

**SCI PHARMTECH, INC. AND SUBSIDIARIES****Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2020 and 2019**

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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.

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of SCI Pharmtech, Inc. and its subsidiaries as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, and changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 SCI Pharmtech, Inc. and its subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 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 6, 2020

**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, 2020 and 2019

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, 2019, and September 30, 2019

(expressed in thousands of New Taiwan dollars)

		September 30, 2020		December 31, 2019		September 30, 2019	
	Assets	Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 478,006	11	553,555	13	391,598	10
1110	Current financial assets at fair value through profit or loss (note 6(b))	-	-	466,025	11	435,951	11
1170	Notes and accounts receivable, net (notes 6(d) and 6(p))	449,346	11	352,404	9	491,578	13
1310	Inventories, net (note 6(e))	475,961	11	527,081	13	484,733	12
1470	Other current assets	18,446	-	36,953	1	17,059	-
		<u>1,421,759</u>	<u>33</u>	<u>1,936,018</u>	<u>47</u>	<u>1,820,919</u>	<u>46</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	654,167	16	-	-	-	-
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	115,993	3	137,329	3	121,879	3
1600	Property, plant and equipment (notes 6(f) and 8)	1,883,312	44	1,876,999	46	1,875,523	48
1755	Right-of-use assets (note 6(g))	3,085	-	2,974	-	2,697	-
1780	Intangible assets	42,749	1	47,661	1	49,117	1
1840	Deferred tax assets	55,752	1	57,243	2	51,232	1
1900	Other non-current assets	71,828	2	23,253	1	31,868	1
		<u>2,826,886</u>	<u>67</u>	<u>2,145,459</u>	<u>53</u>	<u>2,132,316</u>	<u>54</u>
	Total assets	<u>\$ 4,248,645</u>	<u>100</u>	<u>4,081,477</u>	<u>100</u>	<u>3,953,235</u>	<u>100</u>
Liabilities and Equity							
Current liabilities:							
	Notes and accounts payable	\$ 86,305	2	94,302	2	71,694	2
	Current contract liabilities (note 6(p))	69,981	2	59,092	2	26,833	1
	Other payables (note 6(i))	232,091	5	229,830	6	203,614	5
	Payables on contractors and equipment	23,876	1	16,605	-	25,343	1
	Current tax liabilities	90,548	2	96,671	2	122,938	3
	Current provisions (note 6(k))	85,820	2	83,957	2	88,635	2
	Current lease liabilities (note 6(j))	1,612	-	1,795	-	1,717	-
	Other current liabilities	4,955	-	2,012	-	183	-
		<u>595,188</u>	<u>14</u>	<u>584,264</u>	<u>14</u>	<u>540,957</u>	<u>14</u>
Non-Current liabilities:							
	Deferred tax liabilities	-	-	-	-	47	-
	Non-current lease liabilities (note 6(i))	1,492	-	1,197	-	996	-
	Provisions for employee benefits, non-current	20,758	1	21,376	1	21,650	-
		<u>22,250</u>	<u>1</u>	<u>22,573</u>	<u>1</u>	<u>22,693</u>	<u>-</u>
	Total liabilities	<u>617,438</u>	<u>15</u>	<u>606,837</u>	<u>15</u>	<u>563,650</u>	<u>14</u>
Equity attributable to owners of parent (note 6(n)):							
	Ordinary Share	794,853	18	794,853	19	794,853	20
	Capital surplus	1,348,339	32	1,348,339	33	1,348,339	34
	Legal reserve	390,081	9	332,971	8	332,971	9
	Special reserve	-	-	4,788	-	4,788	-
	Unappropriated retained earnings	1,097,016	26	971,435	24	881,833	22
	Other components of equity	918	-	22,254	1	26,801	1
		<u>3,631,207</u>	<u>85</u>	<u>3,474,640</u>	<u>85</u>	<u>3,389,585</u>	<u>86</u>
	Total equity	<u>\$ 4,248,645</u>	<u>100</u>	<u>4,081,477</u>	<u>100</u>	<u>3,953,235</u>	<u>100</u>
	Total liabilities and equity	<u>\$ 4,248,645</u>	<u>100</u>	<u>4,081,477</u>	<u>100</u>	<u>3,953,235</u>	<u>100</u>

