Stock Code:4119

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2019 and 2018

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Independent Auditors' Review Report

To the Board of Directors SCI Pharmtech, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of SCI Pharmtech, Inc.(the "Company") and its subsidiaries(the "Group") as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, and changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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 International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018, and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, " Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 12, 2019

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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

Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2019 and 2018

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2019, December 31, 2018, and September 30, 2018

(expressed in thousands of New Taiwan dollars)

		September 30, 2019		December 31, 2018		September 30, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 391,598	10	361,181	10	332,289	9
1110	Financial assets at fair value through profit or loss (note 6(b))	435,951	11	430,106	11	430,635	12
1170	Notes and accounts receivable, net (notes 6(d) and 6(q))	491,578	13	390,917	10	384,560	10
1310	Inventories, net (note 6(e))	484,733	12	503,072	13	461,176	12
1470	Other current assets	17,059	-	21,643	1	27,559	1
		1,820,919	46	1,706,919	45	1,636,219	44
	Non-current assets:						
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	121,879	3	75,296	2	45,514	1
1600	Property, plant and equipment (notes 6(f) and 8)	1,875,523	48	1,884,164	50	1,871,045	51
1755	Right-of-use assets (note 6(g))	2,697	-	-	-	-	-
1780	Intangible assets	49,117	1	47,368	1	47,669	1
1840	Deferred tax assets	51,232	1	51,232	1	55,392	2
1900	Other non-current assets	31,868	1	24,100	1	42,372	1
		2,132,316	54	2,082,160	55	2,061,992	56
	Total assets	**$ 3,953,235**	**100**	**3,789,079**	**100**	**3,698,211**	**100**

		September 30, 2019		December 31, 2018		September 30, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2130	Current contract liabilities (note 6(q))	$ 26,833	1	30,403	1	30,052	1
2170	Notes and accounts payable	71,694	2	89,156	2	90,381	2
2200	Other payables (note 6(i))	203,614	5	196,569	5	180,310	5
2213	Payables on contractors and equipment	25,343	1	88,047	2	128,166	3
2230	Current tax liabilities	122,938	3	73,063	2	54,676	2
2250	Current provisions (note 6(k))	88,635	2	76,501	2	74,318	2
2280	Current lease liabilities (note 6(j))	1,717	-	-	-	-	-
2300	Other current liabilities	183	-	2,972	-	17,187	-
		540,957	14	556,711	14	575,090	15
	Non-Current liabilities:						
2570	Deferred tax liabilities	47	-	47	-	856	-
2580	Non-current lease liabilities (note 6(j))	996	-	-	-	-	-
2640	Provisions for employee benefits, non-current	21,650	-	22,090	1	21,642	1
		22,693	-	22,137	1	22,498	1
	Total liabilities	563,650	14	578,848	15	597,588	16
	Equity attributable to owners of parent (note 6(n)):						
3100	Ordinary share	794,853	20	794,853	21	794,853	22
3200	Capital surplus	1,348,339	34	1,348,339	36	1,348,339	36
3310	Legal reserve	332,971	9	288,248	8	288,248	8
3320	Special reserve	4,788	-	7,727	-	7,727	-
3350	Unappropriated retained earnings	881,833	22	775,852	20	666,035	18
3400	Other components of equity	26,801	1	(4,788)	-	(4,579)	-
	Total equity	3,389,585	86	3,210,231	85	3,100,623	84
	Total liabilities and equity	**$ 3,953,235**	**100**	**3,789,079**	**100**	**3,698,211**	**100**

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars , except for earnings per common share)

