Stock Code:4119

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021

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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 June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, and changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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

Except as explained in the Basis for Qualified Conclusion paragraph, 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.

Basis for Qualified Conclusion

As stated in Note 6(g), the other equity accounted investments of the SCI Pharmtech, Inc. and its subsidiaries in its investee companies of $47,403 thousand and $65,037 thousand as of June 30, 2022 and 2021, respectively, and its equity in net earnings (losses) on these investee companies of $(2,875) thousand, $(963) thousand, $(5,044) thousand and $(963) thousand for the three months and six months ended June 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the consolidated financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, 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 SCI Pharmtech, Inc. and its subsidiaries as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021 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)
August 10, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 June 30, 2022 and 2021

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31, 2021, and June 30, 2021

(expressed in thousands of New Taiwan dollars)

		June 30, 2022		December 31, 2021		June 30, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 404,282	9	332,231	8	427,889	10
1110	Current financial assets at fair value through profit or loss (note 6(b))	131,275	3	360,401	9	624,375	15
1170	Notes and accounts receivable, net (notes 6(d) and 6(s))	136,756	3	82,976	2	137,153	3
1206	Other receivables (notes 6(f) and 10)	118,822	3	265,586	6	525,316	13
1310	Inventories, net (note 6(e))	462,589	10	294,182	7	249,778	6
1470	Other current assets	63,877	1	61,934	1	50,333	1
		1,317,601	29	1,397,310	33	2,014,844	48
	Non-current assets:						
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	82,328	2	72,521	2	58,115	1
1550	Investments accounted for using equity method (note 6(g))	47,403	1	52,447	1	65,037	2
1600	Property, plant and equipment (notes 6(h), 7 and 8)	2,574,930	57	2,097,997	50	1,584,831	37
1755	Right-of-use assets (note 6(i))	1,311	-	2,134	-	2,956	-
1780	Intangible assets	56,421	1	60,290	2	64,257	1
1840	Deferred tax assets	241,552	5	241,552	6	256,127	6
1900	Other non-current assets (notes 6(h) and 6(v))	245,467	5	265,644	6	207,624	5
		3,249,412	71	2,792,585	67	2,238,947	52
	Total assets	**$ 4,567,013**	**100**	**4,189,895**	**100**	**4,253,791**	**100**

		June 30, 2022		December 31, 2021		June 30, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Total short-term borrowings (note 6(j))	$ 58,000	1	-	-	-	-
2170	Notes and accounts payable	52,357	1	33,779	1	27,920	1
2130	Current contract liabilities (note 6(s))	32,833	1	41,764	1	40,167	1
2200	Other payables (note 6(l))	167,878	4	128,748	3	142,839	3
2213	Payables on contractors and equipment	124,661	3	118,194	3	42,692	1
2230	Current tax liabilities	46,477	1	-	-	15,183	-
2250	Current provisions (notes 6(n) and 10)	283,323	6	418,840	10	512,738	12
2280	Current lease liabilities (note 6(m))	1,320	-	1,584	-	1,646	-
2300	Other current liabilities	4,914	-	5,028	-	5,479	-
		771,763	17	747,937	18	788,664	18
	Non-Current liabilities:						
2541	Long-term borrowings (note 6(k))	160,815	4	-	-	-	-
2580	Non-current lease liabilities (note 6(m))	9	-	571	-	1,329	-
2570	Deferred tax liabilities	103,811	2	103,811	3	103,811	3
2630	Deferred income (note 6(k))	2,325	-	-	-	-	-
2640	Provisions for employee benefits, non-current	16,337	-	16,945	-	19,923	-
		283,297	6	121,327	3	125,063	3
	Total liabilities	1,055,060	23	869,264	21	913,727	21
	Equity attributable to owners of parent (note 6(q)):						
3100	Ordinary Share	953,824	21	953,824	23	794,853	19
3200	Capital surplus	1,348,339	30	1,348,339	32	1,348,339	32
3310	Legal reserve	431,874	9	426,103	10	390,081	9
3320	Special reserve	48,929	1	29,378	1	-	-
3350	Unappropriated retained earnings	768,109	17	611,916	14	863,751	20
3400	Other components of equity	(39,122)	(1)	(48,929)	(1)	(56,960)	(1)
	Total equity	3,511,953	77	3,320,631	79	3,340,064	79
	Total liabilities and equity	**$ 4,567,013**	**100**	**4,189,895**	**100**	**4,253,791**	**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 six months ended June 30, 2022 and 2021