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, 2020 and 2019**

(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			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4110	Sales revenue (note 6(p))	\$ 678,835	100	627,814	100	2,191,085	100	1,835,788	100
5110	Cost of sales (notes 6(e), 6(l) and 12)	370,406	55	373,381	59	1,142,766	52	1,070,807	58
5900	<b>Gross profit</b>	<u>308,429</u>	<u>45</u>	<u>254,433</u>	<u>41</u>	<u>1,048,319</u>	<u>48</u>	<u>764,981</u>	<u>42</u>
<b>Operating expenses (notes 6(l) and 12):</b>									
6100	Selling expenses	23,811	3	27,758	4	91,790	4	84,152	5
6200	Administrative expenses	28,897	4	24,953	4	104,564	5	77,686	4
6300	Research and development expenses	12,086	2	10,345	2	32,928	2	29,855	2
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	(1,179)	-	-	-	(1,179)	-	-	-
		<u>63,615</u>	<u>9</u>	<u>63,056</u>	<u>10</u>	<u>228,103</u>	<u>11</u>	<u>191,693</u>	<u>11</u>
6900	<b>Net operating income</b>	<u>244,814</u>	<u>36</u>	<u>191,377</u>	<u>31</u>	<u>820,216</u>	<u>37</u>	<u>573,288</u>	<u>31</u>
<b>Non-operating income and expenses:</b>									
7190	Other income	9,905	1	8,774	1	11,982	1	12,817	1
7101	Interest income	759	-	977	-	3,870	-	3,544	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(6,896)	(1)	800	-	(14,606)	(1)	7,038	-
7510	Interest expense (note 6(j))	(13)	-	(11)	-	(32)	-	(39)	-
7590	Miscellaneous disbursements	(114)	-	(98)	-	(371)	-	(324)	-
7610	Gains (losses) on disposals of property, plant and equipment	28	-	-	-	57	-	(1,623)	-
7630	Foreign exchange gains (losses)	(10,614)	(1)	(2,235)	-	(20,058)	(1)	10,351	1
		<u>(6,945)</u>	<u>(1)</u>	<u>8,207</u>	<u>1</u>	<u>(19,158)</u>	<u>(1)</u>	<u>31,764</u>	<u>2</u>
7900	<b>Profit before tax</b>	<u>237,869</u>	<u>35</u>	<u>199,584</u>	<u>32</u>	<u>801,058</u>	<u>36</u>	<u>605,052</u>	<u>33</u>
7950	Less: Income tax expenses (note 6(m))	48,953	7	39,756	7	162,141	7	123,449	7
8200	<b>Profit</b>	<u>188,916</u>	<u>28</u>	<u>159,828</u>	<u>25</u>	<u>638,917</u>	<u>29</u>	<u>481,603</u>	<u>26</u>
8300	<b>Other comprehensive income:</b>								
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,459	-	36,567	6	(21,336)	(1)	31,589	2
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
8300	<b>Other comprehensive income, net</b>	<u>2,459</u>	<u>-</u>	<u>36,567</u>	<u>6</u>	<u>(21,336)</u>	<u>(1)</u>	<u>31,589</u>	<u>2</u>
8500	<b>Total comprehensive income</b>	<u>\$ 191,375</u>	<u>28</u>	<u>196,395</u>	<u>31</u>	<u>617,581</u>	<u>28</u>	<u>513,192</u>	<u>28</u>
<b>Earnings per share (note 6(o)):</b>									
9750	<b>Basic earnings per share</b>	<u>\$ 2.38</u>		<u>2.01</u>		<u>8.04</u>		<u>6.06</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 2.36</u>		<u>2.00</u>		<u>7.95</u>		<u>6.00</u>	

See accompanying notes to consolidated financial statements.

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the nine months ended September 30, 2020 and 2019**  
**(expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					Other equity interest	
						Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
Balance at January 1, 2019	\$ 794,853	1,348,339	288,248	7,727	775,852	(4,788)	3,210,231
Profit 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
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	481,603	31,589	513,192
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	44,723	-	(44,723)	-	-
Reversal of special reserve	-	-	-	(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	3,389,585
Balance at January 1, 2020	\$ 794,853	1,348,339	332,971	4,788	971,435	22,254	3,474,640
Profit for the nine months ended September 30, 2020	-	-	-	-	638,917	-	638,917
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	(21,336)	(21,336)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	638,917	(21,336)	617,581
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 September 30, 2020	\$ 794,853	1,348,339	390,081	-	1,097,016	918	3,631,207

See accompanying notes to consolidated financial statements.