		For the three months ended September 30				For the nine months ended September 30			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4110	Sales revenue (note 6(q))	$ 627,814	100	519,414	100	1,835,788	100	1,475,497	100
5110	Cost of sales (notes 6(e) and 12)	373,381	59	307,827	59	1,070,807	58	897,552	61
	Gross profit	254,433	41	211,587	41	764,981	42	577,945	39
	Operating expenses (note 12):								
6100	Selling expenses	27,758	4	32,783	6	84,152	5	98,687	7
6200	Administrative expenses	24,953	4	18,961	4	77,686	4	62,854	4
6300	Research and development expenses	10,345	2	9,216	2	29,855	2	28,074	2
6450	Expected credit losses (gains) (note 6(d))	-	-	1,179	-	-	-	1,179	-
		63,056	10	62,139	12	191,693	11	190,794	13
6900	**Net operating income**	191,377	31	149,448	29	573,288	31	387,151	26
	Non-operating income and expenses:								
7190	Other income	8,774	1	2,596	-	12,817	1	7,987	1
7101	Interest income from bank deposits	977	-	559	-	3,544	-	1,421	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss	800	-	409	-	7,038	-	2,131	-
7510	Interest expense	(11)	-	-	-	(39)	-	(2)	-
7590	Miscellaneous disbursements	(98)	-	(117)	-	(324)	-	(295)	-
7610	Gains (losses) on disposals of property, plant and equipment	-	-	-	-	(1,623)	-	81	-
7630	Foreign exchange gains (losses)	(2,235)	-	2,780	1	10,351	1	14,101	1
		8,207	1	6,227	1	31,764	2	25,424	2
7900	**Profit before tax**	199,584	32	155,675	30	605,052	33	412,575	28
7950	Less: Income tax expenses (note 6(m))	39,756	7	28,794	6	123,449	7	75,603	5
	Profit	159,828	25	126,881	24	481,603	26	336,972	23
8300	**Other comprehensive income:**								
8310	**Items that may not be reclassified subsequently to profit or loss:**								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	36,567	6	4,092	1	31,589	2	3,148	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(m))	-	-	-	-	-	-	(1,488)	-
8300	**Other comprehensive income, net**	36,567	6	4,092	1	31,589	2	4,636	-
8500	**Total comprehensive income**	**$ 196,395**	**31**	**130,973**	**25**	**513,192**	**28**	**341,608**	**23**
	Earnings per share (note 6(p)):								
9750	**Basic earnings per share**	**$**	**2.01**		**1.60**		**6.06**		**4.24**
9850	**Diluted earnings per share**	**$**	**2.00**		**1.59**		**6.00**		**4.21**

See accompanying notes to consolidated financial statements.

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

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SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
						Other equity interest				
			Retained earnings							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unrealized employee benefit	Total other equity interest	Total equity
Balance at January 1, 2018	$ 794,853	1,348,339	269,150	7,727	517,566	-	(7,727)	(160)	(7,887)	2,929,748
Effects of retrospective application	-	-	-	-	-	(7,727)	7,727	-	-	-
Balance at January 1, 2018 after adjustments	794,853	1,348,339	269,150	7,727	517,566	(7,727)	-	(160)	(7,887)	2,929,748
Net income for the nine months ended September 30, 2018	-	-	-	-	336,972	-	-	-	-	336,972
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	1,488	3,148	-	-	3,148	4,636
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	338,460	3,148	-	-	3,148	341,608
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	19,098	-	(19,098)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(170,893)	-	-	-	-	(170,893)
Share-based payments transactions	-	-	-	-	-	-	-	160	160	160
Balance at September 30, 2018	**$ 794,853**	**1,348,339**	**288,248**	**7,727**	**666,035**	**(4,579)**	**-**	**-**	**(4,579)**	**3,100,623**
Balance at January 1,2019	$ 794,853	1,348,339	288,248	7,727	775,852	(4,788)	-	-	(4,788)	3,210,231
Net income for the nine months ended September 30, 2019	-	-	-	-	481,603	-	-	-	-	481,603
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	31,589	-	-	31,589	31,589
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	481,603	31,589	-	-	31,589	513,192
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	44,723	-	(44,723)	-	-	-	-	-
Special reserve appropriated	-	-	-	(2,939)	2,939	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(333,838)	-	-	-	-	(333,838)
Balance at September 30, 2019	**$ 794,853**	**1,348,339**	**332,971**	**4,788**	**881,833**	**26,801**	**-**	**-**	**26,801**	**3,389,585**

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 605,052	412,575
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	97,645	94,874
Amortization expense	4,180	3,296
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(7,038)	(2,131)
Interest expense	39	2
Interest income	(3,544)	(1,421)
Share-based payment transactions	-	160
Others	1,674	2,304
	92,956	97,084
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(100,661)	(210,933)
Decrease (increase) in inventories	18,339	19,682
Decrease (increase) in other current assets	4,584	(13,864)
Increase (decrease) in contract liabilities	(3,570)	5,473
Increase (decrease) in notes and accounts payable	(17,462)	55,201
Increase (decrease) in other payable	7,045	37,683
Increase (decrease) in provisions	12,134	6,817
Increase (decrease) in other current liabilities	(2,789)	(555)
Increase (decrease) in provision for employee benefits , non-current	(440)	(412)
	10,136	(3,824)
Cash flow from (used in) operations	615,188	408,751
Interest received	3,544	1,421
Interest paid	(39)	(2)
Income taxes paid	(73,574)	(57,768)
Net cash flows from (used in) operating activities	545,119	352,402
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(49,453)	(13,769)
Acquisition of financial assets at fair value through other comprehensive income	(14,994)	-
Proceeds from disposal of financial assets at fair value through profit or loss	50,646	-
Acquisition of property, plant and equipment	(150,456)	(53,197)
Proceeds from disposal of property, plant and equipment	-	81
Decrease (Increase) in refundable deposits	5,488	2,135
Acquisition of intangible assets	(5,885)	(14,634)
Decrease (Increase) in prepayments of property, plant and equipment	(14,810)	(25,705)
Net cash flows from (used in) investing activities	(179,464)	(105,089)
Cash flows from (used in) financing activities:		
Cash dividends paid	(333,838)	(170,893)
Payment of lease liabilities	(1,400)	-
Net cash flows from (used in) financing activities	(335,238)	(170,893)
Net increase (decrease) in cash and cash equivalents	30,417	76,420
Cash and cash equivalents at beginning of period	361,181	255,869
Cash and cash equivalents at end of period	**$ 391,598**	**332,289**

