Deferred tax liabilities (note 6(o))	103,811	3	103,811	2
2640	Provisions for employee benefits, non-current (note 6(n))	16,945	-	20,443	-
		121,327	3	125,502	2
	Total liabilities	869,264	21	1,247,716	27
	Equity attributable to owners of parent (note 6(p)):				
3100	Ordinary Share	953,824	23	794,853	17
3200	Capital surplus	1,348,339	32	1,348,339	30
3310	Legal reserve	426,103	10	390,081	9
3320	Special reserve	29,378	1	-	-
3350	Unappropriated retained earnings	611,916	14	818,327	18
3400	Other components of equity	(48,929)	(1)	(29,378)	(1)
	Total equity	3,320,631	79	3,322,222	73
	Total liabilities and equity	$ 4,189,895	100	4,569,938	100

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. 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	%
4110	**Sales revenue (note 6(r))**	$ 864,217	100	2,689,222	100
5110	**Cost of sales (notes 6(e), 6(n) and 12)**	656,128	76	1,414,894	53
5900	**Gross profit**	208,089	24	1,274,328	47
	Operating expenses (notes 6(n) and 12):				
6100	Selling expenses	49,108	6	111,927	4
6200	Administrative expenses	54,976	6	68,637	2
6300	Research and development expenses	30,347	4	43,365	2
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	-	-	(1,179)	-
		134,431	16	222,750	8
6900	**Net operating income**	73,658	8	1,051,578	39
	Non-operating income and expenses:				
7190	Other income	25,285	3	4,650	-
7101	Interest income	600	-	4,099	-
7130	Dividend income	9,437	1	8,553	1
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	2,242	-	(15,707)	(1)
7510	Interest expense (note 6(l))	(41)	-	(43)	-
7590	Miscellaneous disbursements (notes 6(e), 6(h), 6(t) and 10)	(17,127)	(2)	(567,285)	(21)
7630	Foreign exchange gains (losses)	(14,995)	(2)	(30,630)	(1)
7770	Share of gain (loss) of associates and joint ventures accounted for using equity method, net	(13,553)	(1)	-	-
		(8,152)	(1)	(596,363)	(22)
7900	**Profit before tax**	65,506	7	455,215	17
7950	Less: Income tax expenses (note 6(o))	9,810	1	95,091	4
8200	**Profit**	55,696	6	360,124	13
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	2,508	-	130	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(19,551)	(2)	(51,632)	(2)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(o))	501	-	26	-
8300	**Other comprehensive income, net**	(17,544)	(2)	(51,528)	(2)
8500	**Total comprehensive income**	**$ 38,152**	**4**	**308,596**	**11**
	Earnings per share (note 6(q)):				
9750	**Basic earnings per share**	**$ 0.58**		**3.78**	
9850	**Diluted earnings per share**	**$ 0.58**		**3.75**	

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. 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						
			Retained earnings			Other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2020	$ 794,853	1,348,339	332,971	4,788	971,435	22,254	3,474,640
Profit for the year ended December 31, 2020	-	-	-	-	360,124	-	360,124
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	104	(51,632)	(51,528)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	360,228	(51,632)	308,596
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	57,110	-	(57,110)	-	-
Reversal of special reserve	-	-	-	(4,788)	4,788	-	-
Cash dividends of ordinary share	-	-	-	-	(461,014)	-	(461,014)
Balance at December 31, 2020	794,853	1,348,339	390,081	-	818,327	(29,378)	3,322,222
Profit for the year ended December 31, 2021	-	-	-	-	55,696	-	55,696
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	2,007	(19,551)	(17,544)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	57,703	(19,551)	38,152
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	36,022	-	(36,022)	-	-
Special reserve appropriated	-	-	-	29,378	(29,378)	-	-
Cash dividends of ordinary share	-	-	-	-	(39,743)	-	(39,743)
Stock dividends of ordinary share	158,971	-	-	-	(158,971)	-	-
Balance at December 31, 2021	**$ 953,824**	**1,348,339**	**426,103**	**29,378**	**611,916**	**(48,929)**	**3,320,631**

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. 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 (used in) operating activities:		
Profit before tax	$ 65,506	455,215
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	56,191	127,510
Amortization expense	7,517	5,793
Expected credit loss (gain)	-	(1,179)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(2,242)	15,707
Interest expense	41	43
Interest income	(600)	(4,099)
Dividend income	(9,437)	(8,553)
Share of loss (profit) of associates and joint ventures accounted for using equity method	13,553	-
Losses due to (reversal of) major disasters	(5,455)	566,771
Others	62	(74)
Total adjustments to reconcile profit	59,630	701,919
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	254,773	15,834
Decrease (increase) in inventories	86,697	(29,363)
Decrease (increase) in other receivables and other current assets	239,673	(11,144)
Increase (decrease) in contract liabilities	(55,531)	38,203
Increase (decrease) in notes and accounts payable	(47,099)	(13,424)
Increase (decrease) in other payable	(60,190)	(40,892)
Increase (decrease) in provisions	(151,392)	2,199
Increase (decrease) in other current liabilities	(4,949)	7,965
Increase (decrease) in provision for employee benefits, non-current	(990)	(803)
Total changes in operating assets and liabilities	260,992	(31,425)
Total adjustments	320,622	670,494
Cash flow from (used in) operations	386,128	1,125,709
Interest received	9,437	8,553
Dividends received	600	4,099
Interest paid	(41)	(43)
Income taxes paid	(115,846)	(166,790)
Net cash flows from (used in) operating activities	280,278	971,528
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(6,375)	-
Acquisition of financial assets at fair value through profit or loss	(2,158)	(217,637)
Proceeds from disposal of financial assets at fair value through profit or loss	311,954	-
Acquisition of investments accounted for using equity method	(66,000)	-
Acquisition of property, plant and equipment	(514,170)	(132,210)
Proceeds from disposal of property, plant and equipment	-	74
Decrease (increase) in refundable deposits	(2,000)	6,273
Acquisition of intangible assets	(3,953)	-
Increase in prepayments of property, plant and equipment	(256,858)	(85,493)
Net cash flows from (used in) investing activities	(539,560)	(428,993)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(1,773)	(2,047)
Cash dividends paid	(39,743)	(461,014)
Net cash flows from (used in) financing activities	(41,516)	(463,061)
Net increase (decrease) in cash and cash equivalents	(300,798)	79,474
Cash and cash equivalents at beginning of period	633,029	553,555
Cash and cash equivalents at end of period	**$ 332,231**	**633,029**

See accompanying notes to consolidated financial statements.

(1) Company history

SCI Pharmtech, Inc. (the "Company") was incorporated in September 18, 1987 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The major business activities of the Company are the research and development, manufacture and sale of Active Pharmaceutical Ingredients (" API"), Intermediates, specialty chemicals. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the " Group" and individually as the " Group entities"). Please refer to note 4(c)(ii) for related information of the Group primarily business activities. Mercuries & Associates, Holding Ltd. is the parent company of the Company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 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. ("FSC") which have already been adopted.

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

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, 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
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

(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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows. 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..

(Continued)

(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:

1) Financial instruments at fair value through profit or loss are measured at fair value ;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) 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.

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

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

(Continued)

(ii) List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2021	Shareholding December 31, 2020
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

(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 assets are classified as non-current.

(i) It is expected to be realized, or intended 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)

An entity shall classify a liability as current when:

(i) It is expected to be settled 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.

(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) – 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)

- 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) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’ s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(Continued)

4) 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, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’ s, Baa3 or higher per Moody’ s or twA or higher per Taiwan Ratings’.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

(Continued)

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). ECL are discounted at the effective interest rate of the financial asset.

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 90 days 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. 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.

5) 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)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

(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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group' s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(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.

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.

(Continued)

(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 straigh-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

1) Buildings: 2 ~ 55 years

2) Machinery: 3 ~15 years

3) Other equipment: 3 ~ 15 years

Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Lease

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

(i) As a leasee

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.

(Continued)

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

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments or penalties 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:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) 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 assets, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications in lease subject, scope of the lease or other terms.

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

(l) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

(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, from the date that they are available for use.

The estimated useful lives of computer software is 6~11 years.

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 and deferred tax asset) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

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

(Continued)

(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.

(o) 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.

(i) 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.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group' s net obligation in respect of defined benefit plans is calculate 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 plan assets.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in 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) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

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

(q) 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.

(Continued)

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 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 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.

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

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 liabilites; 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 entites 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.

(r) 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. Dilutive potential ordinary shares comprise convertible bond, employee stock options, remuneration to employees not yet approved by the Board of directors, and restricted employee shares.

(Continued)

(s) 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 preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Group writes down the cost of inventories to net realizable value since the inventories at reporting date were estimated to be obsolescence and unmarketable items. The inventory valuation is based on the demand of the products within a specific period. Therefore, the value of inventories will vary significantly variable. Please refer to note (6)(e) of the financial statement for inventory valuation.

(b) Insurance claims and disaster indemnity estimates for the major disaster

(i) The Company entered into property insurance contracts based on the replacement cost. Therefore, the final compensation income will not be confirmed until the reconstruction and restoration are completed. Furthermore, the compensation still needs to be considered regarding numerous additional terms and conditions, a complicated verified process, and the Company's actual reconstruction payment. After confirming with the lead insurance company and its notary, the Company recognized the virtually certain amount of compensation that can be received from the insurance company as claim receivables on December 31, 2020. However, it shall not exceed the disaster losses of the assets. The Company will not recognize incremental compensation income unless the claim receivables are virtually certain to exceed recognized receivables. Therefore, the final compensation income may be materially different from the estimated amount.

(Continued)

(ii) In 2020, the fire disaster spread to several nearby factories, of which property was impaired. The damage indemnity is based on:

- the available information that the third-party notary public can provide through its survey and investigations,
- the scale of each factory
- the average financial ratio of the comparable listed companies,
- the estimation of the financial information of each factory.

In 2021, some parts of the related damage indemnity were recognized based on the insurance verification report, which was claimed by the damaged companies, and the value identification of damaged assets reports, which were prepared by the professional third-party.

However, the damage indemnity requires further negotiation, and there are material uncertainties. The final damage indemnity may be materially different from the estimated amount.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 542	592
Checking accounts and demand deposits	303,689	283,291
Time deposits	28,000	127,505
Bills sold under repurchase agreements	-	221,641
	$ 332,231	**633,029**

(i) The Group did not provide cash and cash equivalents as collateral for its loans.

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

(b) Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Beneficiary certificate	$ 105,289	417,065
Stocks listed on domestic markets	255,112	250,890
Total	**$ 360,401**	**667,955**
Current	**$ 360,401**	**-**
Non-current	**$ -**	**667,955**

(Continued)

After the fire incident, the Group's capital requirement increased. The Group reassessed the purpose of holding the aforementioned financial assets again and reclassified them under current assets in 2021.

The Group did not provide any aforementioned financial assets as collateral for its loans as of December 31, 2021 and 2020, respectively.

(c) Financial asset at fair value through other comprehensive income, non-current:

		December 31, 2021	December 31, 2020
Financial assets at fair value through other comprehensive income:			
Emerging stocks and unlisted stocks in domestic markets	$	72,521	85,697

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

In December 2021, the Group participated in the capital increase by cash of Energenesis Biomedical Co., Ltd. (Energenesis) with the amount of $6,375. As of December 31, 2021, the Energenesis' ownership held by the Group was 2.42%.

No strategic investments were disposed for the years ended December 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Please refer to note 6(u) for market risk of the Group.

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

(d) Notes and accounts receivable

		December 31, 2021	December 31, 2020
Notes receivable	$	-	99
Accounts receivable		82,976	337,650
Less: Loss allowance		-	-
	$	82,976	337,749

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, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation (macroeconomic and relevant industry information). The loss allowance provision was determined as follows:

(Continued)

	December 31, 2021		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 77,998	-	-
1 to 30 days past due	349	-	-
31 to 60 days past due	107	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	8	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	4,514	-	-
More than 360 days past due	-	-	-
	$ 82,976		-

	December 31, 2020		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 211,365	-	-
1 to 30 days past due	106,352	-	-
31 to 60 days past due	19,739	-	-
61 to 90 days past due	293	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
	$ 337,749		-

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

	2021	**2020**
Balance at January 1	$ -	1,179
Impairment losses reversed	-	(1,179)
Balance at December 31	**$ -**	-

As of December 31, 2021 and 2020, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(Continued)

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 142,304	116,984
Work in progress	22,244	16,322
Finished goods	129,634	247,573
	$ 294,182	**380,879**

For the years ended December 31, 2021 and 2020, inventory cost recognized as cost of sales amounting to $445,954 and $1,368,461, respectively, and unallocated production overheads amounting to $215,771 and $70,648, respectively.