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

		For the three months ended June 30,				For the six months ended June 30,			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4110	**Sales revenue (note 6(s))**	$ 181,361	100	176,572	100	369,384	100	500,198	100
5110	**Cost of sales (notes 6(e), 6(o) and 12)**	121,288	67	141,978	80	254,149	69	369,762	74
5900	**Gross profit**	60,073	33	34,594	20	115,235	31	130,436	26
	Operating expenses (notes 6(o) and 12):								
6100	Selling expenses	10,072	6	10,953	6	21,744	6	25,187	5
6200	Administrative expenses	24,068	13	11,255	7	40,886	11	28,480	6
6300	Research and development expenses	10,557	6	6,985	4	19,003	5	14,014	3
		44,697	25	29,193	17	81,633	22	67,681	14
6900	**Net operating income**	15,376	8	5,401	3	33,602	9	62,755	12
	Non-operating income and expenses:								
7190	Other income (notes 6(u) and 10)	159,460	88	8,627	5	191,416	52	11,496	3
7101	Interest income	65	-	232	-	90	-	459	-
7130	Dividend income	206	-	380	-	668	-	863	-
7235	Gains (losses) on financial assets at fair value through profit or loss	(2,215)	(1)	752	-	(4,376)	(1)	1,606	-
7510	Interest expense (note 6(m))	(485)	-	(12)	-	(554)	-	(21)	-
7590	Miscellaneous disbursements	(359)	-	(657)	-	(1,101)	-	(4,989)	(1)
7610	Gains (losses) on disposals of property, plant and equipment	(989)	-	-	-	(1,333)	-	-	-
7630	Foreign exchange gains (losses)	7,830	4	(9,263)	(5)	14,652	4	(14,831)	(3)
7770	Share of gain (loss) of associates and joint ventures accounted for using equity method, net (note 6(g))	(2,875)	(2)	(963)	(1)	(5,044)	(2)	(963)	-
		160,638	89	(904)	(1)	194,418	53	(6,380)	(1)
7900	**Profit before tax**	176,014	97	4,497	2	228,020	62	56,375	11
7950	Less: Income tax expenses (note 6(p))	35,672	20	746	-	46,505	13	10,951	2
8200	**Profit**	140,342	77	3,751	2	181,515	49	45,424	9
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	(8,042)	(4)	(10,096)	(6)	9,807	3	(27,582)	(5)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(p))	-	-	-	-	-	-	-	-
8300	**Other comprehensive income, net**	(8,042)	(4)	(10,096)	(6)	9,807	3	(27,582)	(5)
8500	**Total comprehensive income**	**$ 132,300**	**73**	**(6,345)**	**(4)**	**191,322**	**52**	**17,842**	**4**
	Earnings per share (note 6(r)):								
9750	**Basic earnings per share**	**$ 1.47**		**0.04**		**1.90**		**0.48**	
9850	**Diluted earnings per share**	**$ 1.47**		**0.04**		**1.90**		**0.47**	

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 Changes in Equity

For the six months ended June 30, 2022 and 2021

(expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						
			Retained earnings			Other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2021	$ 794,853	1,348,339	390,081	-	818,327	(29,378)	3,322,222
Profit for the six months ended June 30, 2021	-	-	-	-	45,424	-	45,424
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	(27,582)	(27,582)
Total comprehensive income for the six months ended June 30, 2021	-	-	-	-	45,424	(27,582)	17,842
Balance at June 30, 2021	**$ 794,853**	**1,348,339**	**390,081**	**-**	**863,751**	**(56,960)**	**3,340,064**
Balance at January 1, 2022	$ 953,824	1,348,339	426,103	29,378	611,916	(48,929)	3,320,631
Profit for the six months ended June 30, 2022	-	-	-	-	181,515	-	181,515
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	9,807	9,807
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	181,515	9,807	191,322
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	5,771	-	(5,771)	-	-
Special reserve appropriated	-	-	-	19,551	(19,551)	-	-
Balance at June 30, 2022	**$ 953,824**	**1,348,339**	**431,874**	**48,929**	**768,109**	**(39,122)**	**3,511,953**