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

SCI PHARMTECH, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(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. 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(b) 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 November 12, 2019.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

  In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

  — Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

  — Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $4,113 thousand of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.50%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 4,421
Recognition exemption for:	
short-term leases	(202)
leases of low-value assets	(21)
	$ 4,198
Discounted using the incremental borrowing rate at January 1, 2019 (as of lease liabilities recognized at January 1, 2019)	$ 4,113

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020

The Group assessed that the above IFRSs may not be relevant to the Group.

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of Consolidation

List of subsidiaries in the consolidated financial statements.

			Shareholding			
Name of investor	**Name of subsidiary**	**Principal activity**	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**	**Note**
The Company	Yushan Holding Universal Ltd.	Investment	- %	100.00 %	100.00 %	Note 1
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	- %	- %	Note 2
Yushan Holding Universal Ltd.	Yushan	The research and development, manufacture and sale of API	- %	100.00 %	100.00 %	Note 2

Note 1: Yushan Holding Universal Ltd. completed liquidation procedure in May 2019.
Note 2: Yushan was a subsidiary of Yushan Holding Universal Ltd.. Since April 2019, Yushan has become a subsidiary of the Company due to the Group's adjustment of organization structure.

(Continued)

(c) Lease (applicable from January 1, 2019)

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset if either:

- The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

- In rare cases where the decision on how, and for what purpose, the asset is used is predetermined.

  — the Group has the right to operate the asset and the providers do not have the right to vary; or

  — the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) 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.

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

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

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 Group's estimate of purchase options; or

4) there is a change of its assessment on whether it will exercise a purchase, 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.

(Continued)

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(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 IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and 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 preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts:

Expect for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 446	311	354
Checking accounts and demand deposits	186,246	147,875	159,802
Time deposits	122,970	171,995	172,133
Bills sold under repurchase agreements	81,936	41,000	-
	$ 391,598	**361,181**	**332,289**

(i) The Group did not provide cash and cash equivalents as collateral for its loans.

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

(b) Financial assets and liabilities at fair value through profit or loss

	September 30, 2019	December 31, 2018	September 30, 2018
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$ 235,274	277,113	276,981
Stocks listed on domestic markets	200,677	152,993	153,654
Total	**$ 435,951**	**430,106**	**430,635**

The Group did not provide any aforementioned financial assets as collateral for its loans as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

(c) Financial asset at fair value through other comprehensive income, non-current:

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at fair value through other comprehensive income:			
Unlisted stocks on domestic markets	**$ 121,879**	**75,296**	**45,514**

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 June 2019, the capital increase by cash for Energenesis Biomedical Co., Ltd. (Energenesis) amounted to $14,994. As of September 30, 2019, the Group obtained an ownership interest of 2.08%.

No strategic investments were disposed as of September 30, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Please refer to note 6(s) for market risk of the Group.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group did not provide any aforementioned financial assets as collateral for its loans.

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(d) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable from operating activities	$ 376	2,360	108
Accounts receivable – measured as amortized cost	492,381	389,736	403,773
Less: Loss allowance	(1,179)	(1,179)	(19,321)
	$ 491,578	**390,917**	**384,560**

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

	September 30, 2019		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 367,062	-	-
1 to 30 days past due	96,637	-	-
31 to 60 days past due	27,765	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	81	-	-
181 to 270 days past due	33	-	-
More than 360 days past due	1,179	100 %	1,179
	$ 492,757		**1,179**

	December 31, 2018		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 264,117	-	-
1 to 30 days past due	75,483	-	-
31 to 60 days past due	1,095	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	50,222	-	-
More than 360 days past due	1,179	100 %	1,179
	$ 392,096		**1,179**

(Continued)

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	September 30, 2018		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 310,495	-	-
1 to 30 days past due	19,209	-	-
31 to 60 days past due	2,603	-	-
61 to 90 days past due	52,235	-	-
91 to 180 days past due	18	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
More than 360 days past due	19,321	100 %	19,321
	$ 403,881		**19,321**

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

	For the nine months ended September 30,	
	2019	**2018**
Balance on January 1	$ 1,179	18,142
Impairment losses recognized	-	1,179
Balance on September 30	**$ 1,179**	**19,321**

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Raw materials	$ 111,013	141,204	144,183
Work in progress	110,749	123,733	98,152
Finished goods	262,971	238,135	218,841
	$ 484,733	**503,072**	**461,176**

For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, inventory cost recognized as cost of sales amounting to $373,381, $307,827, $1,070,807 and $897,552, respectively.