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2020 and 2019**

(expressed in Thousands of New Taiwan Dollars)

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 801,058	605,052
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	97,287	97,645
Amortization expense	4,349	4,180
Expected credit loss (gain)	(1,179)	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	14,606	(7,038)
Interest expense	32	39
Interest income	(3,870)	(3,544)
Others	(57)	1,674
<b>Total adjustments to reconcile profit</b>	<b>111,168</b>	<b>92,956</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in notes and accounts receivable	(95,763)	(100,661)
Decrease (increase) in inventories	51,120	18,339
Decrease (increase) in other current assets	18,507	4,584
Increase (decrease) in contract liabilities	10,889	(3,570)
Increase (decrease) in notes and accounts payable	(7,997)	(17,462)
Increase (decrease) in other payable	2,261	7,045
Increase (decrease) in provisions	1,863	12,134
Increase (decrease) in other current liabilities	2,943	(2,789)
Increase (decrease) in provision for employee benefits, non-current	(618)	(440)
<b>Total changes in operating assets and liabilities</b>	<b>94,373</b>	<b>10,136</b>
Cash flow from (used in) operations	895,431	615,188
Interest received	3,870	3,544
Interest paid	(32)	(39)
Income taxes paid	(166,773)	(73,574)
<b>Net cash flows from (used in) operating activities</b>	<b>732,496</b>	<b>545,119</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(14,994)
Acquisition of financial assets at fair value through profit or loss	(202,748)	(49,453)
Proceeds from disposal of financial assets at fair value through profit or loss	-	50,646
Acquisition of property, plant and equipment	(81,815)	(150,456)
Proceeds from disposal of property, plant and equipment	57	-
Decrease (increase) in refundable deposits	6,273	5,488
Acquisition of intangible assets	-	(5,885)
Increase in prepayments of property, plant and equipment	(67,267)	(14,810)
<b>Net cash flows from (used in) investing activities</b>	<b>(345,500)</b>	<b>(179,464)</b>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(1,531)	(1,400)
Cash dividends paid	(461,014)	(333,838)
<b>Net cash flows from (used in) financing activities</b>	<b>(462,545)</b>	<b>(335,238)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(75,549)</b>	<b>30,417</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>553,555</b>	<b>361,181</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 478,006</b>	<b>391,598</b>

See accompanying notes to consolidated financial statements.



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**SCI PHARMTECH, INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**September 30, 2020 and 2019**

**(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 6, 2020.

**(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, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

- (b) The impact of IFRS issued by the 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, 2021:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

(Continued)

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

The Group assesses that the adoption of the abovementioned amendments would not have any material impact on its 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

Those which may be relevant to the Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 23, 2020	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.

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.

(Continued)

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

**(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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

**(b) Basis of Consolidation**

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

Name of investor	Name of subsidiary	Principal activity	Shareholding				Note
			September 30, 2020	December 31, 2019	September 30, 2019		
The Company	Yushan Holding Universal Ltd.	Investment	- %	- %	- %		Note 1
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %	100.00 %		Note 2
Yushan Holding Universal Ltd.	Yushan	The research and development, manufacture and sale of API	- %	- %	- %		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) 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.

(Continued)

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

(d) 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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

**(6) Explanation of significant accounts:**

Except 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, 2019. Please refer to note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Cash on hand	\$ 533	535	446
Checking accounts and demand deposits	217,588	223,273	186,246
Time deposits	129,675	207,580	122,970
Bills sold under repurchase agreements	130,210	122,167	81,936
	<b><u>\$ 478,006</u></b>	<b><u>553,555</u></b>	<b><u>391,598</u></b>

- (i) The Group did not provide cash and cash equivalents as collateral for its loans.
- (ii) Please refer to note 6(r) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

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

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

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	\$ 416,841	237,529	235,274
Stocks listed on domestic markets	<u>237,326</u>	<u>228,496</u>	<u>200,677</u>
Total	<u>\$ 654,167</u>	<u>466,025</u>	<u>435,951</u>
Current	<u>\$ -</u>	<u>466,025</u>	<u>435,951</u>
Non-current	<u>\$ 654,167</u>	<u>-</u>	<u>-</u>

The Group reassessed the purpose of holding the aforementioned financial assets and reclassified them under non-current assets from current assets on September 30, 2020.

The Group did not provide any aforementioned financial assets as collateral for its loans as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

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

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Financial assets at fair value through other comprehensive income:			
Emerging stocks and unlisted stocks in domestic markets	<u>\$ 115,993</u>	<u>137,329</u>	<u>121,879</u>

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 Group participated in the capital increase by cash of Energenisis Biomedical Co., Ltd. (Energenisis) with the amount of \$14,994. Furthermore, the Group purchased Energenisis' privately placed common shares amounting to \$19,997 in November 2019, resulting in the Group to obtain Energenisis' ownership interest of 2.48% as of September 30, 2020.