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 six months ended June 30, 2022 and 2021

(expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	$ 228,020	56,375
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	33,914	26,894
Amortization expense	4,080	3,452
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	4,376	(1,606)
Interest expense	554	21
Interest income	(90)	(459)
Dividend income	(668)	-
Share of loss (profit) of associates and joint ventures accounted for using equity method	5,044	963
Losses due to (reversal of) major disasters	(29,803)	-
Others	1,333	999
Total adjustments to reconcile profit	18,740	30,264
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(53,780)	200,596
Decrease (increase) in inventories	(168,407)	131,101
Decrease (increase) in other receivables and other current assets	144,821	(8,495)
Increase (decrease) in contract liabilities	(8,931)	(57,128)
Increase (decrease) in notes and accounts payable	18,578	(52,958)
Increase (decrease) in other payable	39,130	(46,099)
Increase (decrease) in provisions	(105,714)	(82,494)
Increase (decrease) in other current liabilities	(114)	(4,498)
Increase (decrease) in provision for employee benefits, non-current	(608)	(520)
Total changes in operating assets and liabilities	(135,025)	79,505
Total adjustments	(116,285)	109,769
Cash flow from (used in) operations	111,735	166,144
Interest received	90	459
Dividends received	668	-
Interest paid	(554)	(21)
Income taxes paid	(28)	(115,839)
Net cash flows from (used in) operating activities	111,911	50,743
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	224,750	45,186
Acquisition of investments accounted for using equity method	-	(66,000)
Acquisition of property, plant and equipment	(418,164)	(82,860)
Proceeds from disposal of property, plant and equipment	65	-
Decrease (increase) in refundable deposits	400	(5,000)
Increase in prepayments of property, plant and equipment	(67,021)	(146,256)
Net cash flows from (used in) investing activities	(259,970)	(254,930)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	58,000	-
Proceeds from long-term borrowings	162,936	-
Payment of lease liabilities	(826)	(953)
Net cash flows from (used in) financing activities	220,110	(953)
Net increase (decrease) in cash and cash equivalents	72,051	(205,140)
Cash and cash equivalents at beginning of period	332,231	633,029
Cash and cash equivalents at end of period	**$ 404,282**	**427,889**

See accompanying notes to consolidated financial statements.

SCI PHARMTECH, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

(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 August 10, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "

(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.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the 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, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of Consolidation

List of subsidiaries in the consolidated financial statements.

			Shareholding		
Name of investor	**Name of subsidiary**	**Principal activity**	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %	100.00 %

(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.

(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.

(e) Government grants and government assistance

The Group recognizes an unconditional government grant related to profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(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.

(Continued)

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

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, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

(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, 2021. Please refer to note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	$ 502	542	540
Checking accounts and demand deposits	191,780	303,689	399,349
Time deposits	17,000	28,000	28,000
Bills sold under repurchase agreements	195,000	-	-
	$ 404,282	**332,231**	**427,889**

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

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$ 1,036	144,252	371,682
Stocks listed on domestic markets	130,239	216,149	252,693
Total	**$ 131,275**	**360,401**	**624,375**

The Group did not provide any aforementioned financial assets as collateral for its loans as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through other comprehensive income:			
Emerging stocks and unlisted stocks in domestic markets	$ **82,328**	**72,521**	**58,115**

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

In December 2021, the Group participated in the capital increase by cash of Energenesis Biomedical Co., Ltd. (Energenesis) with the amount of $6,375. As of June 30, 2022, the Energenesis' ownership held by the Group was 2.41%.