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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 disposal of obsolete inventories. The details are as following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
The write-downs (reversals)	$ 3,671	4,323	11,664	8,624

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group did not provide any inventories as collaterals for its loans.

(f) Property, plant and equipment

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Cost:							
Balance on January 1, 2019	$ 825,680	700,219	1,683,172	42,658	16,149	138,178	3,406,056
Additions	-	5,539	23,791	352	2,571	55,499	87,752
Transferred (out) in	-	4,551	1,510	-	-	(4,602)	1,459
Disposal and derecognitions	-	(10,897)	(57,590)	(2,353)	-	-	(70,840)
Balance on September 30, 2019	**$ 825,680**	**699,412**	**1,650,883**	**40,657**	**18,720**	**189,075**	**3,424,427**
Balance on January 1, 2018	$ 825,680	681,676	1,580,485	29,623	16,149	68,056	3,201,669
Additions	-	13,941	40,156	3,417	-	105,346	162,860
Transferred (out) in	-	2,070	65,107	7,003	-	(57,092)	17,088
Disposal and derecognitions	-	(981)	(12,442)	-	-	-	(13,423)
Balance on September 30, 2018	**$ 825,680**	**696,706**	**1,673,306**	**40,043**	**16,149**	**116,310**	**3,368,194**
Depreciation and impairments loss:							
Balance on January 1, 2019	$ -	314,702	1,182,640	18,474	6,076	-	1,521,892
Depreciation for the period	-	22,230	69,753	2,988	1,258	-	96,229
Disposals and derecognitions	-	(10,897)	(55,967)	(2,353)	-	-	(69,217)
Balance on September 30, 2019	**$ -**	**326,035**	**1,196,426**	**19,109**	**7,334**	**-**	**1,548,904**
Balance on January 1, 2018	$ -	292,442	1,103,904	14,900	4,452	-	1,415,698
Depreciation for the period	-	22,220	68,808	2,629	1,217	-	94,874
Disposals and derecognitions	-	(981)	(12,442)	-	-	-	(13,423)
Balance on September 30, 2018	**$ -**	**313,681**	**1,160,270**	**17,529**	**5,669**	**-**	**1,497,149**

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		Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Carrying amounts:								
Balance on January 1, 2019	$	825,680	385,517	500,532	24,184	10,073	138,178	1,884,164
Balance on September 30, 2019	$	825,680	373,377	454,457	21,548	11,386	189,075	1,875,523
Balance on January 1, 2018	$	825,680	389,234	476,581	14,723	11,697	68,056	1,785,971
Balance on September 30, 2018	$	825,680	383,025	513,036	22,514	10,480	116,310	1,871,045

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 given to Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the Group is the actual owner of the land.

As of September 30, 2019, December 31, 2018 and September 30, 2018, part of the property, plant and equipment the Group had provided at collateral for its loans. Please refer to note 8 for details.

(g) Right-of-use assets

The Group leases many assets including company cars and copy machinces. Information about leases for which the Group as a lessee is presented below:

		Right-of-use assets
Cost:		
Balance on January 1, 2019	$	-
Effects of retrospective application		4,113
Balance on January 1, 2019 (as of Balance on September 30, 2019)	$	**4,113**
Accumulated depreciation:		
Balance on January 1, 2019	$	-
Effects of retrospective application		-
Balance on January 1, 2019 (according to IFRS 16)		-
Depreciation for the period		1,416
Balance on September 30, 2019	$	**1,416**
Carrying amount:		
Balance on January 1, 2019 (according to IFRS 16)	$	**4,113**
Balance on September 30, 2019	$	**2,697**

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(h) Short-term borrowings

The details of short-term borrowings were as following:

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank loans	$ -	-	-
Unused credit line for short-term borrowings	$ **341,758**	**424,105**	**425,897**
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(s) for the information of interest risk, foreign currency risk and liquidity risk.

(i) Other payables

	September 30, 2019	December 31, 2018	September 30, 2018
Salaries payable	$ 136,124	131,579	110,373
Others	67,490	64,990	69,937
	$ **203,614**	**196,569**	**180,310**

(j) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2019
Current	$ **1,717**
Non-current	$ **996**

Please refer to note 6(s) for maturity analyses.