The write-down of inventories to net realizable value were recorded as cost of sales. Furthermore, the Group reversed the allowance for inventory valuation loss and obsolescence because the net realizable value was no longer lower than the cost after the disasters and the disposal of obsolete inventories. The details are as following:

	2021	2020
The write-downs (reversals)	**$ (5,597)**	**(24,215)**

In 2020, the Group derecognized the inventories in fire damage amounting to $175,565, which are recorded under the losses due to disasters (miscellaneous disbursements). Please refer to note 6(t) and note 10 for the details.

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

(f) Other receivables

	December 31, 2021	December 31, 2020
Insurance claim receivable	$ 265,539	519,057
Others	47	594
	$ 265,586	**519,651**

(g) Investments accounted for using equity method

The components of investments accounted for using equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Associates	**$ 52,447**	**-**

(Continued)

(i) In April 2021, the Group acquired 40% shares of Framosa Co., Ltd., for $66,000 in cash, resulting in the Group to have significant influence over Framosa Co., Ltd.

(ii) The Group's financial information on investments accounted for using equity method that are individually insignificant was as follows:

	2021
Attributable to the Group:	
Profit (loss)	$ (13,553)
Other comprehensive income (loss)	-
Total comprehensive income (loss)	**$ (13,553)**

(iii) Pledge to secure

The Group did not provide any investment accounted for using equity method as collaterals for its loans.

(h) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Cost:							
Balance on January 1, 2021	$ 825,680	553,521	543,884	32,917	12,968	222,713	2,191,683
Additions	-	4,480	61,735	1,863	-	543,222	611,300
Transferred (out) in	-	131,536	56,837	2,399	-	(130,266)	60,506
Disposal and derecognitions	-	(5,065)	(119,313)	(3,240)	-	(2,373)	(129,991)
Balance on December 31, 2021	**$ 825,680**	**684,472**	**543,143**	**33,939**	**12,968**	**633,296**	**2,733,498**
Balance on January 1, 2020	$ 825,680	737,842	1,667,500	40,656	18,720	168,428	3,458,826
Additions	-	7,065	19,447	1,533	-	108,624	136,669
Transferred (out) in	-	2,130	17,524	(1,444)	-	(7,130)	11,080
Disposal and derecognitions	-	(193,516)	(1,160,587)	(7,828)	(5,752)	(47,209)	(1,414,892)
Balance on December 31, 2020	**$ 825,680**	**553,521**	**543,884**	**32,917**	**12,968**	**222,713**	**2,191,683**

(Continued)

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Depreciation and impairments loss:							
Balance on January 1, 2021	$ -	248,002	420,724	17,963	4,842	-	691,531
Depreciation	-	21,903	27,947	3,516	1,050	-	54,416
Transferred (out) in	-	-	-	-	-	-	-
Disposals and derecognitions	-	(5,065)	(103,590)	(1,791)	-	-	(110,446)
Balance on December 31, 2021	**$ -**	**264,840**	**345,081**	**19,688**	**5,892**	**-**	**635,501**
Balance on January 1, 2020	$ -	334,054	1,219,926	20,099	7,748	-	1,581,827
Depreciation	-	31,420	88,377	4,102	1,562	-	125,461
Transferred (out) in	-	-	-	(2,052)	-	-	(2,052)
Disposals and derecognitions	-	(117,472)	(887,579)	(4,186)	(4,468)	-	(1,013,705)
Balance on December 31, 2020	**$ -**	**248,002**	**420,724**	**17,963**	**4,842**	**-**	**691,531**
Carrying amounts:							
Balance on December 31, 2021	**$ 825,680**	**419,632**	**198,062**	**14,251**	**7,076**	**633,296**	**2,097,997**
Balance on January 1, 2020	**$ 825,680**	**403,788**	**447,574**	**20,557**	**10,972**	**168,428**	**1,876,999**
Balance on December 31, 2020	**$ 825,680**	**305,519**	**123,160**	**14,954**	**8,126**	**222,713**	**1,500,152**

In May 2013, the Group purchased a piece of land for the construction of its factory in Taoyuan Luzhu that was auctioned by the court at a price of $211,184. The amount had been paid in full, and the transfer procedures have been completed. The title deed of a certain portion of the land, measuring 2,259 square meters, was registered in the name of Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the Group is the actual owner of the land.

In 2020, the Group derecognized some part of property, plant and equipment in fire damage amounting to $401,187. Furthermore, the Group rechecked the condition of various properties and equipment in 2021, and derecognized some properties and equipment, which were damaged in the fire and could not be repaired, amounting to $19,545. The above derecognized assets were recorded under the losses due to disasters (miscellaneous disbursements). Please refer to note 6(t) and note 10 for the details.

As of December 31, 2021 and 2020, part of the property, plant and equipment of the Group had been pledged as collateral. Please refer to note 8 for the details.

(Continued)

(i) Right-of-use assets

The Group leases many assets including company cars and copy machines. Information about leases for which the Group as a lessee is presented below:

	Amount
Cost:	
Balance on January 1, 2021	$ 5,657
Additions	1,384
Reductions	(2,545)
Reductions due to lease modification	(90)
Balance on December 31, 2021	**$ 4,406**
Balance on January 1, 2020	$ 4,747
Additions	1,662
Reductions due to lease modification	(752)
Balance on December 31, 2020	**$ 5,657**
Accumulated depreciation:	
Balance on January 1, 2021	$ 3,089
Depreciation for the period	1,775
Reductions	(2,545)
Reductions due to lease modification	(47)
Balance on December 31, 2021	**$ 2,272**
Balance on January 1, 2020	$ 1,773
Depreciation for the period	2,049
Reductions due to lease modification	(733)
Balance on December 31, 2020	**$ 3,089**
Carrying amount:	
Balance on December 31, 2021	**$ 2,134**
Balance on January 1, 2020	**$ 2,974**
Balance on December 31, 2020	**$ 2,568**

(j) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2021	December 31, 2020
Unsecured bank loans	$ -	-
Unused credit line for short-term borrowings	**$ 420,000**	**338,989**
Range of interest rates	-	-

Please refer to note 8 for the details of property, plant and equipment as collateral for its loans.

Please refer to note 6(u) for the information of interest risk, foreign currency risk and liquidity risk.

(Continued)

(k) Other payables

	December 31, 2021	December 31, 2020
Salaries payable	$ 77,512	118,602
Others	51,236	70,336
	$ **128,748**	**188,938**

(l) Lease liabilities

The carrying amount of lease liabilities was as follows:

	December 31, 2021	December 31, 2020
Current	$ **1,584**	**1,340**
Non-current	$ **571**	**1,248**

Please refer to note 6(u) for maturity analysis.

	2021	2020
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	$ **39**	**43**
Expenses relating to short-term leases	$ **39,365**	**1,662**
Variable lease payments not included in the measurement of lease liabilities	$ **108**	**546**
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ **1,141**	**259**
Lease modification gains (recorded as other income)	$ **(1)**	**-**

	2021	2020
The amounts recognized in the statement of cash flows for the Group were as follows:		
Total cash outflow for leases	$ **42,426**	**4,557**

The Group leases company cars and copy machines: The leases typically run for a period of three to six years.

The Group also leases production lines, vehicles and office equipment with contract terms of less than one year. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) Provisions

		Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2021	$	86,156	509,076	595,232
Provisions made (reversed) during the year		5,270	(25,000)	(19,730)
Provisions used during the year		(47,480)	(109,182)	(156,662)
Balance on December 31, 2021	$	**43,946**	**374,894**	**418,840**
Balance on January 1, 2020	$	83,957	-	83,957
Provisions made during the year		70,670	509,076	579,746
Provisions used during the year		(68,471)	-	(68,471)
Balance on December 31, 2020	$	**86,156**	**509,076**	**595,232**

(i) In 2021 and 2020, the provisions were recognized for the treatment of liquid waste in accordance with the Standards of Environmental Protection Administration; the amount of provisions were estimated at quantity and cost of the treatment of liquid waste. The Group considers to write off and recognize the above provisions in the following year.

(ii) For the years ended December 31, 2021 and 2020, the Group recognized (reversed) the fire indemnity amounting to $(25,000) and $509,076, respectively, due to the fire spreading to the nearby factories. Please refer to note 6(t) and note 10 for the details.

(n) Employee benefits

(i) Defined benefit plans

Reconcilations of the defined benefit obligations at present value and plan assets at fair value are as follows:

		December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$	(75,744)	(85,075)
Fair value of plan assets		58,799	64,632
Net defined benefit liabilities	$	**(16,945)**	**(20,443)**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and average monthly salary for the six months prior to retirement.

(Continued)

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $58,354 at the end of the reporting period. 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 Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2021	**2020**
Defined benefit obligation at January 1	$ (85,075)	(87,066)
Current service costs and interst	(1,134)	(1,778)
Remeasurement in net defined benefit liability (assets)	1,544	(2,012)
Benefits paid	8,921	5,781
Defined benefit obligation at December 31	**$ (75,744)**	**(85,075)**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2021	**2020**
Fair value of plan assets at January 1	$ 64,632	65,690
Contributions made	1,935	2,122
Interest income	189	459
Remessurement in net defined benetif liability (assets)	964	2,142
Benefits paid	(8,921)	(5,781)
Fair value of plan assets at December 31	**$ 58,799**	**64,632**

(Continued)

4) Movements of the effect of the asset ceiling

In 2021 and 2020, there were no movements on the effect of the Company's defined benefit plans asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2021	**2020**
Service cost	$ 887	1,178
Net interest of net liabilities for defined benefit obligations	58	141
	$ 945	**1,319**
Operating cost	$ 688	1,259
Operating expenses	257	60
	$ 945	**1,319**

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

The Company's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2021 and 2020 was as follows:

	2021	**2020**
Cumulative amount at January 1	$ 7,764	7,894
Recognized during the year	(2,508)	(130)
Cumulative amount at December 31	**$ 5,256**	**7,764**

7) Actuarial assumptions

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

	December 31, 2021	**December 31, 2020**
Discount rate as of December 31	0.65 %	0.30 %
Future salary increasing rate	2.00 %	1.50 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $2,147.

The weighted-average duration of the defined benefit obligation is 7 years.

(Continued)

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact on the present value of the defined benefit obligation	
	Increased 0.25%	**Decreased 0.25%**
As of December 31, 2021		
Discount rate	$ (1,410)	1,454
Future salary increasing rate	1,430	(1,395)
As of December 31, 2020		
Discount rate	(1,594)	1,644
Future salary increasing rate	1,621	(1,579)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Group allocates 6% of each employee’ s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group recognized the pension costs under the defined contribution method amounting to $6,837 and $7,076 for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

(o) Income taxes

(i) Income tax expenses

The amount of income tax for the years ended December 31, 2021 and 2020, was as follows:

		2021	2020
Current income tax expense			
Recognized during the year	$	-	197,199
Surtax on unappropriated earnings		-	2,893
Income tax estimate under (over)		(11,683)	(2,483)
		(11,683)	197,609
Deferred income tax expense			
Recognition and reversal of temporary differences		14,074	(104,064)
Income tax underestimate (overestimate) for prior years		7,419	1,546
		21,493	(102,518)
Income tax expense	**$**	**9,810**	**95,091**

The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

		2021	2020
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement in defined benefit plan	**$**	**501**	**26**

Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

		2021	2020
Profit excluding income tax	$	65,506	455,215
Income tax using the Company's domestic tax rate		13,101	91,043
Net gains or losses on domestic investments accounted for using equity method		2,828	107
Tax-exempt income		(1,533)	(1,347)
Over provision in prior periods		(4,264)	(937)
Surtax on unappropriated earnings		-	2,893
Other		(322)	3,332
	$	**9,810**	**95,091**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities: None.

2) Unrecognized deferred tax assets

Details of unrecognized under deferred tax assets which were resulting from Yushan's carry-forward of unused tax losses are as follows:

	December 31, 2021	December 31, 2020
Tax effect of loss carry forward	$ 4,280	4,113

The ROC Income tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against taxable income in the following ten years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

3) Recognized deferred tax assets and liabilities

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

	Loss for market price decline and obsolete inventories	Losses due to major disasters	Provision	Deferred revenue	Tax losses	Others	Total
Deferred tax assets:							
Balance on January 1, 2021	$ 25,820	115,350	116,555	1,167	-	4,654	263,546
Recognized in profit or loss	(1,119)	(4,361)	(33,347)	(1,167)	20,669	(2,168)	(21,493)
Recognized in other comprehensive income	-	-	-	-	-	(501)	(501)
Balance on December 31, 2021	$ 24,701	110,989	83,208	-	20,669	1,985	241,552
Balance on January 1, 2020	$ 30,663	-	16,231	3,231	-	7,118	57,243
Recognized in profit or loss	(4,843)	115,350	100,324	(2,064)	-	(2,438)	206,329
Recognized in other comprehensive income	-	-	-	-	-	(26)	(26)
Balance on December 31, 2020	$ 25,820	115,350	116,555	1,167	-	4,654	263,546

(Continued)

	Insurance claim compensation
Deferred tax liabilities:	
Balance on January 1, 2021	$ 103,811
Recognized in profit or loss	-
Recognized in other comprehensive income	-
Balance on December 31, 2021	**$ 103,811**
Balance on January 1, 2020	$ -
Recognized in profit or loss	103,811
Recognized in other comprehensive income	-
Balance on December 31, 2020	**$ 103,811**

(iii) Examination and approval

The ROC tax authorities have examined the Company's and Yushan's income tax returns through 2019.