No strategic investments were disposed for the six months ended June 30, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	$ -	-	-
Accounts receivable	136,756	82,976	137,153
Less: Loss allowance	-	-	-
	$ **136,756**	**82,976**	**137,153**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation (macroeconomic and relevant industry information). The loss allowance provision was determined as follows:

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	June 30, 2022		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	$ 116,672	-	-
1 to 30 days past due	15,170	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	437	-	-
91 to 180 days past due	3	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
More than 360 days past due	4,474 (note)	-	-
	$ 136,756		-

	December 31, 2021		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	$ 77,998	-	-
1 to 30 days past due	349	-	-
31 to 60 days past due	107	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	8	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	4,514 (note)	-	-
	$ 82,976		-

	June 30, 2021		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	$ 109,030	-	-
1 to 30 days past due	16,980	-	-
61 to 90 days past due	6,200	-	-
91 to 180 days past due	4,943 (note)	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
More than 360 days past due	-	100%	-
	$ 137,153		-

Note: The account receivable has already estimated as provision for short-term sales discounts and allowances. (recorded as other current liabilities)

(Continued)

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

	For the six months ended June 30,	
	2022	2021
Balance at January 1 (Balance at June 30)	$ -	-

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	$ 160,138	142,304	139,322
Work in progress	70,439	22,244	31,352
Finished goods	232,012	129,634	79,104
	$ 462,589	294,182	249,778

For the three months and six months ended June 30, 2022 and 2021, inventory cost recognized as cost of sales amounting to $106,776, $98,549, $228,267 and $259,715, respectively, and unallocated production overheads amounting to $12,767, $52,159, $23,311 and $117,158, respectively.

The write-down of inventories to net realizable value were recorded as cost of sales. The details are as following:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
The write-downs (reversals)	$ 1,745	(8,730)	2,571	(7,111)

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not provide any inventories as collaterals for its loans.

(f) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Insurance claim receivable	$ 116,397	265,539	519,057
Others	2,425	47	6,259
	$ 118,822	265,586	525,316

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(g) Investments accounted for using equity method

The components of investments accounted for using equity method at the reporting date were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Associates	$ 47,403	52,447	65,037

(i) In April 2021, the Group acquired 40% shares of Framosa Co., Ltd., for $66,000 in cash, resulting in the Group to have significant influence over Framosa Co., Ltd.

(ii) The Group's financial information on investments accounted for using equity method that are individually insignificant was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Attributable to the Group:				
Profit (loss)	$ (2,875)	(963)	(5,044)	(963)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	$ (2,875)	(963)	(5,044)	(963)

(iii) Pledge to secure

The Group did not provide any investment accounted for using equity method as collaterals for its loans.

(iv) The investments were accounted for using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(h) 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, 2022	$ 825,680	684,472	543,143	33,939	12,968	633,296	2,733,498
Additions	-	839	58,309	1,756	-	363,727	424,631
Transferred (out) in	90,215	14,502	237,636	19,021	-	(274,583)	86,791
Disposal and derecognitions	-	(1,879)	(12,014)	(283)	-	-	(14,176)
Balance on June 30, 2022	$ 915,895	697,934	827,074	54,433	12,968	722,440	3,230,744

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	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Balance on January 1, 2021	$ 825,680	553,521	543,884	32,917	12,968	222,713	2,191,683
Additions	-	243	7,784	305	-	96,156	104,488
Transferred (out) in	-	116,489	5,091	1,041	-	(116,489)	6,132
Disposal and derecognitions	-	-	(3,602)	(645)	-	-	(4,247)
Balance on June 30, 2021	**$ 825,680**	**670,253**	**553,157**	**33,618**	**12,968**	**202,380**	**2,298,056**
Depreciation and impairments loss:							
Balance on January 1, 2022	$ -	264,840	345,081	19,688	5,892	-	635,501
Depreciation	-	11,853	18,770	1,948	520	-	33,091
Transferred (out) in	-	-	-	-	-	-	-
Disposals and derecognitions	-	(1,879)	(10,616)	(283)	-	-	(12,778)
Balance on June 30, 2022	**$ -**	**274,814**	**353,235**	**21,353**	**6,412**	**-**	**655,814**
Balance on January 1, 2021	$ -	248,002	420,724	17,963	4,842	-	691,531
Depreciation	-	10,454	13,292	1,664	531	-	25,941
Transferred (out) in	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(3,602)	(645)	-	-	(4,247)
Balance on June 30, 2021	**$ -**	**258,456**	**430,414**	**18,982**	**5,373**	**-**	**713,225**
Carrying amounts:							
Balance on January 1, 2022	**$ 825,680**	**419,632**	**198,062**	**14,251**	**7,076**	**633,296**	**2,097,997**
Balance on June 30, 2022	**$ 915,895**	**423,120**	**473,839**	**33,080**	**6,556**	**722,440**	**2,574,930**
Balance on January 1, 2021	**$ 825,680**	**305,519**	**123,160**	**14,954**	**8,126**	**222,713**	**1,500,152**
Balance on June 30, 2021	**$ 825,680**	**411,797**	**122,743**	**14,636**	**7,595**	**202,380**	**1,584,831**