No strategic investments were disposed as of September 30, 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

(d) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 240	19	376
Accounts receivable	449,106	353,564	492,381
Less: Loss allowance	<u>-</u>	<u>(1,179)</u>	<u>(1,179)</u>
	<u><u>\$ 449,346</u></u>	<u><u>352,404</u></u>	<u><u>491,578</u></u>

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

	September 30, 2020		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	\$ 346,169	-	-
1 to 30 days past due	95,659	-	-
31 to 60 days past due	1,797	-	-
61 to 90 days past due	5,721	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
	<u><u>\$ 449,346</u></u>		<u><u>-</u></u>

  

	December 31, 2019		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	\$ 306,855	-	-
1 to 30 days past due	38,822	-	-
31 to 60 days past due	6,714	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	13	-	-
More than 360 days past due	1,179	100 %	1,179
	<u><u>\$ 353,583</u></u>		<u><u>1,179</u></u>

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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	<b>September 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Rate of loss allowance provision</b>	<b>Loss allowance provision</b>
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	<u>1,179</u>	100 %	<u>1,179</u>
	<u><u>\$ 492,757</u></u>		<u><u>1,179</u></u>

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

	<b>For the nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 1,179	1,179
Impairment losses reversed	<u>(1,179)</u>	<u>-</u>
Balance at September 30	<u><u>\$ -</u></u>	<u><u>1,179</u></u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Raw materials	\$ 101,982	106,971	111,013
Work in progress	89,952	103,055	110,749
Finished goods	<u>284,027</u>	<u>317,055</u>	<u>262,971</u>
	<u><u>\$ 475,961</u></u>	<u><u>527,081</u></u>	<u><u>484,733</u></u>

For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, inventory cost recognized as cost of sales amounting to \$367,339, \$369,710, \$1,151,198 and \$1,059,143, respectively.

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

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,	
	2020	2019	2020	2019
The write-downs (reversals)	\$ <u>3,067</u>	<u>3,671</u>	<u>(8,432)</u>	<u>11,664</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, 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
<b>Cost:</b>							
Balance on January 1, 2020	\$ 825,680	737,842	1,667,500	40,656	18,720	168,428	3,458,826
Additions	-	7,065	18,117	1,534	-	62,370	89,086
Transferred (out) in	-	2,130	17,374	(1,444)	-	(7,130)	10,930
Disposal and derecognitions	-	(1,051)	(8,644)	(24)	-	-	(9,719)
Balance on September 30, 2020	\$ <u>825,680</u>	<u>745,986</u>	<u>1,694,347</u>	<u>40,722</u>	<u>18,720</u>	<u>223,668</u>	<u>3,549,123</u>
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	\$ <u>825,680</u>	<u>699,412</u>	<u>1,650,883</u>	<u>40,657</u>	<u>18,720</u>	<u>189,075</u>	<u>3,424,427</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2020	\$ -	334,054	1,219,926	20,099	7,748	-	1,581,827
Depreciation for the period	-	23,824	67,683	3,054	1,194	-	95,755
Transferred (out) in	-	-	-	(2,052)	-	-	(2,052)
Disposals and derecognitions	-	(1,051)	(8,644)	(24)	-	-	(9,719)
Balance on September 30, 2020	\$ <u>-</u>	<u>356,827</u>	<u>1,278,965</u>	<u>21,077</u>	<u>8,942</u>	<u>-</u>	<u>1,665,811</u>
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	\$ <u>-</u>	<u>326,035</u>	<u>1,196,426</u>	<u>19,109</u>	<u>7,334</u>	<u>-</u>	<u>1,548,904</u>

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

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
<b>Carrying amounts:</b>							
Balance on January 1, 2020	\$ 825,680	403,788	447,574	20,557	10,972	168,428	1,876,999
Balance on September 30, 2020	\$ 825,680	389,159	415,382	19,645	9,778	223,668	1,883,312
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

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, 2020, December 31, 2019 and September 30, 2019, 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 machines. Information about leases for which the Group as a lessee is presented below:

**Cost:**

Balance on January 1, 2020	\$ 4,747
Additions	1,662
Reductions	(752)
Balance on September 30, 2020	\$ 5,657
Balance on January 1, 2019 (Balance on September 30, 2019)	\$ 4,113

**Accumulated depreciation:**

Balance on January 1, 2020	\$ 1,773
Depreciation for the period	1,532
Reductions	(733)
Balance on September 30, 2020	\$ 2,572
Balance on January 1, 2019	\$ -
Depreciation for the period	1,416
Balance on September 30, 2019	\$ 1,416

**Carrying amount:**

Balance on January 1, 2020	\$ 2,974
Balance on September 30, 2020	\$ 3,085
Balance on January 1, 2019	\$ 4,113
Balance on September 30, 2019	\$ 2,697

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

(h) Short-term borrowings

The details of short-term borrowings were as following:

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	\$ -	-	-
Unused credit line for short-term borrowings	\$ 340,103	341,212	341,758
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(r) for the information of interest risk, foreign currency risk and liquidity risk.