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
Interest on lease liabilities	$ **11**	**39**
Expenses relating to short-term leases	$ **380**	**1,210**
Variable lease payments not included in the measurement of lease liabilities	$ **83**	**226**
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ **9**	**19**

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

	For the nine months ended September 30, 2019
Total cash outflow for leases	$ 2,894

The Group leases company cars and copy machines: The leases typically run for a period of three to six years.

The Group also leases 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.

(k) Provisions

There were no significant changes in provisions for the nine months ended September 30, 2019 and 2018. Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

(l) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating cost	$ 396	400	1,175	1,192
Operating expenses	(4)	(47)	(1)	18
	$ 392	353	1,174	1,210

(ii) Defined contribution plans

The Group’s expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018 were as follows:

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	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating cost	$ 1,298	1,209	3,812	3,597
Selling expenses	62	64	194	187
Administration expenses	160	146	477	432
Research expenses	199	192	575	540
	$ 1,719	1,611	5,058	4,756

(m) Income taxes

(i) The income tax expense in the interim financial statements is measured and disclosed accordance to paragraph B12 of IAS 34 “International Financial Reporting”.

(ii) The income tax expenses for the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018 were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Current income tax expense	$ 39,756	28,794	123,449	75,603

(iii) The amount of income tax recognized in other comprehensive income for the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement from defined benefit plans	$ -	-	-	(1,488)

(iv) Assessment of tax

The Company’ s and Yushan's tax returns for the years through 2017 were assessed by the Taipei National Tax Administration.

(n) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to September 30, 2019 and 2018. For the related information, please refer to note 6 (m) of the consolidated financial statements for the year ended December 31, 2018.

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(i) Retained Earning

The Company's article of incorporation stipulate 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.

(ii) Earnings distribution

Based on the resolutions of the annual stockholders' meetings held on June 21, 2019 and June 26, 2018, the appropriations of dividends from the distributable retained earnings of 2018 and 2017 were as follows:

	2018		2017	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to commons shareholders:				
Cash	**$ 4.20**	**333,838**	**2.15**	**170,893**

(iii) Other equity (net taxes)

	financial assets measured at fair value through other comprehensive income	**Unrealized gains (losses) on available-for-sale financial assets**	**Unearned employee benefit**	**Total**
Balance at January 1, 2019	$ (4,788)	-	-	(4,788)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	31,589	-	-	31,589
Balance at September 30, 2019	**$ 26,801**	**-**	**-**	**26,801**

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	financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee benefit	Total
Balance at January 1, 2018	$ -	(7,727)	(160)	(7,887)
Effects of retrospective application	(7,727)	7,727	-	-
Balance at January 1, 2018 after adjustments	(7,727)	-	(160)	(7,887)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	3,148	-	-	3,148
Amortization cost of employee restricted stock	-	-	160	160
Balance at September 30, 2018	**$ (4,579)**	**-**	**-**	**(4,579)**

(o) Share-based payment

There were no significant changes for share-based payment during the periods from January 1 to September 30, 2019 and 2018. For the related information, please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2018.

(p) Earnings per share

For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the Company's earnings per share were calculated as follows:

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2019	**2018**	**2019**	**2018**
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	**$ 159,828**	**126,881**	**481,603**	**336,972**
Weighted-average number of ordinary shares at September 30	79,485	79,485	79,485	79,465
	$ 2.01	**1.60**	**6.06**	**4.24**
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	**$ 159,828**	**126,881**	**481,603**	**336,972**

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	For the three months ended September 30,		For the nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Weighted-average number of ordinary shares (basic)	79,485	79,485	79,485	79,465
Effect of employee compensation	593	473	743	565
Effect of restricted employee shares unvested	-	-	-	-
Weighted-average number of ordinary shares (diluted) at September 30	**80,078**	**79,958**	**80,228**	**80,030**
	$ 2.00	**1.59**	**6.00**	**4.21**

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Primary geographical markets				
Spain	$ 92,427	65,888	296,454	187,323
Italy	93,893	56,793	282,801	142,185
United States	65,537	244,152	277,182	510,989
Japan	44,743	7,087	211,982	68,912
Taiwan	67,245	47,764	172,118	161,069
Switzerland	22,919	6,411	136,220	90,833
India	108,566	28,966	133,216	96,417
Netherlands	46,250	18,846	96,370	68,565
Others	86,234	43,507	229,445	149,204
	$ 627,814	**519,414**	**1,835,788**	**1,475,497**
Major products				
Active Pharmaceutical Ingredients	$ 445,374	334,407	1,212,198	969,551
Intermediates	142,463	146,539	474,585	392,952
Specialty Chemical	39,977	38,468	149,005	112,994
	$ 627,814	**519,414**	**1,835,788**	**1,475,497**

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(ii) Contract balances

	September 30, 2019	December 31, 2018	September 30, 2018
Notes and accounts receivable	$ 492,757	392,096	403,881
Less: allowance for impairment	(1,179)	(1,179)	(19,321)
Total	**$ 491,578**	**390,917**	**384,560**
Contract liabilities (sales received in advance)	**$ 26,833**	**30,403**	**30,052**

Please refer to note 6(d) for the information of accounts receivable and the impairment.