Except for the following, the information on significant transactions of the Group's property, plant and equipment, please refer to note 6(h) to the consolidated financial statements for the year ended December 31, 2021.

(i) In May 2013, the Group purchased a piece of land for the construction of its plant in Taoyuan Luzhu that was auctioned by the court at a price of $211,184. The amount had been paid in full, and the transfer procedures have been completed. The title deed of a certain portion of the land, measuring 2,259 square meters, was registered in the name of Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the Group is the actual owner of the land.

(ii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group’s prepayments for equipment purchases amounted to $242,657, $262,434 and $201,414, respectively, which were recorded as other non-current assets.

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(iii) As of June 30, 2022, December 31, 2021 and June 30, 2021, part of the property, plant and equipment of the Group had been pledged as collateral. Please refer to note 8 for the details.

(i) Right-of-use assets

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

	Amount
Cost:	
Balance on January 1, 2022 (Same as balance on June 30, 2022)	$ 4,406
Balance on January 1, 2021	$ 5,657
Additions	1,384
Reductions due to lease modification	(90)
Balance on June 30, 2021	$ 6,951
Accumulated depreciation:	
Balance on January 1, 2022	$ 2,272
Depreciation for the period	823
Balance on June 30, 2022	$ 3,095
Balance on January 1, 2021	$ 3,089
Depreciation for the period	953
Reductions due to lease modification	(47)
Balance on June 30, 2021	$ 3,995
Carrying amount:	
Balance on January 1, 2022	$ 2,134
Balance on June 30, 2022	$ 1,311
Balance on January 1, 2021	$ 2,568
Balance on June 30, 2021	$ 2,956

(j) Short-term borrowings

The details of short-term borrowings were as following:

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	$ 58,000	-	-
Secured bank loans	-	-	-
Total	$ 58,000	-	-
Unused short-term credit lines	$ 362,000	420,000	350,000
Range of interest rates	1.20%~1.26%	-	-

(i) For the six months ended June 30, 2022 and 2021, the Group had the additional short-term borrowings amounting to $492,000 and $0, respectively, and the repayment each amounted to $434,000 and $0, respectively.

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(ii) For the collateral of the Group's assets for short-term borrowings, please refer to note 8.

(iii) For the information on the Group's exposure to the interest rate risk and liquidity risk, please refer to note 6(v).

(k) Long-term borrowings

	June 30, 2022
Secured bank loans—Maturity year 114.3~116.2	$ 162,936
Less: current portion	-
Less: Deferred income	(2,121)
	$ 160,815
Unused credit lines	$ 837,064
Range of interest rates	0.8%~1.05%

(i) For the six months ended June 30, 2022, the Group had the additional long-term borrowings amounting to $162,936 and the repayment amounted to $0.

(ii) The Group applied for a low-interest loan from the National Development Fund, Executive Yuan in 2022 for the construction of plants, equipment and working capital, and obtained a loan of $1,000,000 from Mega International Commercial Bank (non-revolving). As of June 30, 2022, the Group had used the credit amount of $162,936. The loan was recognized by market rates, and the margin interests calculated by the rates between the actual rates and market rates were recognized as deferred income, based on the Government grants.

(l) Other payables

	June 30, 2022	December 31, 2021	June 30, 2021
Salaries payable	$ 76,610	77,512	85,332
Others	91,268	51,236	57,507
	$ 167,878	128,748	142,839

(m) Lease liabilities

The carrying amount of lease liabilities was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	$ 1,320	1,584	1,646
Non-current	$ 9	571	1,329

Please refer to note 6(v) for maturity analysis.