(iv) The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to offset taxable income over a period of ten years. As of December 31, 2021, the details of the unused tax losses were as follows:

1) The Company:

Year of loss	Unused amount	Expiry year
2021(Estimated)	**$ 103,344**	2031

2) Yushan:

Year of loss	Unused amount	Expiry year
2013(Assessed)	$ 4,627	2023
2014(Assessed)	10,633	2024
2015(Assessed)	885	2025
2016(Assessed)	959	2026
2017(Assessed)	1,139	2027
2018(Assessed)	825	2028
2019(Assessed)	704	2029
2020(Filed)	788	2030
2021(Estimated)	839	2031
	$ 21,399	

(Continued)

(p) Capital and other equity

As of December 31, 2021 and 2020, the authorized common stocks were $1,200,000 and $900,000, respectively, with a par value of 10 New Taiwan dollars per share, of which 8,000 thousand shares were reserved for the issuance of employee stock options, and of which 95,382 and 79,485 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Based on a resolution at the annual stockholders' meeting held on July 15, 2021, the Company increased its common stock through the issuance of stock dividends by transferring retained earnings amounting to $158,971. The newly issued shares totaled 15,897 thousand shares with a par value of 10 New Taiwan Ddollars per share. The effective date was August 29, 2021, and the registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	$ 1,270,247	1,270,247
Gain on disposal of assets	980	980
Stock options	71,530	71,530
Employee stock options	5,582	5,582
	$ 1,348,339	**1,348,339**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained Earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and special reserves are supposed to set aside in accordance with the relevant regulations or as required by the government. And then any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

(Continued)

According to the Company's dividend policy, the type of dividends should be determined after considering the Company' s capital and financial structure, operating conditions, operating surplus, industrial characteristics and cycle. The distribution of net earnings should not be lower than 50% of the current profit before tax. Cash dividends to stockholders should not be lower than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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 equal to the current period total net reduction of other shareholders' equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of after-tax net profit for the period plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Based on the resolutions of annual stockholders' meetings held on July 15, 2021 and June 19, 2020, the appropriations of dividends from the distributable retained earnings of 2020 and 2019 were as follows:

	2020		**2019**	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.5	39,743	5.80	461,014
Stock	2.0	158,971	-	-
Total		$ 198,714		461,014

On March 18, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. No dividends were appropriated.

(Continued)

(iv) Other equity (net of tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	$ (29,378)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(19,551)
Balance at December 31, 2021	**$ (48,929)**

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	$ 22,254
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(51,632)
Balance at December 31, 2020	**$ (29,378)**

(q) Earnings per share

The Company's earnings per share was calculated as follows:

	2021	2020
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	**$ 55,696**	**360,124**
Weighted-average number of ordinary shares (thousand shares)	**95,382**	**95,382**
	$ 0.58	**3.78**
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	**$ 55,696**	**360,124**
Weighted-average number of ordinary shares (thousand shares)	95,382	95,382
Effect of potentially dilutive ordinary shares:		
Effect of employee compensation	183	653
Weighted-average number of ordinary shares (thousand shares) (diluted)	**95,565**	**96,035**
	$ 0.58	**3.75**

(Continued)

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

		2021	2020
Primary geographical markets:			
Italy	$	244,025	455,365
China		148,804	48,973
United States		108,242	470,942
Germany		92,758	65,301
Taiwan		58,520	232,453
Switzerland		52,739	90,905
Spain		30,306	447,010
Japan		19,508	239,884
Netherlands		-	145,319
Others		109,315	493,070
	$	**864,217**	**2,689,222**
Major products:			
Active Pharmaceutical Ingredients	$	396,602	1,962,646
Intermediates		451,915	597,497
Specialty Chemical		15,700	129,079
	$	**864,217**	**2,689,222**

(ii) Contract balances

		December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable	$	82,976	337,749	353,583
Less: allowance for impairment		-	-	(1,179)
Total	**$**	**82,976**	**337,749**	**352,404**
Contract liabilities (sales received in advance)	**$**	**41,764**	**97,295**	**59,092**

Please refer to note 6(d) for the information of accounts receivable and the 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 $64,893 and 26,148, respectively.

The changes of contract liabilities are arising from the difference of time point, which the Group transfers the ownership of goods and which customers do the payment.

(Continued)

(s) Remuneration to employees and directors

In accordance with the Articles of incorporation, the Company should contribute no less than 3% of the profit as employee remuneration and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employees' compensation will be distributed in shares or cash. The recipients may include the employees of the subordinate of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to $6,424 and $44,000, respectively, and the remunerations to directors amounted to $876 and $1,000, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company' s shares on the day before the approval by the Board of Directors.

There were no differences between the amounts approved in the Board of Directors and those recognized in the 2021 and 2020 financial statements. Related information would be available at the Market Observation Post System Website.

(t) Miscellaneous Disbursements

		2021	2020
Losses in property plant, and equipment and construction in progress due to the disaster	$	19,545	401,187
Losses in inventories due to the disaster		-	175,565
Fire indemnity (reversals)		(25,000)	509,076
Insurance claim income		-	(519,057)
Subtotal		(5,455)	566,771
Cleaning expenses after the disaster		21,710	-
Others		871	514
	$	17,126	567,285

(u) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

2) Concentration of credit risk

As of December 31, 2021 and 2020, there were five and six major customers, respectively, that accounted for 84.15% and 67.38%, respectively, of notes and accounts receivable. Thus, credit risk is significantly centralized. In order to minimize credit risk, the Group periodically evaluates the major clients' financial positions and the possibility of collecting notes and accounts receivables to ensure the uncollectible amount is recognized appropriately as loss allowance.

3) Receivables and debt securities

a) For credit risk exposure of notes and trade receivables, please refer to note 6(d).

b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Group are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2021					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 33,779	(33,779)	(33,779)	-	-
Lease liabilities (including current and non-current)	2,155	(2,178)	(1,605)	(573)	-
Other payables	128,748	(128,748)	(128,748)	-	-
Payables on contractors and equipment	118,194	(118,194)	(118,194)	-	-
	$ 282,876	**(282,899)**	**(282,326)**	**(573)**	**-**
December 31, 2020					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 80,878	(80,878)	(80,878)	-	-
Lease liabilities (including current and non-current)	2,588	(2,629)	(1,368)	(922)	(339)
Other payables	188,938	(188,938)	(188,938)	-	-
Payables on contractors and equipment	21,064	(21,064)	(21,064)	-	-
	$ 293,468	**(293,509)**	**(292,248)**	**(922)**	**(339)**

(Continued)

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follow:

Foreign currency: in thousands of dollars

		December 31, 2021			December 31, 2020		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD to TWD	$	11,980	27.63	331,007	17,704	28.43	503,325
EUR to TWD		859	31.12	26,732	3,178	34.82	110,658
Financial liabilities							
Monetary items							
USD to TWD		1,098	27.63	30,338	1,417	28.43	40,285

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, accounts payable, accrued expenses and other payables that are denominated in foreign currency.

The analysis assumes that all other variables remain constant. A strengthening (weakening) 1% of the functional currency against each foreign currency for the years ended December 31, 2021 and 2020, would have affected the net profit before tax increased or decreased $3,274 and $5,737, respectively. The analysis is performed on the same basis for both periods.

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 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(14,995) and $(30,630), respectively.

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

		Carrying amount	
		December 31, 2021	December 31, 2020
Variable rate instruments:			
Financial assets	$	303,363	282,961
Financial liabilities		-	-

(Continued)

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 0.25% when reporting to management internally, which also represents the Group management' s assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have increased or decreased by $758 and $707, respectively, for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Group's bank savings with variable interest rates.

(v) Fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are 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				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 360,401	360,401	-	-	360,401
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	72,521	-	-	72,521	72,521
Financial assets measured at amortized cost					
Cash and cash equivalents	332,231	-	-	-	-
Notes and accounts receivable	82,976	-	-	-	-
Other receivables	265,586	-	-	-	-
Refunded deposits (recognized as other non-current assets)	3,210	-	-	-	-
Subtotal	684,003				
Total	**$ 1,116,925**				

(Continued)

	December 31, 2021				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 33,779	-	-	-	-
Lease liabilities (including current and non-current)	2,155	-	-	-	-
Other payables	128,748	-	-	-	-
Payables on contractors and equipment	118,194	-	-	-	-
Total	$ 282,876				

	December 31, 2020				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 667,955	667,955	-	-	667,955
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	85,697	-	-	85,697	85,697
Financial assets measured at amortized cost					
Cash and cash equivalents	633,029	-	-	-	-
Notes and accounts receivable	337,749	-	-	-	-
Other receivables	519,651	-	-	-	-
Refunded deposits (recognized as other non-current assets)	1,210	-	-	-	-
Subtotal	1,491,639				
Total	$ 2,245,291				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 80,878	-	-	-	-
Lease liabilities (including current and non-current)	2,588	-	-	-	-
Other payables	188,938	-	-	-	-
Payables on contractors and equipment	21,064	-	-	-	-
Total	$ 293,468				

(Continued)

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

(Continued)

4) Transfers between Levels

Part of the Company’ s equity holdings in Energenesis come from its cash capital increase, which is classified as fair value through other comprehensive income. The fair value as of December 31, 2020, was $15,619. Energenesis is a listed company on the Emerging Stock Market. As of December 31, 2020, the degree of Energenesis’ s stock trading activity does not meet the definition of an active market. Therefore, the fair value measurement was transferred from Level 1 to Level 3 of the fair value hierarchy as of December 31, 2020.

There were no transfers in either level during 2021.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income Unquoted equity instruments
January 1, 2021	$ 85,697
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	(19,551)
Purchased	6,375
December 31, 2021	**$ 72,521**
January 1, 2020	$ 108,619
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	(38,541)
Transfers in Level 3	15,619
December 31, 2020	**$ 85,697**

For the years ended December 31, 2021 and 2020, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	2021	**2020**
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	$ (19,551)	(38,541)

(Continued)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group' s financial instruments that use Level 3 inputs to measure fair value include " financial assets measured at fair value through other comprehensive income – debt investments". Financial assets at fair value through other comprehensive income – equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial assets at fair value through other comprehensive income – equity investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through other comprehensive income– equity investments without an active market	Price-Book ratio method	· The multiplier of Price-Book Ratio (As of December 31, 2021 and 2020 were 1.70~2.72 and 1.79~5.01, respectively)	The higher the fair value is, the higher the multiplier will be.
〃	〃	· Lack-of-Marketability discount rate (As of December 31, 2021 and 2020 were boh 23%~50%)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group' s measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions that may lead to various results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Inputs	Move up or downs	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,698	3,600
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,345	2,247

(Continued)

	Inputs	Move up or downs	Other comprehensive income Favorable	Other comprehensive income Unfavorable
December 31, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,496	3,536
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,895	2,895

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(v) 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 Group operations are affected by a variety of financial risks, the risks including market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group' s financial risk management focus on uncertainty in the financial market to avoid hidden difficulty at the financial statement and financial performance of the Group. The Group' s finance department carried out risk management according to the dealer' s authority approved by Board of Directors. The Group' s financial department maintain close communication with operation department in charge of identifying, evaluating, avoiding financial risk.

(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 and investment securities.

(Continued)

1) Accounting receivable and other receivables

The Group’ s finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group’ s credit limits are offered. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department, and are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group’s customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group’ s customers are mainly from the pharmaceutical industry. In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management’s expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer profile, operating and financial status, payment records and the degree of cooperation. Customers that are graded as “ high risk” are placed on a restricted customer list and monitored by the finance department more strictly, and the transactions are made on a more cautious way.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group’s finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group’s policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, no other guarantees were outstanding.

(Continued)

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group' s management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Please refer to note (6)(j) for unused short-term bank facilities as of December 31, 2021 and 2020.

(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 New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in TWD and USD.

The Group pays attention to changes in exchange rates and uses forward exchange contracts to hedge its currency risk. The Group' s risk management policy avoids currency risk by fair value hedge.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Group did not borrows funds with variable interest rates, therefore there is no risk of cash flows.

(w) Capital management

The Group' s objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilty.