(i) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Salaries payable	\$ 161,217	152,767	136,124
Others	70,874	77,063	67,490
	\$ 232,091	229,830	203,614

(j) Lease liabilities

The carrying amount of lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ 1,612	1,795	1,717
Non-current	\$ 1,492	1,197	996

Please refer to note 6(r), for maturity analysis.

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
The amounts recognized in profit or loss were as follows:				
Interest on lease liabilities	\$ 13	11	32	39
Expenses relating to short-term leases	\$ 492	380	1,284	1,210
Variable lease payments not included in the measurement of lease liabilities	\$ 157	83	406	226

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>59</u>	<u>9</u>	<u>203</u>	<u>19</u>

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

Total cash outflow for leases	\$ <u>3,456</u>	<u>2,894</u>
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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, 2020 and 2019. Please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2019 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, 2019 and 2018.

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating cost	\$ 237	396	1,017	1,175
Operating expenses	<u>92</u>	<u>(4)</u>	<u>(28)</u>	<u>(1)</u>
	\$ <u>329</u>	<u>392</u>	<u>989</u>	<u>1,174</u>

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

(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, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating cost	\$ 1,345	1,298	3,975	3,812
Selling expenses	65	62	196	194
Administration expenses	170	160	497	477
Research expenses	206	199	590	575
	<u><b>\$ 1,786</b></u>	<u><b>1,719</b></u>	<u><b>5,258</b></u>	<u><b>5,058</b></u>

(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, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 were calculated as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current income tax expense				
Current period	\$ 48,953	39,756	163,133	123,449
Adjustment for prior periods	-	-	(2,483)	-
	<u>48,953</u>	<u>39,756</u>	<u>160,650</u>	<u>123,449</u>
Deferred income tax expense				
Income tax overestimate (underestimate) for prior periods	-	-	1,491	-
Income tax expense	<u><b>\$ 48,953</b></u>	<u><b>39,756</b></u>	<u><b>162,141</b></u>	<u><b>123,449</b></u>

(iii) Examination and approval

The ROC tax authorities have examined the Company's and Yushan Pharmaceuticals Inc.'s income tax returns through 2018.

(n) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to September 30, 2020 and 2019. For the related information, please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2019.

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

(i) 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.

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 annual stockholders' meetings held on June 19, 2020 and June 21, 2019, the appropriations of dividends from the distributable retained earnings of 2019 and 2018 were as follows:

	2019		2018	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ <u>5.80</u>	<u>461,014</u>	<u>4.20</u>	<u>333,838</u>

(iii) Other equity (net of tax)

	<u>Financial assets measured at fair value through other comprehensive income</u>
Balance at January 1, 2020	\$ 22,254
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(21,336)
Balance at September 30, 2020	<u>\$ 918</u>

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

	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	\$ (4,788)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	31,589
Balance at September 30, 2019	<u>\$ 26,801</u>

(o) Earnings per share

For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the Company's earnings per share was calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
<b>Basic earnings per share</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>188,916</u>	<u>159,828</u>	<u>638,917</u>	<u>481,603</u>
Weighted-average number of ordinary shares (thousand shares)	<u>79,485</u>	<u>79,485</u>	<u>79,485</u>	<u>79,485</u>
	\$ <u>2.38</u>	<u>2.01</u>	<u>8.04</u>	<u>6.06</u>
<b>Diluted earnings per share</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>188,916</u>	<u>159,828</u>	<u>638,917</u>	<u>481,603</u>
Weighted-average number of ordinary shares (thousand shares)	79,485	79,485	79,485	79,485
Effect of potentially dilutive ordinary shares:				
Effect of employee compensation	<u>659</u>	<u>593</u>	<u>832</u>	<u>743</u>
Weighted-average number of ordinary shares (thousand shares) (diluted)	<u>80,144</u>	<u>80,078</u>	<u>80,317</u>	<u>80,228</u>
	\$ <u>2.36</u>	<u>2.00</u>	<u>7.95</u>	<u>6.00</u>