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.

(r) 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 three-month period and the nine-month period ended September 30, 2019 and 2018, the remunerations to employees amounted to $19,445, $15,381, $59,282 and $40,430, respectively, and the remunerations to directors amounted to $2,665, $2,097, $8,069 and $5,513, 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.

For the year ended December 31, 2018 and 2017, the remunerations to employees amounted to $53,166 and $22,989, respectively, and the remunerations to directors amounted to $7,204 and $3,135, respectively. The remunerations above are identical to those of the actual distributions. The information is available on the Market Observation Post System website.

(s) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2018.

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(i) Credit risk

1) Exposure to credit risk

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

2) Concentration to credit risk

The Group's customers are mainly from the pharmaceutical industry; therefore, the Group does not concentrate on a specific customer and the sales regions are widely spread, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. And in order to mitigate accounts receivable credit risk, the Group constantly assesses the financial status of its customers, wherein it does not require its customers to provide any collateral.

3) Receivable and debt securities

a) Please refer to note 6(d) for the information of credit risk of notes and accounts receivable.

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
September 30, 2019					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 71,694	(71,694)	(71,694)	-	-
Lease liabilities (including current and non-current)	2,713	(2,751)	(1,745)	(783)	(223)
Other payables	57,996	(57,996)	(57,996)	-	-
Payables on contractors and equipment	25,343	(25,343)	(25,343)	-	-
	$ 157,746	**(157,784)**	**(156,778)**	**(783)**	**(223)**

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	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2018					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 89,156	(89,156)	(89,156)	-	-
Other payables	56,102	(56,102)	(56,102)	-	-
Payables on contractors and equipment	88,047	(88,047)	(88,047)	-	-
	$ 233,305	**(233,305)**	**(233,305)**	**-**	**-**
September 30, 2018					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 90,381	(90,381)	(90,381)	-	-
Other payables	61,527	(61,527)	(61,527)	-	-
Payables on contractors and equipment	128,166	(128,166)	(128,166)	-	-
	$ 280,074	**(280,074)**	**(280,074)**	**-**	**-**

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

	September 30, 2019			**December 31, 2018**			**September 30, 2018**		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets									
Monetary items									
USD to TWD	$ 18,281	30.99	566,528	15,471	30.665	474,418	17,477	30.475	532,612
EUR to TWD	1,070	33.75	36,113	1,655	35	57,925	602	35.28	21,239
Financial liabilities									
Monetary items									
USD to TWD	1,563	30.99	48,437	1,722	30.665	52,805	2,403	30.475	73,231

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.

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The analysis assumes that all other variables remain constant. A strengthening (weakening) 1% of the functional currency against each foreign currency for the nine months ended September 30, 2019 and 2018 would have affected the net profit before tax increased or decreased $5,542 and $4,806, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

The exchange gains and losses of monetary items, including realized and unrealized, are changed into functional currency, which is the Group's presentation currency. For the three months and nine months ended September 30, 2019 and 2018, the exchange gains (losses), including realized and unrealized, are $(2,235), $2,780, $10,351 and $14,101, respectively.

(iv) Interest rate analysis

For the details of financial assets and liabilities exposed to interest rate risk, please refer to note 6(s) liquidity risk.

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount		
		September 30, 2019	**September 30, 2018**
Variable rate instruments:			
Financial assets	$	183,900	159,504
Financial liabilities		-	-

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets with variable interest rates, the analysis is on the basis of 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 management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by $345 and $299, respectively, for the nine months ended September 30, 2019 and 2018, which would be mainly resulted from the bank savings with variable interest rates.