The Group use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(Continued)

The Group's capital management strategy is to maintain a debt-to-equity ratio of less than 30% in December 31, 2021 and 2020. The ratio of debt to capital in December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Total loan	$ -	-
less: cash and cash equivalent	332,231	633,029
Net debt	$ -	-
Total equity	$ 3,320,631	3,322,222
Debt-to-equity ratio	- %	- %

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

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

(i) For the acquisition of right-of-use assets by lease for the years ended December 31, 2021 and 2020, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities for the years ended December 31, 2021 and 2020, were as follows:

			Non-cash changes	
	January 1, 2021	Cash flows	Changes in lease payments	December 31, 2021
Lease liabilities	$ 2,588	(1,773)	1,340	2,155

			Non-cash changes	
	January 1, 2020	Cash flows	Changes in lease payments	December 31, 2020
Lease liabilities	$ 2,992	(2,047)	1,643	2,588

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Mercuries & Associates Holding Ltd. (Mercuries) is both the parent company of the consolidated entity and the ultimate controlling party of the Group, holding 33.11% of the Group's outstanding shares. It has issued the consolidated financial statements available for public use.

(Continued)

(b) Names and relationship with related parties:

Name of related party	Relationship with the Group
Weichyun Wong	The chairman of the Company

(c) Significant transaction with related parties:

(i) Others

The title deed of a certain portion of the land was registered in the name of Mr. Weichyun Wong due to certain legal requirements for the years ended December 31, 2021 and 2020. Please refer to note 6(h).

(d) Key management personnel compensation

	2021	2020
Salary and short-term employee benefits	$ 14,290	35,382

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2021	December 31, 2020
Land	Pledged as collaterals	$ 42,736	42,736
Building	〃	3,523	4,171
		$ 46,259	46,907

(9) Commitments and contingencies:

(a) As of December 31, 2021 and 2020, the unused balance of the Group's outstanding standby letters of credit amounted to $39,826 and $29,106, respectively.

(b) The significant outstanding purchase commitments for property, plant and equipment were as follows:

	December 31, 2021	December 31, 2020
Acquisitions of property, plant and equipment	$ 887,002	49,143

(10) Losses Due to Major Disasters:

A major fire accident occurred on December 20, 2020, and caused damage to some buildings, equipment, construction in progress, and inventories, and spread to several nearby factories, of which property was impaired and business operation was interrupted. In 2020, the Company derecognized damaged buildings, equipment and construction in progress of $401,187, and the inventories of $175,565, and accrued for the damage loss for nearby damaged companies of $509,076. The total disaster loss is $1,085,828.

(Continued)

The Company rechecked the condition of various properties and equipment in 2021, and derecognized some properties and equipment, amounting to $19,545, which were damaged in the fire and could not be repaired. Furthermore, the negotiation of the disaster indemnity is still in progress. The Company recognized the related provisions, according to the amounts which were claimed initially by the damaged companies. For the year ended December 31, 2021, the reversal of the provision was $25,000.

The above damage losses are based on the best estimate from the available evidence as of the reporting date. However, the actual loss of the claim is still subject to future negotiation, and there are contingent liabilities that cannot be estimated or recorded. For the year ended December 31, 2021, the above compensation losses amounting to $109,182 had been paid. As of December 31, 2021 and 2020, the fire indemnity was $374,894 and $509,076, respectively, which was recorded under provisions. Please refer to note 6(m) for the details.

The Company has already entered into related property insurance contracts and is currently in the process of negotiation with the insurance company to handle claims. The Company has confirmed with the insurance company and its notary to recognize the virtually certain amount of compensation that can be received from the insurance company as claim receivables, but shall not exceed the disaster loss of each asset. For the year ended December 31, 2021, the Company had already received the compensation amounting to $253,518 from the insurance company. As of December 31, 2021 and 2020, the Company recognized the claim receivables for $265,539 and $519,057, respectively, which were recorded under other receivables. However, the insurance claims involve disaster identification, the Company has not been able to confirm the total amount of insurance claims, and will recognize it when the Company can almost be certain that it can receive the subsequent increase in insurance claims income.

(11) Subsequent Events: None.

(12) Other:

(a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function / By item	2021 Cost of sales	2021 Operating expenses	2021 Total	2020 Cost of sales	2020 Operating expenses	2020 Total
Employee benefits						
Salary	106,945	51,482	158,427	218,067	81,920	299,987
Labor and health insurance	12,061	4,366	16,427	14,756	4,782	19,538
Pension	5,716	2,066	7,782	6,601	1,794	8,395
Remuneration of directors	-	876	876	-	1,000	1,000
Others	3,094	5,147	8,241	3,503	9,481	12,984
Depreciation	38,251	17,940	56,191	107,569	19,941	127,510
Amortization	3,494	4,023	7,517	1,766	4,027	5,793

(Continued)

(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 for the year ended December 31, 2021:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

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

Unit: thousand dollars

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Current Financial asset at fair value through profit or loss	2,760	46,564	-	46,564	2,760	- %	-
″	Beneficiary Certificate (Nomura Taiwan Money Market)	-	″	1,273	20,980	-	20,980	1,273	- %	-
″	Beneficiary Certificate (Yuanta USD Money Market Fund-USD)	-	″	99	29,358	-	29,358	99	- %	-
″	Beneficiary Certificate (Fubon China Policy Bank Bond ETF)	-	″	420	8,387	-	8,387	420	- %	-
″	Stock (Fubon Common Stock)	-	″	32	2,411	-	2,411	32	- %	-
″	Stock (Fubon S&P Preferred Shares A)	-	″	793	50,118	-	50,118	793	- %	-
″	Stock (Fubon S&P Preferred Shares B)	-	″	36	2,272	-	2,272	36	- %	-
″	Stock (TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E)	-	″	400	21,240	-	21,240	400	- %	-
″	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	″	790	49,691	-	49,691	790	- %	-
″	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	″	33	2,097	-	2,097	33	- %	-
″	Stock (Cathay Financial Holding Co., Ltd. Common Stock)	-	″	28	1,769	-	1,769	28	- %	-
″	Stock (Fubon S&P US Preferred Stock)	-	″	2,350	38,963	-	38,963	2,350	- %	-
″	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	″	685	43,977	-	43,977	685	- %	-
″	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	″	642	27,349	-	27,349	642	- %	-
″	Stock (Chailease Holding Co., Ltd. Preferred Share A)	-	″	150	15,225	-	15,225	150	- %	
″	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	41,489	2.42 %	41,489	1,603	2.44 %	-
″	Stock (Sunny Pharmtech Inc.)	-	″	4,497	31,032	3.25 %	31,032	4,497	3.47 %	-

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

(Continued)

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings	2021.10.19	$ 630,000	$ 63,000	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: None.

(b) Information on investees:

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

Unit: thousand dollars/ thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Ending balance			Highest		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	Shares (thousands)	Percentage of ownership			
SCI PHARMTECH, INC.	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API	351,761	351,761	35,190	100 %	348,599	35,190	100 %	(587)	(587)	Note 1
SCI PHARMTECH, INC.	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	66,000	-	6,600	40 %	52,447	6,600	40 %	(33,883)	(13,553)	

Note 1： The transactions had been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Unit: shares

Shareholding / Shareholders' Name	Shares	Percentage
Mercuries & Associates Holding Ltd.	30,283,358	31.74 %
Zhan Liwei	6,060,000	6.35 %

(Continued)

(14) Segment information:

(a) General Information

The major business activities of the Group are the manufacture and sale of API, Intermediates, and specialty chemicals by a single department. The Group' s financial information of operating department is the same as the consolidated financial statement. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income for related information.

(b) Product information

Please refer to note 6(r) for the details.

(c) Geographic information

Stated below are the geographic information on the Group' s sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers: please refer to note 6(r) for the details.

(ii) Non-current Assets:

Country	December 31, 2021	December 31, 2020
Non-current asset:		
Taiwan	$ 2,426,065	1,633,929

Non-current assets include plant, property, and equipment, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(d) Major customers

The sales revenue from clients with account for more than 10% revenue in the consolidated statements of comprehensive income as follows:

	2021	2020
G Company	$ 244,025	295,751
B Company	-	296,613
H Company	91,910	9,928
I Company	90,973	35,162
	$ 426,908	637,454

Attachment 9 : The Audited Parent Company only Financial Report for the most Recent Fiscal Year

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Independent Auditors' Report

To the Board of Directors of SCI Pharmtech, Inc.:

Opinion

We have audited the financial statements of SCI Pharmtech, Inc. (" the Company"), which comprise the statement of financial position as of December 31, 2021 and 2020, the statement of comprehensive income, the statement of changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification 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 Financial Statements section of our report. We are independent of the Company 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 significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

1. **Inventory valuation**

   Please refer to Note 4(g) and Note 5 of the financial statements for the accounting policy of inventory valuation, as well as the estimation of inventory valuation, respectively. Information regarding the inventory and related expenses are shown in Note 6(e) of the financial statements.

Description of key audit matters:

   Due to the characteristics of the pharmaceutical industry, products are manufactured for specific customers, providing batch-specific differentiation services according to their needs while the Company estimates the net realizable value of inventory. If there were no objective information regarding the current sales price available for reference, the Company has to make an evaluation of each product's various factors, such as the demands of the market, to determine the net realizable value of the product. As the reasonableness of estimation might have an impact on the inventory valuation, the test of inventory valuation is one of the key audit matters in our audit.

Our audit procedures include:

- Assessing the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the evaluation of changes in the market, customer demand and inventory turn-over, to identify the obsolete inventories.
- Performing a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.
- Sampling and inspecting the Company’s sales price; as well as verifying the calculation of the lower of cost or net realizable value; evaluating the adopted net realizable value as a basis for obsolete inventories.

2. **Revenue recognition**

Please refer to Note 4(o) of the financial statements, for the accounting policy of Revenue recognition for operating revenue recognition.

Description of key audit matters:

The Company’s main products are the manufacture of Active Pharmaceutical Ingredients, and Intermediates, etc. The Company’ s major customers are foreign pharmaceutical companies that have transaction terms different from each other, and the revenue recognition was booked by using manual adjustments, which may result in an inappropriate risk in revenue recognition. Therefore, the revenue recognition is one of the key audit matters in our audit.

Our audit procedures include:

- Understanding and testing the related controls surrounding the aforementioned sales and collection cycle;
- Testing of details;
- Verifying whether the revenue had been recognized in the proper period by testing the selected sales transactions before and after the balance sheet date in order to evaluate the accuracy of the timing of the Company's operating revenue recognition.

3. Disaster indemnity estimates for major disasters

As stated in Note 10 of the parent company only financial statements, SCI Pharmatech, Inc., a major fire accident occurred on December 20, 2020 and caused major damage. Because the fire spead to several nearby factories, the Company is actively negotiating related compensation losses with these damaged companies. As the assessment of the compensation loss involves significant accounting judgments and estimates of the management, the compensation loss estimates for major disasters is considered as one of the significant evaluations in our audit procedures.

Our audit procedure included:

- Evaluating the adequacy of the provision relating to the fire indemnity based on the insurance verification report, which was claimed by the damaged companies, and the value identification of damaged assets reports, which were prepared by the professional third-party.
- Sampling and inspecting the actual payments of the indemnity and the settle agreements; and verifying the correctness of the accounting records.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards 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 financial statements.

As part of an audit in accordance with the 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Ying Kuo and Shu-Min Hsu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2022

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Balance Sheets

December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 302,866	7	603,094	13
1110	Current financial assets at fair value through profit or loss (note 6(b))	360,401	9	-	-
1170	Notes and accounts receivable, net (notes 6(d) and 6(r))	82,976	2	337,749	7
1206	Other receivables (notes 6(f) and 10)	265,586	6	519,651	12
1310	Inventories, net (note 6(e))	294,182	7	380,879	8
1470	Other current assets	61,809	2	47,361	1
		1,367,820	33	1,888,734	41
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	667,955	15
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	72,521	2	85,697	2
1550	Investments accounted for using equity method (note 6(g))	401,046	10	349,186	7
1600	Property, plant and equipment (notes 6(h) and 8)	1,778,788	42	1,180,943	26
1755	Right-of-use assets (note 6(i))	2,134	-	2,568	-
1780	Intangible assets	60,290	1	41,319	1
1840	Deferred tax assets (note 6(o))	241,552	6	263,546	6
1900	Other non-current assets	265,644	6	89,890	2
		2,821,975	67	2,681,104	59
	Total assets	$ 4,189,795	100	4,569,838	100

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2170	Notes and accounts payable	$ 33,779	1	80,878	2
2130	Current contract liabilities (note 6(r))	41,764	1	97,295	2
2200	Other payables (note 6(k))	128,648	3	188,838	4
2213	Payables on contractors and equipment	118,194	3	21,064	1
2230	Current tax liabilities	-	-	127,490	3
2250	Current provisions (notes 6(m) and 10)	418,840	10	595,232	13
2280	Current lease liabilities (note 6(l))	1,584	-	1,340	-
2300	Other current liabilities	5,028	-	9,977	-
		747,837	18	1,122,114	25
	Non-Current liabilities:				
2580	Non-current lease liabilities (note 6(l))	571	-	1,248	-
2570	Deferred tax liabilities (note 6(o))	103,811	3	103,811	2
2640	Provisions for employee benefits, non-current (note 6(n))	16,945	-	20,443	-
		121,327	3	125,502	2
	Total liabilities	869,164	21	1,247,616	27
	Equity (note 6(p)):				
3100	Ordinary share	953,824	23	794,853	17
3200	Capital surplus	1,348,339	32	1,348,339	30
3310	Legal reserve	426,103	10	390,081	9
3320	Special reserve	29,378	1	-	-
3350	Unappropriated retained earnings	611,916	14	818,327	18
3400	Other components of equity	(48,929)	(1)	(29,378)	(1)
	Total equity	3,320,631	79	3,322,222	73
	Total liabilities and equity	$ 4,189,795	100	4,569,838	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars, except for earnings per share)