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

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Primary geographical markets:				
United States	\$ 149,274	65,537	403,984	277,182
Italy	111,374	93,893	361,782	282,801
Spain	140,862	92,427	363,417	296,454
Japan	53,382	44,743	195,924	211,982
Taiwan	44,323	67,245	174,973	172,118
India	72	108,566	89,601	133,216
Netherlands	46,198	46,250	125,580	96,370
Switzerland	20,601	22,919	79,866	136,220
Others	112,749	86,234	395,958	229,445
	<u>\$ 678,835</u>	<u>627,814</u>	<u>2,191,085</u>	<u>1,835,788</u>
Major products				
Active Pharmaceutical Ingredients	\$ 530,139	445,374	1,620,513	1,212,198
Intermediates	113,891	142,463	471,864	474,585
Specialty Chemical	34,805	39,977	98,708	149,005
	<u>\$ 678,835</u>	<u>627,814</u>	<u>2,191,085</u>	<u>1,835,788</u>

(ii) Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019
Notes and accounts receivable	\$ 449,346	353,583	492,757
Less: allowance for impairment	-	(1,179)	(1,179)
Total	<u>\$ 449,346</u>	<u>352,404</u>	<u>491,578</u>
Contract liabilities (sales received in advance)	<u>\$ 69,981</u>	<u>59,092</u>	<u>26,833</u>

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

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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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.

(q) **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 months and nine months ended September 30, 2020 and 2019, the remunerations to employees amounted to \$24,048, \$19,445, \$79,398 and \$59,282, respectively, and the remunerations to directors amounted to \$3,247, \$2,665, \$10,788 and \$8,069, 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 years ended December 31, 2019 and 2018, the remunerations to employees amounted to \$69,459 and \$53,166, respectively, and the remunerations to directors amounted to \$9,301 and \$7,204, respectively. The remunerations above are identical to those of the actual distributions. The information is available on the Market Observation Post System website.

(r) **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(s) of the consolidated financial statements for the year ended December 31, 2019.

(i) **Credit risk**

1) **Credit risk exposure**

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

2) **Concentration of 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.

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

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:

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>September 30, 2020</b>					
Non-derivative financial liabilities:					
Notes and accounts payable	\$ 86,305	(86,305)	(86,305)	-	-
Lease liabilities (including current and non-current)	3,104	(3,157)	(1,646)	(1,000)	(511)
Other payables	62,243	(62,243)	(62,243)	-	-
Payables on contractors and equipment	<u>23,876</u>	<u>(23,876)</u>	<u>(23,876)</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 175,528</b></u>	<u><b>(175,581)</b></u>	<u><b>(174,070)</b></u>	<u><b>(1,000)</b></u>	<u><b>(511)</b></u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities:					
Notes and accounts payable	\$ 94,302	(94,302)	(94,302)	-	-
Lease liabilities (including current and non-current)	2,992	(3,038)	(1,826)	(801)	(411)
Other payables	67,732	(67,732)	(67,732)	-	-
Payables on contractors and equipment	<u>16,605</u>	<u>(16,605)</u>	<u>(16,605)</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 181,631</b></u>	<u><b>(181,677)</b></u>	<u><b>(180,465)</b></u>	<u><b>(801)</b></u>	<u><b>(411)</b></u>
<b>September 30, 2019</b>					
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	<u>25,343</u>	<u>(25,343)</u>	<u>(25,343)</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 157,746</b></u>	<u><b>(157,784)</b></u>	<u><b>(156,778)</b></u>	<u><b>(783)</b></u>	<u><b>(223)</b></u>

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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, 2020				December 31, 2019			September 30, 2019		
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets										
Monetary items										
USD to TWD	\$	19,692	29.05	572,053	19,088	29.93	571,304	18,281	30.99	566,528
EUR to TWD		2,456	33.95	83,381	2,124	33.39	70,920	1,070	33.75	36,113
Financial liabilities										
Monetary items										
USD to TWD		1,588	29.05	46,131	1,830	29.93	54,772	1,563	30.99	48,437

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 nine months ended September 30, 2020 and 2019 would have affected the net profit before tax increased or decreased \$6,093 and \$5,542, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on 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, 2020 and 2019, the exchange gains (losses), including realized and unrealized, are \$(10,614), \$(2,235), \$(20,058) and \$10,351, respectively.