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(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 are stated below; 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 for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	September 30, 2019				
		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	$ 435,951	435,951	-	-	435,951
Financial assets at fair value through other comprehensive income					
Unlisted stocks on domestic market	121,879	28,549	-	93,330	121,879
Financial assets measured at amortized cost					
Cash and cash equivalents	391,598	-	-	-	-
Notes and accounts receivable	491,578	-	-	-	-
Other receivables	5,393	-	-	-	-
Refunded deposits (recognized as other non-current assets)	6,283	-	-	-	-
Subtotal	894,852				
Total	**$ 1,452,682**				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 71,694	-	-	-	-
Lease liabilities (including current and non-current)	2,713	-	-	-	-
Other payables	57,996	-	-	-	-
Payables on contractors and equipment	25,343	-	-	-	-
Total	**$ 157,746**				

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	December 31, 2018				
		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	$ 430,106	430,106	-	-	430,106
Financial assets at fair value through other comprehensive income					
Unlisted stocks on domestic market	75,296	-	-	75,296	75,296
Financial assets measured at amortized cost					
Cash and cash equivalents	361,181	-	-	-	-
Notes and accounts receivable	390,917	-	-	-	-
Other receivables	370	-	-	-	-
Refunded deposits (recognized as other non-current assets)	11,771	-	-	-	-
Subtotal	764,239				
Total	**$ 1,269,641**				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 89,156	-	-	-	-
Other payables	56,102	-	-	-	-
Payables on contractors and equipment	88,047	-	-	-	-
Total	**$ 233,305**				

	September 30, 2018				
		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	$ 430,635	430,635	-	-	430,635
Financial assets at fair value through other comprehensive income					
Unlisted stocks on domestic market	45,514	-	-	45,514	45,514
Financial assets measured at amortized cost					
Cash and cash equivalents	332,289	-	-	-	-
Notes and accounts receivable	384,560	-	-	-	-
Other receivables	2,618	-	-	-	-
Refunded deposits (recognized as other non-current assets)	11,781	-	-	-	-
Subtotal	731,248				
Total	**$ 1,207,397**				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 90,381	-	-	-	-
Other payables	61,527	-	-	-	-
Payables on contractors and equipment	128,166	-	-	-	-
Total	**$ 280,074**				

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2) Fair value valuation technique of financial instruments not measured at fair value

The Group estimates financial instruments that not measured at fair value by methods and assumptions as follows:

a) Financial assets and liabilities measured at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

3) Fair value valuation technique of 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 valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available 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.

4) Transfer from one level to another

For the nine months ended September 30, 2019 and 2018, there was no transfer from one level to another.

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5) Reconciliation of Level 3 fair values

		Fair value through other comprehensive income
		Unquoted equity instruments
January 1, 2019	$	75,296
Total gains and losses recognized:		
In other comprehensive income		18,034
September 30, 2019	**$**	**93,330**
January 1, 2018	$	42,366
Total gains and losses recognized:		
In other comprehensive income		3,148
September 30, 2018	**$**	**45,514**

For the three months and nine months ended September 30, 2019 and 2018, 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:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
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"	$ 23,358	4,092	18,034	3,148

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.

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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 September 30, 2019, December 31, 2018 and September 30, 2018 were 2.07, 1.84 and 2.13, respectively)	The higher the fair value is, the higher the multiplier will be.
〃	〃	·Lack-of-Marketability discount rate (As of September 30, 2019, December 31, 2018 and September 30, 2018 were 50%)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Fair value through other comprehensive income– equity investments without an active market	Comparable transaction method	·Lack-of-Marketability discount rate (As of September 30, 2019, December 31, 2018 were 21.01% and 22.36%, respectively)	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
September 30, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 2,206	2,206
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,860	2,860

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	Inputs	Move up or downs	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 1,911	1,925
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 3,757	3,772
September 30, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 2,264	2,286
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,264	2,286

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.

(t) Financial risk management

There were no significant changes in the Group’s financial risk management and policies as disclosed in Note 6(s) of the consolidated financial statements for the year ended December 31, 2018.

(u) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, management believes that there were no significant changes in the Group’s capital management information as disclosed for the year ended December 31, 2018. Please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2018.

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

The Group’s investing and financing activities which did not affect the current cash flow in the nine months ended September 30, 2019 and 2018, were as follows:

(i) There were no non-cash investing activities in the nine months ended September 30, 2018, and acquisition of right-of-use assets by lease for the nine months ended September 30, 2019, please refer to note 6(g).

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(ii) There were no liabilities arising from financing activities for the nine months ended September 30, 2018, and reconciliation of liabilities arising from financing activities for the nine months ended September 30, 2019, was as follows:

	January 1, 2019	Cash flows	Non-cash changes Foreign exchange movement	September 30, 2019
Lease liabilities	$ 4,113	(1,400)	-	2,713

(7) Related-party transactions:

(a) Names and relationship with related parties: None.

(b) Significant transaction with related parties: None.