		2021		2020	
		Amount	%	Amount	%
4110	Sales revenue (note 6(r))	$ 864,217	100	2,689,222	100
5110	Cost of sales (notes 6(e), 6(n) and 12)	656,128	76	1,414,894	53
5900	**Gross profit**	208,089	24	1,274,328	47
	Operating expenses (notes 6(n) and 12):				
6100	Selling expenses	49,108	6	111,927	4
6200	Administrative expenses	54,318	6	67,975	2
6300	Research and development expenses	30,347	4	43,365	2
6450	Impairment loss (impairment gain and reversal of important loss) determined in accordance with IFRS 9 (note 6(d))	-	-	(1,179)	-
		133,773	16	222,088	8
6900	**Net operating income**	74,316	8	1,052,240	39
	Non-operating income and expenses:				
7190	Other income	25,285	3	4,650	-
7101	Interest income	526	-	3,970	-
7130	Dividend income	9,437	1	8,553	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	2,242	-	(15,707)	-
7510	Interest expense (note 6(l))	(41)	-	(43)	-
7590	Miscellaneous disbursements (notes 6(e), 6(h), 6(t) and 10)	(17,126)	(2)	(567,285)	(21)
7630	Foreign exchange gains (losses)	(14,993)	(2)	(30,626)	(1)
7775	Share of loss of associates and joint ventures accounted for using equity method, net	(14,140)	(1)	(537)	-
		(8,810)	(1)	(597,025)	(22)
7900	**Profit before tax**	65,506	7	455,215	17
7950	Less: Income tax expenses (note 6(o))	9,810	1	95,091	4
8200	**Profit**	55,696	6	360,124	13
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**:				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	2,508	-	130	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(19,551)	(2)	(51,632)	(2)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(o))	501	-	26	-
8300	**Other comprehensive income, net**	(17,544)	(2)	(51,528)	(2)
8500	**Total comprehensive income**	**$ 38,152**	**4**	**308,596**	**11**
	Earnings per share (note 6(q)):				
9750	**Basic earnings per share**	**$ 0.58**		**3.78**	
9850	**Diluted earnings per share**	**$ 0.58**		**3.75**	

See accompanying notes to financial statements.

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

SCI PHARMTECH, INC.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars)

			Retained earnings			Other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2020	$ 794,853	1,348,339	332,971	4,788	971,435	22,254	3,474,640
Profit for the year ended December 31, 2020	-	-	-	-	360,124	-	360,124
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	104	(51,632)	(51,528)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	360,228	(51,632)	308,596
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	57,110	-	(57,110)	-	-
Reversal of special reserve	-	-	-	(4,788)	4,788	-	-
Cash dividends of ordinary share	-	-	-	-	(461,014)	-	(461,014)
Balance at December 31, 2020	794,853	1,348,339	390,081	-	818,327	(29,378)	3,322,222
Profit for the year ended December 31, 2021	-	-	-	-	55,696	-	55,696
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	2,007	(19,551)	(17,544)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	57,703	(19,551)	38,152
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	36,022	-	(36,022)	-	-
Special reserve appropriated	-	-	-	29,378	(29,378)	-	-
Cash dividends of ordinary share	-	-	-	-	(39,743)	-	(39,743)
Stock dividends of ordinary share	158,971	-	-	-	(158,971)	-	-
Balance at December 31, 2021	**$ 953,824**	**1,348,339**	**426,103**	**29,378**	**611,916**	**(48,929)**	**3,320,631**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

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 (used in) operating activities:		
Profit before tax	$ 65,506	455,215
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	56,191	127,510
Amortization expense	7,517	5,793
Expected credit loss (gain)	-	(1,179)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(2,242)	15,707
Interest expense	41	43
Interest income	(526)	(3,970)
Dividend income	(9,437)	(8,553)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	14,140	537
Losses due to (reversal of) major disasters	(5,455)	566,771
Others	62	(74)
Total adjustments to reconcile profit	60,291	702,585
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	254,773	15,834
Decrease (increase) in inventories	86,697	(29,363)
Decrease (increase) in other receivables and other current assets	239,656	(11,146)
Increase (decrease) in notes and accounts payable	(47,099)	(13,424)
Increase (decrease) in contract liabilities	(55,531)	38,203
Increase (decrease) in other payable	(60,190)	(40,892)
Increase (decrease) in provisions	(151,392)	2,199
Increase (decrease) in other current liabilities	(4,949)	7,965
Increase (decrease) in provision for employee benefits, non-current	(990)	(803)
Total changes in operating assets and liabilities	260,975	(31,427)
Total adjustments	321,266	671,158
Cash flow from (used in) operations	386,772	1,126,373
Dividends received	9,437	8,553
Interest received	526	3,970
Interest paid	(41)	(43)
Income taxes paid	(115,846)	(166,790)
Net cash flows from (used in) operating activities	280,848	972,063
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(6,375)	-
Acquisition of financial assets at fair value through profit or loss	(2,158)	(217,637)
Proceeds from disposal of financial assets at fair value through profit or loss	311,954	-
Acquisition of investments accounted for using equity method	(66,000)	-
Acquisition of property, plant and equipment	(514,170)	(132,210)
Proceeds from disposal of property, plant and equipment	-	74
Decrease (increase) in refundable deposits	(2,000)	6,273
Acquisition of intangible assets	(3,953)	-
Increase in prepayments of property, plant and equipment	(256,858)	(85,493)
Net cash flows from (used in) investing activities	(539,560)	(428,993)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(1,773)	(2,047)
Cash dividends paid	(39,743)	(461,014)
Net cash flows from (used in) financing activities	(41,516)	(463,061)
Net increase (decrease) in cash and cash equivalents	(300,228)	80,009
Cash and cash equivalents at beginning of period	603,094	523,085
Cash and cash equivalents at end of period	$ **302,866**	**603,094**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC. Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

SCI Pharmtech, Inc. (the "Company") was incorporated in September 18, 1987 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The major business activities of the Company are the research and development, manufacture and sale of Active Pharmaceutical Ingredients ("API"), Intermediates, specialty chemicals. Mercuries & Associates, Holding Ltd. is the parent company of the Company.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the Board of Directors on March 18, 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. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company 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 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
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

(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 Company, 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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(Continued)

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) 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(n).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The 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.

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Company at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(Continued)

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or 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.

An entity shall classify a liability as current when:

(i) It is expected to be settled 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 Company 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.

(e) 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.

(f) 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 Company 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) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

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

· 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) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’ s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company’s right to receive payment is established.

(Continued)

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

12-month ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Company is exposed to credit risk.

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

(Continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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 asset 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 90 days 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 charged 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company’s procedures for recovery of amounts due.

(Continued)

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

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

Changes in the Company' s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

(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.

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 Company.

(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.

Land is not depreciated.

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

1) Buildings: 2 ~ 55 years

2) Machinery: 3 ~15 years

3) Other equipment: 3 ~ 15 years

Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Lease

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

(Continued)

(i) As a lessee

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

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

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

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

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments or penalties 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:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) 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 assets, or

4) there is a change of its assessment on whether it will exercise an extension or termination option; or

5) there is any lease modifications in lease subject, scope of the lease or other terms.

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.

(Continued)

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

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

(l) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(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, from the date that they are available for use.

The estimated useful life of computer software is 6~11 years.

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 Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

(Continued)

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.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(o) Revenue from contracts with customers

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

(i) Sale of goods

The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company 's net obligation in respect of defined benefit plans is calculate 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 plan assets.

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

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

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

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

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

(Continued)

(q) 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 Company 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 and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(i) The Company 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:

(Continued)

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.

(r) Earnings per share

The Company discloses 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. Dilutive potential ordinary shares comprise convertible bond, employee stock options, remuneration to employees not yet approved by the Board of directors, and restricted employee shares.

(s) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent company only financial statements.

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

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the financial statements.

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Company writes down the cost of inventories to net realizable value since the inventories at reporting date were estimated to be obsolescence and unmarketable items. The inventory valuation is based on the demand of the products within a specific period. Therefore, the value of inventories will vary significantly variable. Please refer to note (6)(e) of the financial statement for inventory valuation.

(b) Insurance claims and disaster indemnity estimates for the major disaster

(Continued)

(i) The Company entered into property insurance contracts based on the replacement cost. Therefore, the final compensation income will not be confirmed until the reconstruction and restoration are completed. Furthermore, the compensation still needs to be considered regarding numerous additional terms and conditions, a complicated verified process, and the Company’s actual reconstruction payment. After confirming with the lead insurance company and its notary, the Company recognized the virtually certain amount of compensation that can be received from the insurance company as claim receivables on December 31, 2020. However, it shall not exceed the disaster losses of the assets. The Company will not recognize incremental compensation income unless the claim receivables are virtually certain to exceed recognized receivables. Therefore, the final compensation income may be materially different from the estimated amount.

(ii) In 2020, the fire disaster spread to several nearby factories, of which property was impaired. The damage indemnity is based on:

. the available information that the third-party notary public can provide through its survey and investigations,

. the scale of each factory,

. the average financial ratio of the comparable listed companies,

. the estimation of the financial information of each factory.

In 2021, some parts of the related damage indemnity were recognized based on the insurance verification report, which was claimed by the damaged companies, and the value identification of damaged assets reports, which were prepared by the professional third-party.

However, the damage indemnity requires further negotiation, and there are material uncertainties. The final damage indemnity may be materially different from the estimated amount.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 530	580
Checking accounts and demand deposits	302,336	281,368
Time deposits	-	99,505
Bills sold under repurchase agreements	-	221,641
	$ 302,866	**603,094**

(i) The Company did not provide cash and cash equivalents as collateral for its loans.

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

(Continued)

(b) Financial assets at fair value through profit or loss

		December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$	105,289	417,065
Stocks listed on domestic markets		255,112	250,890
Total	$	**360,401**	**667,955**
Current	$	**360,401**	**-**
Non-Current	$	**-**	**667,955**

After the fire incident, the Company's capital requirement increased. The Company reassessed the purpose of holding the aforementioned financial assets again and reclassified them under current assets in 2021.

The Company did not provide any aforementioned financial assets as collateral for its loans as of December 31, 2021 and 2020, respectively.

(c) Financial assets at fair value through other comprehensive income, non-current:

		December 31, 2021	December 31, 2020
Financial assets at fair value through other comprehensive income:			
Emerging stocks and unlisted stocks on domestic markets	$	**72,521**	**85,697**

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

In December 2021, the Company participated in the capital increase by cash of Energenesis Biomedical Co., Ltd. (Energenesis) with the amount of $6,375. As of December 31, 2021, the Energenesis' ownership held by the Company was 2.42%.

No strategic investments were disposed for the years ended December 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Please refer to note 6(u) for market risk of the Company.

As of December 31, 2021 and 2020, the Company did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ -	99
Accounts receivable	82,976	337,650
Less: Loss allowance	-	-
	$ 82,976	337,749

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables as well as incorporated forward looking information including the reasonable prediction of historical credit loss experience and future economic situation (macroeconomic and relevant industry information). The loss allowance provision was determined as follows:

	December 31, 2021		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	$ 77,998	-	-
1 to 30 days past due	349	-	-
31 to 60 days past due	107	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	8	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	4,514	-	-
More than 360 days past due	-	100 %	-
	$ 82,976		-

	December 31, 2020		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	$ 211,365	-	-
1 to 30 days past due	106,352	-	-
31 to 60 days past due	19,739	-	-
61 to 90 days past due	293	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
More than 360 days past due	-	100 %	-
	$ 337,749		-

(Continued)

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

	2021	2020
Balance at January 1	$ -	1,179
Impairment losses reversed	-	(1,179)
Balance at December 31	$ -	-

As of December 31, 2021 and 2020, the Company did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 142,304	116,984
Work in progress	22,244	16,322
Finished goods	129,634	247,573
	$ 294,182	380,879

For the years ended December 31, 2021 and 2020, inventory cost recognized as cost of sales amounting to $445,954 and $1,368,461, respectively, and unallocated production overheads amounting to $215,771 and $70,648, respectively.