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	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
The amounts recognized in profit or loss were as follows:				
Interest on lease liabilities	$ 6	10	14	19
Expenses relating to short-term leases	$ 9,143	12,753	17,338	14,786
Variable lease payments not included in the measurement of lease liabilities	$ 10	21	19	86
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 152	384	297	628
Lease modification gains (recorded as other income)	$ -	-	-	(1)

	For the six months ended June 30,	
	2022	2021
The amounts recognized in the statement of cash flows for the Group were as follows:		
Total cash outflow for leases	$ 18,494	16,472

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

The Group also leases production lines, vehicles and office equipment with contract terms of less than one year. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Provisions

Except for the following disclosure, there was no significant change for provisions for the six months ended June 30, 2022 and 2021. For the related information, please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2021.

	Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2022	$ 43,946	374,894	418,840
Provisions made (reversed) during the year	7,053	(29,803)	(22,750)
Provisions used during the year	(9,672)	(103,095)	(112,767)
Balance on June 30, 2022	$ 41,327	241,996	283,323

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		Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2021	$	86,156	509,076	595,232
Provisions made during the year		1,230	-	1,230
Provisions used during the year		(27,571)	(56,153)	(83,724)
Balance on June 30, 2021	$	**59,815**	**452,923**	**512,738**

Please refer to note 10 for the above fire indemnity.

(o) 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, 2021 and 2020.

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

		For the three months ended June 30,		For the six months ended June 30,	
		2022	**2021**	**2022**	**2021**
Operating cost	$	129	170	262	342
Operating expenses		53	67	101	131
Total	$	**182**	**237**	**363**	**473**

(ii) Defined contribution plans

The Group’s expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

		For the three months ended June 30,		For the six months ended June 30,	
		2022	**2021**	**2022**	**2021**
Operating cost	$	1,232	1,263	2,430	2,623
Selling expenses		56	66	113	132
Administration expenses		175	168	343	338
Research expenses		211	226	426	449
Total	$	**1,674**	**1,723**	**3,312**	**3,542**

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(p) Income taxes

(i) The Group's income tax expense in the interim financial statements is measured and disclosed accordance to paragraph B12 of IAS 34 "Interim Financial Reporting".

(ii) The Group's income tax expenses for the three months and six months ended June 30, 2022 and 2021 were calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Current income tax expense	$ 35,672	746	46,505	10,951

(iii) For the three months and six months ended June 30, 2022 and 2021, the Group did not recognize income tax expense in equity and other comprehensive income.

(iv) Examination and approval

The ROC tax authorities have examined the Company's and Yushan's income tax returns through 2020.

(q) 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 June 30, 2022 and 2021. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2021.

(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, after 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.

1) Earnings distribution

Based on the resolution of stockholders' meeting held on June 21, 2022, there were no dividends to be appropriated from the 2021 earnings. Moreover, based on the resolution of stockholders' meeting held on July 15, 2021, the appropriation of earnings for the year 2020 was approved, and the dividends per share were appropriated as follows:

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	2021		2020	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ -	-	0.50	39,743
Stock	-	-	2.00	158,971
Total		**$ -**		**198,714**

(iv) Other equity (net of tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	$ (48,929)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	9,807
Balance at June 30, 2022	**$ (39,122)**
Balance at January 1, 2021	$ (29,378)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(27,582)
Balance at June 30, 2021	**$ (56,960)**

(r) Earnings per share

The Company's earnings per share was calculated as follows:

	For the three months ended June 30,		**For the six months ended June 30,**	
	2022	**2021**	**2022**	**2021**
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	**$ 140,342**	**3,751**	**181,515**	**45,424**
Weighted-average number of ordinary shares (thousand shares)	**95,382**	**95,382**	**95,382**	**95,382**
	$ 1.47	**0.04**	**1.90**	**0.48**

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	For the three months ended June 30,		For the six months ended June 30,	
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	$ **140,342**	**3,751**	**181,515**	**45,424**
Weighted-average number of ordinary shares (thousand shares)	95,382	95,382	95,382	95,382
Effect of potentially dilutive ordinary shares:				
Effect of employee compensation	163	62	194	277
Weighted-average number of ordinary shares (thousand shares) (diluted)	**95,545**	**95,444**	**95,576**	**95,659**
	$ **1.47**	**0.04**	**1.90**	**0.47**