(c) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Salary and short-term employee benefits	$ 11,523	9,204	34,740	25,320

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	September 30, 2019	December 31, 2018	September 30, 2018
Land	Pledged as collaterals	$ 42,736	42,736	42,736
Building	〃	5,045	5,799	6,093
		$ 47,781	48,535	48,829

(9) Commitments and contingencies:

(a) As of September 30, 2019, December 31, 2018 and September 30, 2018, the unused balance of the Group's outstanding standby letters of credit amounted to $8,242, $5,895 and $4,103, respectively.

(b) The significant outstanding purchase commitments for property, plant and equipment was as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Acquisitions of property, plant and equipment	$ 48,674	109,810	77,524

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(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

At a meeting of the Board of Directors held on October 25, 2019, the board members approved a resolution to purchase the privately placed common shares of Energenesis Biomedical Co., Ltd., with the purchase amount of $19,996, totalling 322,000 shares, at a per value of $62.1 (dollars) per share.

(12) Other:

(a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function / By item	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	54,401	25,374	79,775	46,147	27,764	73,911
Labor and health insurance	3,903	1,440	5,343	3,230	1,051	4,281
Pension	1,694	417	2,111	1,609	355	1,964
Remuneration of directors	-	2,665	2,665	-	2,097	2,097
Others	820	2,641	3,461	760	1,810	2,570
Depreciation	27,740	4,783	32,523	27,228	4,611	31,839
Amortization	469	978	1,447	326	947	1,273

By function / By item	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	160,783	84,136	244,919	136,756	76,919	213,675
Labor and health insurance	10,829	3,597	14,426	9,391	2,968	12,359
Pension	4,987	1,245	6,232	4,789	1,177	5,966
Remuneration of directors	-	8,069	8,069	-	5,513	5,513
Others	2,405	7,195	9,600	2,442	5,689	8,131
Depreciation	83,130	14,515	97,645	80,721	14,153	94,874
Amortization	1,270	2,910	4,180	643	2,653	3,296

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicality factors.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2019:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of September 30, 2019 (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	46,238	- %	46,238	
〃	Beneficiary Certificate (Cathay Taiwan Money Market Fund)	-	〃	4,093	51,049	- %	51,049	
〃	Beneficiary Certificate (Nomura Taiwan Money Market)	-	〃	1,273	20,829	- %	20,829	
〃	Beneficiary Certificate (Yuanta USD Money Market Fund-USD)	-	〃	99	32,432	- %	32,432	
〃	Beneficiary Certificate (Nomura Global Short Duration Bond Fund)	-	〃	2,840	30,657	- %	30,657	
〃	Beneficiary Certificate (Taishin 1699 Money Market Fund)	-	〃	3,592	48,726	- %	48,726	
〃	Beneficiary Certificate (Fubon China Policy Bank Bond ETF)	-		270	5,343	- %	5,343	
〃	Stock (Fubon S&P Preferred Shares A)	-	〃	793	51,148	- %	51,148	
〃	Stock (Fubon S&P Preferred Shares B)	-	〃	36	2,301	- %	2,301	
〃	Stock (TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E)	-	〃	400	22,320	- %	22,320	
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	790	50,244	- %	50,244	
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	33	2,097	- %	2,097	
〃	Stock (Fubon S&P US Preferred Stock)	-	〃	1,400	28,042	- %	28,042	
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	685	44,525	- %	44,525	
〃	Stock (Sunny Pharmtech Inc.)	-	Financial assets at fair value through other comprehensive income	4,497	44,120	4.02 %	44,120	
〃	Stock (Energenesis Biomedical Co., Ltd.,)	-	〃	1,136	77,759	2.08 %	77,759	

(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: None.

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

(vii) Purchases from and sales to related parties 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 nine months ended September 30, 2019 (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 September 30, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
SCI PHARMTECH, INC.	Yushan Holding Universal Ltd.	Grand Cayman Islands	Investment activities	-	374,750	-	- %	-	(124)	(124)	Note 1
〃	Yushan Pharmaceuticals Inc.	R.O.C	The research and development, manufacture and sale of API	351,761	-	35,190	100 %	349,854	(1,907)	(1,907)	Note 2
Yushan Holding Universal Ltd.	Yushan Pharmaceuticals Inc.	R.O.C	The research and development, manufacture and sale of API	-	371,000	-	- %	-	(139)	(139)	Note 2

Note 1：Yushan Holding Universal Ltd. completed liquidation procedure in May 2019.
Note 2：Yushan was a subsidiary of Yushan Holding Universal Ltd.. Since April 2019, Yushan has become a subsidiary of the Company due to the Group's adjustment of organization structure.

(c) Information on investment in mainland China: None

(14) Segment information:

The Group only uses one segment to asses its performance and allocate resources Hence, there is no need to disclose the information.