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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(iv) Interest rate analysis

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

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

	<b>Carrying amount</b>	
	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Variable rate instruments:		
Financial assets	\$ 217,238	183,900
Financial liabilities	-	-

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 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 \$407 and \$345, respectively, for the nine months ended September 30, 2020 and 2019, 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:

	<b>September 30, 2020</b>				
	<b>Fair Value</b>				<b>Total</b>
	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 654,167	654,167	-	-	654,167

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September 30, 2020					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Emerging stocks and unlisted stocks on domestic market	115,993	23,505	-	92,488	115,993
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	478,006	-	-	-	-
Notes and accounts receivable	449,346	-	-	-	-
Other receivables	888	-	-	-	-
Refunded deposits (recognized as other non-current assets)	1,210	-	-	-	-
Subtotal	929,450				
Total	<u>\$ 1,699,610</u>				
<b>Financial liabilities measured at amortized cost</b>					
Notes and accounts payable	\$ 86,305	-	-	-	-
Lease liabilities (including current and non-current)	3,104	-	-	-	-
Other payables	62,243	-	-	-	-
Payables on contractors and equipment	23,876	-	-	-	-
Total	<u>\$ 175,528</u>				
December 31, 2019					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 466,025	466,025	-	-	466,025
<b>Financial assets at fair value through other comprehensive income</b>					
Emerging stocks and unlisted stocks on domestic market	137,329	28,710	-	108,619	137,329
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	553,555	-	-	-	-
Notes and accounts receivable	352,404	-	-	-	-
Other receivables	4,516	-	-	-	-
Refunded deposits (recognized as other non-current assets)	7,483	-	-	-	-
Subtotal	917,958				
Total	<u>\$ 1,521,312</u>				
<b>Financial liabilities measured at amortized cost</b>					
Notes and accounts payable	\$ 94,302	-	-	-	-
Lease liabilities (including current and non-current)	2,992	-	-	-	-
Other payables	67,732	-	-	-	-
Payables on contractors and equipment	16,605	-	-	-	-
Total	<u>\$ 181,631</u>				

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	September 30, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 435,951	435,951	-	-	435,951
<b>Financial assets at fair value through other comprehensive income</b>					
Emerging stocks and unlisted stocks on domestic market	121,879	28,549	-	93,330	121,879
<b>Financial assets measured at amortized cost</b>					
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	<u>\$ 1,452,682</u>				
<b>Financial liabilities measured at amortized cost</b>					
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	<u>\$ 157,746</u>				

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.

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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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.

4) Transfer from one level to another

For the nine months ended September 30, 2020 and 2019, there was no transfer from one level to another.

5) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
January 1, 2020	\$ 108,619
Total gains and losses recognized:	
In other comprehensive income	(16,131)
September 30, 2020	\$ <u>92,488</u>
January 1, 2019	\$ 75,296
Total gains and losses recognized:	
In other comprehensive income	18,034
September 30, 2019	\$ <u>93,330</u>

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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For the three months and nine months ended September 30, 2020 and 2019, 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,	
	2020	2019	2020	2019
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”	\$ 4,922	23,358	(16,131)	18,034

- 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 September 30, 2020, December 31, 2019 and September 30, 2019 were 2.05, 1.91 and 2.07, respectively)	The higher the fair value is, the higher the multiplier will be.
//	//	Lack-of-Marketability discount rate (As of September 30, 2020, December 31, 2019 and September 30, 2019 were 50%)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Fair value through other comprehensive income—equity investments without an active market	Comparable transaction method	Lack-of-Marketability discount rate (As of September 30, 2020, December 31, 2019 and September 30, 2019 were 22.17%~30.22%, 19.03%~23.38% and 21.01%, 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:

			Other comprehensive income	
	Inputs	Move up or downs	Favorable	Unfavorable
September 30, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ 1,889	1,889
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	\$ 2,778	2,778
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ 1,902	1,902
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	\$ 2,801	2,801
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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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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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.

(s) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

(t) 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, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2019.

(u) 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 nine months ended September 30, 2020 and 2019, were as follows:

- (i) There were no non-cash investing activities for the nine months ended September 30, 2020 and 2019.
- (ii) Reconciliation of liabilities arising from financing activities for the nine months ended September 30, 2020 and 2019, was as follows:

	January 1, 2020	Cash flows	Non-cash changes Others	September 30, 2020
Lease liabilities	\$ <u>2,992</u>	<u>(1,531)</u>	<u>1,643</u>	<u>3,104</u>
	January 1, 2019	Cash flows	Non-cash changes Others	September 30, 2019
Lease liabilities	\$ <u>4,113</u>	<u>(1,400)</u>	<u>-</u>	<u>2,713</u>

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**SCI PHARMTECH, INC. AND SUBSIDIARIES**  
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**(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,	
	2020	2019	2020	2019
Salary and short-term employee benefits	\$ <u>13,207</u>	<u>11,523</u>	<u>42,482</u>	<u>34,740</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Assets	Subject	September 30, 2020	December 31, 2019	September 30, 2019
Land	Pledged as collaterals	\$ 42,736	42,736	42,736
Building	"	4,337	4,842	5,045
		<u>\$ 47,073</u>	<u>47,578</u>	<u>47,781</u>