The write-down of inventories to net realizable value were recorded as cost of sales. Furthermore, the Company reversed the allowance for inventory valuation loss and obsolescence because the net realizable value was no longer lower than the cost after the disasters and the disposal of obsolete inventories. The details are as following:

	2021	2020
The write-downs (reversals)	$ (5,597)	(24,215)

In 2020, the Company derecognized the inventories in fire damage amounting to $175,565, which are recorded under the losses due to disasters (miscellaneous disbursements). Please refer to note 6(t) and note 10 for the details.

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

(f) Other receivables

	December 31, 2021	December 31, 2020
Insurance claim receivable	$ 265,539	519,057
Others	47	594
	$ 265,586	519,651

(Continued)

(g) Investments accounted for using equity method

The components of investments accounted for using equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	$ 348,599	349,186
Associates	52,447	-
	$ 401,046	**349,186**

(i) Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2021 and 2020.

(ii) Associates

1) In April 2021, the Company acquired 40% shares of Framosa Co., Ltd., for $66,000 in cash, resulting in the Company to have significant influence over Framosa Co., Ltd.

2) The Company's financial information on investments accounted for using equity method that are individually insignificant was as follows:

	2021
Attributable to the Company:	
Profit (loss)	$ (13,553)
Other comprehensive income (loss)	-
Total comprehensive income (loss)	**$ (13,553)**

(iii) Pledge to secure

The Company did not provide any investment accounted for using equity method as collaterals for its loans.

(h) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayments for equipment and construction in progress	Total
Cost:							
Balance on January 1, 2021	$ 509,514	553,521	543,884	32,917	12,968	219,670	1,872,474
Additions	-	4,480	61,735	1,863	-	543,222	611,300
Transferred (out) in	-	131,536	56,837	2,399	-	(130,266)	60,506
Disposal and derecognitions	-	(5,065)	(119,313)	(3,240)	-	(2,373)	(129,991)
Balance on December 31, 2021	**$ 509,514**	**684,472**	**543,143**	**33,939**	**12,968**	**630,253**	**2,414,289**
Balance on January 1, 2020	$ 509,514	737,842	1,667,500	40,656	18,720	165,385	3,139,617
Additions	-	7,065	19,447	1,533	-	108,624	136,669
Transferred (out) in	-	2,130	17,524	(1,444)	-	(7,130)	11,080
Disposal and derecognitions	-	(193,516)	(1,160,587)	(7,828)	(5,752)	(47,209)	(1,414,892)
Balance on December 31, 2020	**$ 509,514**	**553,521**	**543,884**	**32,917**	**12,968**	**219,670**	**1,872,474**
Depreciation and impairments loss:							
Balance on January 1, 2021	$ -	248,002	420,724	17,963	4,842	-	691,531
Depreciation	-	21,903	27,947	3,516	1,050	-	54,416
Disposals and derecognitions	-	(5,065)	(103,590)	(1,791)	-	-	(110,446)
Balance on December 31, 2021	**$ -**	**264,840**	**345,081**	**19,688**	**5,892**	**-**	**635,501**
Balance on January 1, 2020	$ -	334,054	1,219,926	20,099	7,748	-	1,581,827
Depreciation	-	31,420	88,377	4,102	1,562	-	125,461
Transferred (out) in	-	-	-	(2,052)	-	-	(2,052)
Disposal and derecognitions	-	(117,472)	(887,579)	(4,186)	(4,468)	-	(1,013,705)
Balance on December 31, 2020	**$ -**	**248,002**	**420,724**	**17,963**	**4,842**	**-**	**691,531**
Carrying amounts:							
Balance on December 31, 2021	**$ 509,514**	**419,632**	**198,062**	**14,251**	**7,076**	**630,253**	**1,778,788**
Balance on January 1, 2020	**$ 509,514**	**403,788**	**447,574**	**20,557**	**10,972**	**165,385**	**1,557,790**
Balance on December 31, 2020	**$ 509,514**	**305,519**	**123,160**	**14,954**	**8,126**	**219,670**	**1,180,943**

In May 2013, the Company purchased a piece of land for the construction of its factory in Taoyuan Luzhu that was auctioned by the court at a price of $211,184. The amount had been paid in full, and the transfer procedures have been completed. The title deed of a certain portion of the land, measuring 2,259 square meters, was registered in the name of Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the Company is the actual owner of the land.

(Continued)

In 2020, the Company derecognized some part of property, plant and equipment in fire damage amounting to $401,187. Furthermore, the Company rechecked the condition of various properties and equipment in 2021, and derecognized some properties and equipment, which were damaged in the fire and could not be repaired, amounting to $19,545. The above derecognized assets were recorded under the losses due to disasters (miscellaneous disbursements). Please refer to note 6(t) and note 10 for the details.

As of December 31, 2021 and 2020, part of the property, plant and equipment of the Company had been pledged as collateral. Please refer to note 8 for the details.

(i) Right-of-use assets

The Company leases many assets including company cars and copy machines. Information about leases for which the Company as a lessee is presented below:

	Amount
Cost:	
Balance on January 1, 2021	$ 5,657
Additions	1,384
Reductions	(2,545)
Reductions due to lease modification	(90)
Balance on December 31, 2021	**$ 4,406**
Balance on January 1, 2020	$ 4,747
Additions	1,662
Reductions due to lease modification	(752)
Balance on December 31, 2020	**$ 5,657**
Accumulated depreciation:	
Balance on January 1, 2021	$ 3,089
Depreciation	1,775
Reductions	(2,545)
Reductions due to lease modification	(47)
Balance on December 31, 2021	**$ 2,272**
Balance on January 1, 2020	$ 1,773
Depreciation	2,049
Reductions due to lease modification	(733)
Balance on December 31, 2020	**$ 3,089**
Carrying amount:	
Balance on December 31, 2021	**$ 2,134**
Balance on January 1, 2020	**$ 2,974**
Balance on December 31, 2020	**$ 2,568**

(Continued)

(j) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2021	December 31, 2020
Unsecured bank loans	$ -	-
Unused credit line for short-term borrowings	$ 420,000	338,989
Range of interest rates	-	-

Please refer to note 8 for the details of property, plant and equipment as collateral for its loans.

Please refer to note 6(u) for the information of interest risk, foreign currency risk and liquidity risk.

(k) Other payables

	December 31, 2021	December 31, 2020
Salaries payable	$ 77,512	118,602
Others	51,136	70,236
	$ 128,648	188,838

(l) Lease liabilities

The carrying amount of lease liabilities was as follows:

	December 31, 2021	December 31, 2020
Current	$ 1,584	1,340
Non-current	$ 571	1,248

Please refer to note 6(u) for maturity analysis.

	2021	2020
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	$ 39	43
Expenses relating to short-term leases	$ 39,365	1,662
Variable lease payments not included in the measurement of lease liabilities	$ 108	546
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 1,141	259
Lease modification gains (recorded as other income)	$ (1)	-

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

	2021	2020
Total cash outflow for leases	$ 42,426	4,557

(Continued)

The Company leases company cars and copy machines: The leases typically run for a period of three to six years.

The Company also leases production lines, vehicles and office equipment with contract terms of less than one year. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) Provisions

		Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2021	$	86,156	509,076	595,232
Provisions made (reversed) during the year		5,270	(25,000)	(19,730)
Provisions used during the year		(47,480)	(109,182)	(156,662)
Balance on December 31, 2021	**$**	**43,946**	**374,894**	**418,840**
Balance on January 1, 2020	$	83,957	-	83,957
Provisions made during the year		70,670	509,076	579,746
Provisions used during the year		(68,471)	-	(68,471)
Balance on December 31, 2020	**$**	**86,156**	**509,076**	**595,232**

(i) In 2021 and 2020, the provisions were recognized for the treatment of liquid waste in accordance with the Standards of Environmental Protection Administration; the amount of provisions were estimated at quantity and cost of the treatment of liquid waste. The Company considers to write off and recognize the above provisions in the following year.

(ii) For the years ended December 31, 2021 and 2020, the Company recognized (reversed) the fire indemnity amounting to $(25,000) and $509,076, respectively, due to the fire spreading to the nearby factories. Please refer to note 6(t) and note 10 for the details.

(n) Employee benefits

(i) Defined benefit plans

Reconciliations of the defined benefit obligation at present value and plan assets at fair value are as follows:

		December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	$	(75,744)	(85,075)
Fair value of plan assets		58,799	64,632
Net defined benefit liabilities	**$**	**(16,945)**	**(20,443)**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $58,354 at the end of the reporting period. 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 Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

		2021	2020
Defined benefit obligation at January 1	$	(85,075)	(87,066)
Current service costs and interest		(1,134)	(1,778)
Remeasurement in net defined benefit liability (assets)		1,544	(2,012)
Benefits paid		8,921	5,781
Defined benefit obligation at December 31	**$**	**(75,744)**	**(85,075)**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2021	2020
Fair value of plan assets at January 1	$	64,632	65,690
Contributions made		1,935	2,122
Interest income		189	459
Remeasurement in net defined benefit liability (assets)		964	2,142
Benefits paid		(8,921)	(5,781)
Fair value of plan assets at December 31	**$**	**58,799**	**64,632**

(Continued)

4) Movements of the effect of the asset ceiling

In 2021 and 2020, there were no movements on the effect of the Company's defined benefit plans asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2021	2020
Service cost	$ 887	1,178
Net interest of net liabilities for defined benefit obligations	58	141
	$ 945	**1,319**
Operating cost	$ 688	1,259
Operating expenses	257	60
	$ 945	**1,319**

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

The Company's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Cumulative amount at January 1	$ 7,764	7,894
Recognized during the year	(2,508)	(130)
Cumulative amount at December 31	**$ 5,256**	**7,764**

7) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate as of December 31	0.65 %	0.30 %
Future salary increasing rate	2.00 %	1.50 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $2,147.

The weighted-average duration of the defined benefit obligation is 7 years.

(Continued)

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact on the present value of the defined benefit obligation	
	Increased 0.25%	**Decreased 0.25%**
As of December 31, 2021		
Discount rate	$ (1,410)	1,454
Future salary increasing rate	1,430	(1,395)
As of December 31, 2020		
Discount rate	(1,594)	1,644
Future salary increasing rate	1,621	(1,579)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company allocates 6% of each employee’ s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$6,837 and \$7,076 for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

(o) Income taxes

(i) Income tax expenses

The amount of income tax for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Current income tax expense		
Recognized during the year	$ -	197,199
Surtax on unappropriated earnings	-	2,893
Income tax estimate under (over)	(11,683)	(2,483)
	(11,683)	197,609
Deferred income tax expense		
Recognition and reversal of temporary differences	14,074	(104,064)
Income tax underestimate (overestimate) for prior years	7,419	1,546
	21,493	(102,518)
Income tax expense	**$ 9,810**	**95,091**

The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement in defined benefit plan	**$ 501**	**26**

Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

	2021	2020
Profit excluding income tax	$ 65,506	455,215
Income tax using the Company's domestic tax rate	13,101	91,043
Net gains or losses on domestic investments accounted for using equity method	2,828	107
Tax-exempt income	(1,533)	(1,347)
Over provision in prior periods	(4,264)	(937)
Surtax on unappropriated earnings	-	2,893
Other	(322)	3,332
	$ 9,810	**95,091**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities: None.

2) Recognized deferred tax assets and liabilities

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

	Loss for market price decline and obsolete inventories	Losses due to major disasters	Provision	Deferred revenue	Tax Losses	Others	Total
Deferred tax assets:							
Balance on January 1, 2021	$ 25,820	115,350	116,555	1,167	-	4,654	263,546
Recognized in profit or loss	(1,119)	(4,361)	(33,347)	(1,167)	20,669	(2,168)	(21,493)
Recognized in other comprehensive income	-	-	-	-	-	(501)	(501)
Balance on December 31, 2021	**$ 24,701**	**110,989**	**83,208**	**-**	**20,669**	**1,985**	**241,552**
Balance on January 1, 2020	$ 30,663	-	16,231	3,231	-	7,118	57,243
Recognized in profit or loss	(4,843)	115,350	100,324	(2,064)	-	(2,438)	206,329
Recognized in other comprehensive income	-	-	-	-	-	(26)	(26)
Balance on December 31, 2020	**$ 25,820**	**115,350**	**116,555**	**1,167**	**-**	**4,654**	**263,546**

	Insurance claim compensation
Deferred tax liabilities:	
Balance on January 1, 2021	$ 103,811
Recognized in profit or loss	-
Recognized in other comprehensive income	-
Balance on December 31, 2021	**$ 103,811**
Balance on January 1, 2020	$ -
Recognized in profit or loss	103,811
Recognized in other comprehensive income	-
Balance on December 31, 2020	**$ 103,811**

(iii) The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to offset taxable income over a period of ten years. As of December 31, 2021, the details of the unused tax losses were as follows:

Year of loss	Unused amount	Expiry year
2021(Estimated)	**$ 103,344**	2031

(iv) Examination and approval

The ROC tax authorities have examined the Company’s income tax returns through 2019.

(Continued)

(p) Capital and other equity

As of December 31, 2021 and 2020, the authorized common stocks were $1,200,000 and $900,000, respectively, with a par value of 10 New Taiwan dollars per share, of which 8,000 thousand shares were reserved for the issuance of employee stock options, and of which 95,382 and 79,485 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Based on a resolution at the annual stockholders' meeting held on July 15, 2021, the Company increased its common stock through the issuance of stock dividends by transferring retained earnings amounting to $158,971. The newly issued shares totaled 15,897 thousand shares with a par value of $10 New Taiwan Dollars per share. The effective date was August 29, 2021, and the registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	$ 1,270,247	1,270,247
Gain on disposal of assets	980	980
Stock options	71,530	71,530
Employee stock options	5,582	5,582
	$ 1,348,339	**1,348,339**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained Earning

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and special reserves are supposed to set aside in accordance with the relevant regulations or as required by the government. And then any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's dividend policy, the type of dividends should be determined after considering the Company' s capital and financial structure, operating conditions, operating surplus, industrial characteristics and cycle. The distribution of net earnings should not be lower than 50% of the current profit before tax. Cash dividends to stockholders should not be lower than 10% of the total dividends.

(Continued)

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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 equal to the current period total net reduction of other shareholders' equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of after-tax net profit for the period plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Based on the resolutions of the annual stockholders' meetings held on July 15, 2021 and June 19, 2020 the appropriations of dividends from the distributable retained earnings of 2020 and 2019 were as follows:

	2020		2019	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.50	39,743	5.80	461,014
Stock	2.00	158,971	-	-
		$ 198,714		461,014

On March 18, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. No dividends were appropriated.

(Continued)

(iv) Other equity (net of tax)

		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	$	(29,378)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(19,551)
Balance at December 31, 2021	**$**	**(48,929)**
Balance at January 1, 2020	$	22,254
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(51,632)
Balance at December 31, 2020	**$**	**(29,378)**

(q) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	**$**	**55,696**	**360,124**
Weighted-average number of ordinary shares (thousand shares)		**95,382**	**95,382**
	$	**0.58**	**3.78**
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	**$**	**55,696**	**360,124**
Weighted-average number of ordinary shares (thousand shares)		95,382	95,382
Effect of potentially dilutive ordinary shares:			
Effect of employee compensation		183	653
Weighted-average number of ordinary shares (thousand shares) (diluted)		**95,565**	**96,035**
	$	**0.58**	**3.75**

(Continued)

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

		2021	2020
Primary geographical markets			
Italy	$	244,025	455,365
China		148,804	48,973
United States		108,242	470,942
Germany		92,758	65,301
Taiwan		58,520	232,453
Switzerland		52,739	90,905
Spain		30,306	447,010
Japan		19,508	239,884
Netherlands		-	145,319
Others		109,315	493,070
	$	864,217	2,689,222
Major products			
Active Pharmaceutical Ingredients	$	396,602	1,962,646
Intermediates		451,915	597,497
Specialty Chemical		15,700	129,079
	$	864,217	2,689,222

(ii) Contract balances

		December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable	$	82,976	337,749	353,583
Less: allowance for impairment		-	-	(1,179)
Total	$	82,976	337,749	352,404
Contract liabilities (sales received in advance)	$	41,764	97,295	59,092

Please refer to note 6(d) for the information of accounts receivable and the 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 $64,893 and $26,148, respectively.

The changes of contract liabilities are arising from the difference of time point, which the Company transfers the ownership of goods and which customers do the payment.

(Continued)

(s) Remuneration to employees and directors

In accordance with the Articles of incorporation, the Company should contribute no less than 3% of the profit as employee remuneration and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employees' compensation will be distributed in shares or cash. The recipients may include the employees of the subordinate of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to $6,424 and $44,000, respectively, and the remunerations to directors amounted to $876 and $1,000, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company' s shares on the day before the approval by the Board of Directors.

There were no differences between the amounts approved in the Board of Directors and those recognized in the 2021 and 2020 financial statements. Related information would be available at the Market Observation Post System Website.

(t) Miscellaneous Disbursements

	2021	2020
Losses in property plant, and equipment and construction in progress due to the disaster	$ 19,545	401,187
Losses in inventories due to the disaster	-	175,565
Fire indemnity (reversals)	(25,000)	509,076
Insurance claim income	-	(519,057)
Subtotal	(5,455)	566,771
Cleaning expenses after the disaster	21,710	-
Others	871	514
	$ 17,126	567,285

(u) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

2) Concentration of credit risk

As of December 31, 2021 and 2020, there were five and six major customers, respectively, that accounted for 84.15% and 67.38%, respectively, of notes and accounts receivable. Thus, credit risk is significantly centralized. In order to minimize credit risk, the Company periodically evaluates the major clients' financial positions and the possibility of collecting notes and accounts receivables to ensure the uncollectible amount is recognized appropriately as loss allowance.

3) Receivables and debt securities

a) For credit risk exposure of notes and trade receivables, please refer to note 6(d).

b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Company are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2021					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 33,779	(33,779)	(33,779)	-	-
Lease liabilities (including current and non-current)	2,155	(2,178)	(1,605)	(573)	-
Other payables	128,648	(128,648)	(128,648)	-	-
Payables on contractors and equipment	118,194	(118,194)	(118,194)	-	-
	$ 282,776	**(282,799)**	**(282,226)**	**(573)**	**-**
December 31, 2020					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 80,878	(80,878)	(80,878)	-	-
Lease liabilities (including current and non-current)	2,588	(2,629)	(1,368)	(922)	(339)
Other payables	188,838	(188,838)	(188,838)	-	-
Payables on contractors and equipment	21,064	(21,064)	(21,064)	-	-
	$ 293,368	**(293,409)**	**(292,148)**	**(922)**	**(339)**

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

Foreign currency: in thousands of dollars

	December 31, 2021			December 31, 2020		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD to TWD	$ 11,977	27.63	330,925	17,702	28.43	503,268
EUR to TWD	859	31.12	26,732	3,178	34.82	110,658
Financial liabilities						
Monetary items						
USD to TWD	1,098	27.63	30,338	1,417	28.43	40,285

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, accounts payable, accrued expenses and other payables that are denominated in foreign currency.

The analysis assumes that all other variables remain constant. A strengthening (weakening) 1% of the functional currency against each foreign currency as of December 31, 2021 and 2020 would have affected the net profit before tax increased or decreased $3,273 and $5,736, respectively, for the years ended December 31, 2021 and 2020. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(14,993) and $(30,626), respectively.

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2021	**December 31, 2020**
Financial assets	$ 302,043	281,072
Financial liabilities	-	-

(Continued)

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 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Company's net profit before tax would have increased or decreased by $755 and $703, respectively, for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Company's bank savings with variable interest rates.

(v) Fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Company'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				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non-derivative financial assets					
Mandatorily measured at fair value through profit or loss	$ 360,401	360,401	-	-	360,401
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	72,521	-	-	72,521	72,521
Financial assets measured at amortized cost					
Cash and cash equivalents	302,866	-	-	-	-
Notes and accounts receivable	82,976	-	-	-	-
Other receivables	265,586	-	-	-	-
Refunded deposits (recognized as other non-current assets)	3,210	-	-	-	-
Subtotal	654,638				
Total	**$ 1,087,560**				

(Continued)

	December 31, 2021				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 33,779	-	-	-	-
Lease liabilities (including current and non-current)	2,155	-	-	-	-
Other payables	128,648	-	-	-	-
Payables on contractors and equipment	118,194	-	-	-	-
Total	$ 282,776				

	December 31, 2021				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets					
Mandatorily measured at fair value through profit or loss	$ 667,955	667,955	-	-	667,955
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	85,697	-	-	85,697	85,697
Financial assets measured at amortized cost					
Cash and cash equivalents	603,094	-	-	-	-
Notes and accounts receivable	337,749	-	-	-	-
Other receivables	519,651	-	-	-	-
Refunded deposits (recognized as other non-current assets)	1,210	-	-	-	-
Subtotal	1,461,704				
Total	$ 2,215,356				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 80,878	-	-	-	-
Lease liabilities (including current and non-current)	2,588	-	-	-	-
Other payables	188,838	-	-	-	-
Payables on contractors and equipment	21,064	-	-	-	-
Total	$ 293,368				

2) Valuation techniques for financial instruments not measured at fair value

The Company’s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(Continued)

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The measurement of fair value of a non-active market financial instruments held by the Company which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

4) Transfers between Levels

Part of the Company' s equity holdings in Energenesis come from its cash capital increase, which is classified as fair value through other comprehensive income. The fair value as of December 31, 2020, was $15,619. Energenesis is a listed company on the Emerging Stock Market. As of December 31, 2020, the degree of Energenesis' s stock trading activity does not meet the definition of an active market. Therefore, the fair value measurement was transferred from Level 1 to Level 3 of the fair value hierarchy as of December 31, 2020.

There were no transfers in either level during 2021.

(Continued)

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	
January 1, 2021	$	85,697
Total gains and losses recognized:		
In profit or less		-
In other comprehensive income		(19,551)
Purchased		6,375
December 31, 2021	**$**	**72,521**
January 1, 2020	$	108,619
Total gains and losses recognized:		
In profit or loss		-
In other comprehensive income		(38,541)
Transfers in Level 3		15,619
December 31, 2020	**$**	**85,697**

For the years ended December 31, 2021 and 2020, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

		2021	**2020**
Total gains and losses recognized:			
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income"	$	(19,551)	(38,541)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company' s financial instruments that use Level 3 inputs to measure fair value include " financial assets measured at fair value through other comprehensive income – debt investments" . Financial assets at fair value through other comprehensive income – equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial assets at fair value through other comprehensive income – equity investments without an active market are individually independent, and there is no correlation between them.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through other comprehensive income – equity investments without an active market	Price-Book ratio method	·The multiplier of Price-Book Ratio (As of December 31, 2021 and 2020 were 1.70~2.72 and 1.79~5.01, respectively)	The higher the fair value is, the higher the multiplier will be.
〃	〃	·Lack-of-Marketability discount rate (As of December 31, 2021 and 2020 were both 23%~50%)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions that may lead to various results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Inputs	Move up or downs	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,698	3,600
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,345	2,247
December 31, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,496	3,536
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,895	2,895

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)

(v) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

The Company operations are affected by a variety of financial risks, the risks including market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company' s financial risk management focus on uncertainty in the financial market to avoid hidden difficulty at the financial statement and financial performance of the Company. The Company's finance department carried out risk management according to the dealer's authority approved by Board of Directors. The Company' s financial department maintain close communication with operation department in charge of identifying, evaluating, avoiding financial risk.

(iii) Credit risk

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

1) Accounting receivable and other receivables

The Company's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company' s credit limits are offered. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department and are reviewed periodically. Customers that fail to meet the Company' s benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company's customers are mainly from the pharmaceutical industry. In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer profile, operating and financial status, payment records and the degree of cooperation. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the finance department more strictly, and the transactions are made on a more cautious way.

The Company set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, no guarantees were outstanding.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Please refer to note 6(j) for unused short-term bank facilities as of December 31, 2021 and 2020.

(Continued)

(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 Company' 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 Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company' s entities, primarily the New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in TWD and USD.

The Company pays attention to changes in exchange rates and uses forward exchange contracts to hedge its currency risk. The Company' s risk management policy avoids currency risk by fair value hedge.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Company buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Company did not borrow funds with variable interest rates, therefore there is no risk of cash flows.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liability.

The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(Continued)

The Company's capital management strategy is to maintain a debt-to-equity ratio of less than 30% in December 31, 2021 and 2020. The ratio of debt to capital in December 31, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Total loan	$ -	-
less: cash and cash equivalents	302,866	603,094
Net debt	$ -	-
Total equity	$ 3,320,631	3,322,222
Debt-to-equity ratio	- %	- %

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

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

(i) For the acquisition of right-of-use assets by lease for the years ended December 31, 2021 and 2020, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities for the years ended December 31, 2021 and 2020, were as follows:

	January 1, 2020	Cash flows	Non-cash changes: Changes in lease payments	December 31, 2021
Lease liabilities	$ 2,588	(1,773)	1,340	2,155

	January 1, 2021	Cash flows	Non-cash changes: Changes in lease payments	December 31, 2020
Lease liabilities	$ 2,992	(2,047)	1,643	2,588

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Mercuries & Associates Holding Ltd. (Mercuries) is both the parent company of the consolidated entity and the ultimate controlling party of the Company, holding 33.11% of the Company's outstanding shares. It has issued the consolidated financial statements available for public use.

(Continued)

(b) Names and relationship with related parties:

Name of related party	Relationship with the Company
Yushan Pharmaceuticals, Inc. (Yushan Pharmaceuticals)	Subsidiary company
Weichyun Wong	The chairman of the Company

(c) Significant transaction with related parties

(i) Others

The title deed of a certain portion of the land was registered in the name of Mr. Weichyun Wong due to certain legal requirements for the years ended December 31, 2021 and 2020. Please refer to note 6(h).