**(9) Commitments and contingencies:**

- (a) As of September 30, 2020, December 31, 2019 and September 30, 2019, the unused balance of the Group's outstanding standby letters of credit amounted to \$9,897, \$8,788 and \$8,242, respectively.
- (b) The significant outstanding purchase commitments for property, plant and equipment were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Acquisitions of property, plant and equipment	<u>\$ 47,147</u>	<u>41,087</u>	<u>48,674</u>

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

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**(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, 2020			For the three months ended September 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	54,928	31,086	86,014	54,401	25,374	79,775
Labor and health insurance	4,212	1,615	5,827	3,903	1,440	5,343
Pension	1,582	533	2,115	1,694	417	2,111
Remuneration of directors	-	3,247	3,247	-	2,665	2,665
Others	841	2,830	3,671	820	2,641	3,461
Depreciation	25,874	5,075	30,949	27,740	4,783	32,523
Amortization	439	1,005	1,444	469	978	1,447

By function By item	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	164,385	108,256	272,641	160,783	84,136	244,919
Labor and health insurance	11,385	3,792	15,177	10,829	3,597	14,426
Pension	4,992	1,255	6,247	4,987	1,245	6,232
Remuneration of directors	-	10,788	10,788	-	8,069	8,069
Others	2,637	7,472	10,109	2,405	7,195	9,600
Depreciation	82,247	15,040	97,287	83,130	14,515	97,645
Amortization	1,327	3,022	4,349	1,270	2,910	4,180

- (b) Seasonality of operations

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

**(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, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.

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# **SCI PHARMTECH, INC. AND SUBSIDIARIES**

## **Notes to the Consolidated Financial Statements**

- (iii) Securities held as of September 30, 2020 (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			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Non-current Financial asset at fair value through profit or loss	2,760	46,445	-	46,445	-
"	Beneficiary Certificate (Cathay Taiwan Money Market Fund)	-	"	4,093	51,267	-	51,267	-
"	Beneficiary Certificate (Nomura Taiwan Money Market)	-	"	1,273	20,924	-	20,924	-
"	Beneficiary Certificate (Taishin 1699 Money Market Fund)	-	"	3,592	48,975	-	48,975	-
"	Beneficiary Certificate (Jih Sun Money Market Fund)	-	"	3,022	45,142	-	45,142	-
"	Beneficiary Certificate (Yuanta USD Money Market Fund-USD)	-	"	99	30,787	-	30,787	-
"	Beneficiary Certificate (Nomura Global Short Duration Bond Fund)	-	"	2,840	29,987	-	29,987	-
"	Beneficiary Certificate (CTBC Hua Win Money Market Fund)	-	"	4,064	45,113	-	45,113	-
"	Beneficiary Certificate (Fubon China Policy Bank Bond ETF)	-	"	420	8,030	-	8,030	-
"	Beneficiary Certificate (Yuanta De-Li Money Market Fund)	-	"	2,744	45,081	-	45,081	-
The Company	Beneficiary Certificate (Mega Diamond Money Market Fund)	-	"	3,568	45,090	-	45,090	-
"	Stock (Fubon S&P Preferred Shares A)	-	"	793	49,404	-	49,404	-
"	Stock (Fubon S&P Preferred Shares B)	-	"	36	2,250	-	2,250	-
"	Stock (TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E)	-	"	400	21,240	-	21,240	-
"	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	"	790	49,138	-	49,138	-
"	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	"	33	2,067	-	2,067	-
"	Stock (Cathay Financial Holding Co., Ltd. Common Stock)	-	"	28	1,093	-	1,093	-
"	Stock (Fubon S&P US Preferred Stock)	-	"	2,350	39,268	-	39,268	-
"	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	"	685	44,457	-	44,457	-
"	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	"	642	28,409	-	28,409	-
"	Stock (Energenis Biomedical Co., Ltd)	-	Financial assets at fair value through other comprehensive income	1,458	78,214	2.48 %	78,214	-
"	Stock (Sunny Pharmtech Inc.)	-	"	4,497	37,779	3.47 %	37,779	-

- (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.
- (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.

(Continued)

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

(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, 2020 (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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	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 %	349,397	(326)	(326)	Note 1

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

Shareholder's Name	Shareholding	Shares	Percentage
Mercuries & Associates Holding Ltd.		25,236,132	31.74 %

**(14) Segment information:**

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