(d) Key management personnel compensation

	2021	2020
Salary and Short-term employee benefits	$ 14,290	35,382

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2021	December 31, 2020
Land	Pledged as collaterals	$ 42,736	42,736
Building	〃	3,523	4,171
		$ 46,259	46,907

(9) Commitments and contingencies:

(a) As of December 31, 2021 and 2020, the unused balance of the Company's outstanding standby letters of credit amounted to $39,826 and $29,106, respectively.

(b) The significant outstanding purchase commitments for property, plant and equipment were as follows:

	December 31, 2021	December 31, 2020
Acquisitions of property, plant and equipment	$ 887,002	49,143

(10) Losses Due to Major Disasters:

A major fire accident occurred on December 20, 2020, and caused damage to some buildings, equipment, construction in progress, and inventories, and spread to several nearby factories, of which property was impaired and business operation was interrupted. In 2020, the Company derecognized damaged buildings, equipment and construction in progress of $401,187, and the inventories of $175,565, and accrued for the damage loss for nearby damaged companies of $509,076. The total disaster loss is $1,085,828.

(Continued)

The Company rechecked the condition of various properties and equipment in 2021, and derecognized some properties and equipment, amounting to $19,545, which were damaged in the fire and could not be repaired. Furthermore, the negotiation of the disaster indemnity is still in progress. The Company recognized the related provisions, according to the amounts which were claimed initially by the damaged companies. For the year ended December 31, 2021, the reversal of the provision was $25,000.

The above damage losses are based on the best estimate from the available evidence as of the reporting date. However, the actual loss of the claim is still subject to future negotiation, and there are contingent liabilities that cannot be estimated or recorded. For the year ended December 31, 2021, the above compensation losses amounting to $109,182 had been paid. As of December 31, 2021 and 2020, the fire indemnity was $374,894 and $509,076, respectively, which was recorded under provisions. Please refer to note 6(m) for the details.

The Company has already entered into related property insurance contracts and is currently in the process of negotiation with the insurance company to handle claims. The Company has confirmed with the insurance company and its notary to recognize the virtually certain amount of compensation that can be received from the insurance company as claim receivables, but shall not exceed the disaster loss of each asset. For the year ended December 31, 2021, the Company had already received the compensation amounting to $253,518 from the insurance company. As of December 31, 2021 and 2020, the Company recognized the claim receivables for $265,539 and $519,057, respectively, which were recorded under other receivables. However, the insurance claims involve disaster identification, the Company has not been able to confirm the total amount of insurance claims, and will recognize it when the Company can almost be certain that it can receive the subsequent increase in insurance claims income.

(11) Subsequent Events: none

(12) Other:

The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function	2021			2020		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	106,945	51,482	158,427	218,067	81,920	299,987
Labor and health insurance	12,061	4,366	16,427	14,756	4,782	19,538
Pension	5,716	2,066	7,782	6,601	1,794	8,395
Remuneration of directors	-	876	876	-	1,000	1,000
Others	3,094	5,147	8,241	3,503	9,481	12,984
Depreciation	38,251	17,940	56,191	107,569	19,941	127,510
Amortization	3,494	4,023	7,517	1,766	4,027	5,793

For the years ended December 31, 2021 and 2020, the information on the number of employees and employee benefit expense of the Company is as follows:

	2021	2020
Number of employees	223	278
Number of directors (non-employees)	5	5
Average employee benefit expenses	$ 876	1,230
Average salaries expenses	$ 727	1,080
Average employee salary expense adjustment	(32.69)%	
Remuneration for supervisors	$ -	-

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

(i) Directors: the remuneration of the directors is based on the policy of the Company's Articles of Incorporation.

The directors' remuneration is less than 2% of the profit in according to the Articles of Incorporation. The reasonable remuneration is determined after considering the Company's operating results, and each director' s contribution. In addition, considering that independent directors are also the members of the audit and remuneration committees, the workload is more heavy, therefore, the independent directors have higher director remuneration than other members of the Board of Director.

(ii) Managers and employees:

1) The Company' s salary and remuneration policy is to provide a competitive salary level, to recruit and retain key managers and employees that are required for the Company's operations, and to achieve the Company's steady growth and sustainable development.

2) Employee remuneration includes monthly salary, performance bonus, year-end bonus and remuneration based on the profit status of the current year.

3) The remuneration of managers shall be handled in accordance with the "policies, systems, standards and structure of manager' s performance goals and salary remuneration".

(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 Company for the year ended December 31, 2021:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(Continued)

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

Unit: thousand 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	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Current Financial asset at fair value through profit or loss	2,760	46,564	-	46,564	-
〃	Beneficiary Certificate (Nomura Taiwan Money Market)	-	〃	1,273	20,980	-	20,980	-
〃	Beneficiary Certificate (Yuanta USD Money Market Fund-USD)	-	〃	99	29,358	-	29,358	-
〃	Beneficiary Certificate (Fubon China Policy Bank Bond ETF)	-	〃	420	8,387	-	8,387	-
〃	Stock (Fubon Common Stock)	-	〃	32	2,411	-	2,411	-
〃	Stock (Fubon S&P Preferred Shares A)	-	〃	793	50,118	-	50,118	-
〃	Stock (Fubon S&P Preferred Shares B)	-	〃	36	2,272	-	2,272	-
〃	Stock (TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E)	-	〃	400	21,240	-	21,240	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	790	49,691	-	49,691	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	33	2,097	-	2,097	-
〃	Stock (Cathay Financial Holding Co., Ltd. Common Stock)	-	〃	28	1,769	-	1,769	-
〃	Stock (Fubon S&P US Preferred Stock)	-	〃	2,350	38,963	-	38,963	-
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	685	43,977	-	43,977	-
〃	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	〃	642	27,349	-	27,349	-
〃	Stock (Chailese Holding Co., Ltd. Preferred Shares A)	-	〃	150	15,225	-	15,225	
〃	Stock (Energenesis Biomedical Co., Ltd)	-	Financial assets at fair value through other comprehensive income	1,603	41,489	2.42 %	41,489	-
〃	Stock (Sunny Pharmtech Inc.)	-	〃	4,497	31,032	3.25 %	31,032	-

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

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings	2021.10.19	$ 630,000	$ 63,000	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(Continued)

(b) Information on investees:

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

Unit: thousand dollars/ thousand shares

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			
SCI PHARMTECH, INC.	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API	351,761	351,761	35,190	100 %	348,599	(587)	(587)	
SCI PHARMTECH, INC.	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	66,000	-	6,600	40 %	52,447	(33,883)	(13,553)	

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Unit: shares

Shareholding / Shareholders' Name	Shares	Percentage
Mercuries & Associates Holding Ltd.	30,283,358	31.74 %
Zhan Liwei	6,060,000	6.35 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2021.

SCI PHARMTECH, INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2021

(Expressed in thousands of New Taiwan Dollars and Foreign Currency)

Item	Description	Amount
Cash on hand		$ 530
Checking accounts		293
Demand deposits	TWD	24,839
	Foreign currency (USD9,340, EUR593, and others)	277,204
Total		**$ 302,866**

Note: The exchange rate at balance sheet date was as follows:

USD: 27.63

EUR: 31.12

SCI PHARMTECH, INC.

STAEMENTS OF NOTES AND ACCOUNTS RECEIVABLE

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Accounts Receivable:		
Siegfried USA, LLC	Third parties operating income	$ 26,083
AZAD Pharmaceuticals INGRE	〃	20,244
Corden Pharmaceuticals S.A.	〃	10,945
Purisys, LLC	〃	8,040
AbbVie S.r.l.	〃	4,514
Others (Note)	〃	13,150
Subtotal		82,976
Less: allowance for uncollectible accounts		-
Notes and accounts receivable, net		**$ 82,976**

Note: The amount of individual client included in others does not exceed 5% of the account balance.

SCI PHARMTECH, INC.

STATEMENTS OF INVENTORY

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value
Finished goods	$ 129,634	280,272
Work in progress	22,244	48,772
Raw materials	142,304	149,840
Total	**$ 294,182**	**478,884**

STATEMENTS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

Please refer to note 13(a)(iii).

SCI PHARMTECH, INC.

CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars; thousands of share)

	Beginning Balance		Transferred In		Increase		Decrease		Ending Balance		
Investee Company	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Collaterals or Pledged Assets
Sunny Pharmtech Inc.	4,497	$ 50,093	-	-	-	-	-	-	4,497	50,093	None
Energenesis Biomedical Co., Ltd.	1,458	64,982	-	-	145	6,375	-	-	1,603	71,357	〃
Less: valuation adjustment	-	(29,378)	-	-	-	-	-	19,551	-	(48,929)	〃
Total		**$ 85,697**		**-**		**6,375**		**19,551**		**72,521**	

SCI PHARMTECH, INC.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars; thousands of shares)

Investee Company	Beginning Balance Number of shares	Beginning Balance Amount	Increase Number of shares	Increase Amount	Decrease Number of shares	Decrease Amount	Share of profit recognized	Ending Balance Number of shares	Ending Balance Amount	Percentage of ownership	Net value	Collaterals or Pledged Assets
Yushan Pharmaceuticals Inc.	35,190	$ 349,186	-	-	-	-	(587)	35,190	348,599	100 %	348,599	None
Framosa Co., Ltd.	-	-	6,600	66,000	-	-	(13,553)	6,600	52,447	40 %	52,447	None
		$ 349,186		**66,000**		**-**	**(14,140)**		**401,046**		**401,046**	

SCI PHARMTECH, INC.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h).

Other Non-current Assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Prepayments for equipment		$ 262,434
Others (Note)	Refundable deposits, and so on	3,210
		$ 265,644

Note: The amount of each item in others does not exceed 5% of the account balance.

SCI PHARMTECH, INC.

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount
Notes Payable:		
MSIG Mingtai Insurance	Third parties operating cost	$ 642
Others (Note)	〃	4
		646
Accounts Payable:		
Fenhe Chemical Co., Limited	Third parties operating cost	16,297
Nantong Kaixin Pharma Chemical Co., Ltd.	〃	6,388
Weifang Binhai Petro - Chem	〃	3,328
Trans Chief Chemical Industry Co., Ltd.	〃	2,471
Eastman Chemical Co., Ltd. Taiwan Branch	〃	2,053
Others (Note)	〃	2,596
		33,133
		$ 33,779

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

SCI PHARMTECH, INC.

STATEMENT OF OTHER PAYABLES

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payables and year-end bonuses payable	Payroll expenses for December 2021, estimated 2021 year-end bonuses, and employees and directors' remuneration	$ 77,512
Others (Note)	Utilities expense and freight	51,136
Total		**$ 128,648**

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT OF NET REVENUE For the year ended December 31, 2021 (Expressed in thousands of New Taiwan Dollars)

Item	Quantity (thousand kilograms)	Amount
API	81	$ 396,602
Intermediates	179	451,915
Specialty Chemical	62	15,700
		$ 864,217

SCI PHARMTECH, INC.

OPERATING COSTS

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of year	$ 144,010
Add: Purchases	268,334
Less: Raw materials, end of year (including raw materials in transit)	(169,995)
Transferred to manufacturing expenses	(7,111)
Transferred to operating expenses	(954)
Write-downs	(381)
Material consumption	233,903
Direct labor	43,008
Manufacturing expenses	263,672
Total Manufacturing costs	540,583
Add: Work in process, beginning of year	37,300
Finished good transferred in	45,549
Others	2,454
Less: Work in process, end of year	(42,401)
Work in process used	(90)
Cost of finished goods	583,395
Add: Finished goods, beginning of year	328,666
Others	1,694
Less: Finished goods, end of year (including inventory in transit)	(205,285)
Remanufacture	(45,549)
Transferred to operating expenses	(365)
Finished good used	(1,237)
Write-downs	(3,992)
Costs of goods sold	657,327
Add: Allowance for inventory obsolescence (reversals)	(5,597)
The write-down of inventories	4,373
Others	25
Cost of sales	**$ 656,128**

SCI PHARMTECH, INC.

STATEMENT OF OPERATING EXPENSES

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Payroll expenses	$ 7,472	28,461	18,491
Freight	17,335	-	-
Commission expenses	3,461	-	-
Royalty	2,669	-	-
Professional service fees	309	10,472	2,360
Depreciation	469	16,011	1,460
Amortization	-	4,023	-
Consumables	323	1,358	1,647
Repair and maintenance	4	5,821	554
Import expenses	-	4,611	-
Miscellaneous purchase	30	5,193	2,566
Others (Note)	17,036	(21,632)	3,269
Total	**$ 49,108**	**54,318**	**30,347**

Note: The amount of each item in others does not exceed 5% of the account balance.

SCI PHARMTECH, INC.

110 years of the Republic of China

Corporate Seal

Chairman : Wei-Chyun Wong