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Primary geographical markets:				
Italy	$ 65,779	58,033	136,651	132,849
Germany	8,017	9,544	57,765	26,780
China	26,050	40,712	35,134	94,312
United States	35,653	13,868	35,653	40,095
Taiwan	14,819	4,207	33,168	43,804
Switzerland	11,800	21,149	21,144	32,373
Spain	-	1,962	-	27,369
Turkey	5	306	5	25,591
Others	19,238	26,791	49,864	77,025
	$ **181,361**	**176,572**	**369,384**	**500,198**

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	For the three months ended June 30,		For the six months ended June 30,	
Major products:				
Active Pharmaceutical Ingredients	$ 56,420	90,161	109,234	294,731
Intermediates	118,416	85,634	247,104	195,954
Specialty Chemical	6,525	777	13,046	9,513
	$ 181,361	**176,572**	**369,384**	**500,198**

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes and accounts receivable	$ 136,756	82,976	137,153
Less: Loss allowance	-	-	-
Total	**$ 136,756**	**82,976**	**137,153**
Contract liabilities (sales received in advance)	**$ 32,833**	**41,764**	**40,167**

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

The amount of revenue recognized for the six months ended June 30, 2022 and 2021, that was included in the contract liability balance at the beginning of the period was $10,314 and $60,383, respectively.

The changes of contract liabilities are arising from the difference of time point, which the Group transfers the ownership of goods and which customers do the payment.

(t) 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 six months ended June 30, 2022 and 2021, the remunerations to employees amounted to $8,206, $532, $13,317 and $5,548, respectively, and the remunerations to directors amounted to $2,210, $68, $2,930 and $752, 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.

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For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to $6,424 and $44,000, respectively, and the remunerations to directors amounted to $876 and $1,000, respectively. The remunerations above are identical to those of the actual distributions. The information is available on the Market Observation Post System website.

(u) Other Income

	For the three months ended June 30,		For the six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Provisions reversal of fire indemnity	$ -	-	29,803	-
Insurance claim income, net	158,275	-	158,275	-
Others	1,185	8,627	3,338	11,496
	$ 159,460	**8,627**	**191,416**	**11,496**

(v) 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(u) of the consolidated financial statements for the year ended December 31, 2021.

(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

As of June 30, 2022, December 31, 2021 and June 30, 2021, there were six, five and four major customers, respectively, that accounted for 81.68%, 84.15% and 62.50%, respectively, of notes and accounts receivable. Thus, credit risk is significantly centralized. In order to minimize credit risk, the Group periodically evaluates the major clients' financial positions and the possibility of collecting notes and accounts receivables to ensure the uncollectible amount is recognized appropriately as loss allowance.

3) Receivables and debt securities

a) For credit risk exposure of notes and trade receivables, please refer to note 6(d).

b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Group are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

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(ii) Liquidity Risk

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

		Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
June 30, 2022						
Non-derivative financial liabilities:						
Short-term borrowings	$	58,000	(58,022)	(58,022)	-	-
Notes and accounts payable		52,357	(52,357)	(52,357)	-	-
Lease liabilities (including current and non-current)		1,329	(1,338)	(1,329)	(9)	-
Other payables		167,878	(167,878)	(167,878)	-	-
Payables on contractors and equipment		124,661	(124,661)	(124,661)	-	-
Long-term borrowings		160,815	(169,617)	(1,712)	(1,717)	(166,188)
	$	**565,040**	**(573,873)**	**(405,959)**	**(1,726)**	**(166,188)**
December 31, 2021						
Non-derivative financial liabilities:						
Notes and accounts payable	$	33,779	(33,779)	(33,779)	-	-
Lease liabilities (including current and non-current)		2,155	(2,178)	(1,605)	(573)	-
Other payables		128,748	(128,748)	(128,748)	-	-
Payables on contractors and equipment		118,194	(118,194)	(118,194)	-	-
	$	**282,876**	**(282,899)**	**(282,326)**	**(573)**	**-**
June 30, 2021						
Non-derivative financial liabilities:						
Notes and accounts payable	$	27,920	(27,920)	(27,920)	-	-
Lease liabilities (including current and non-current)		2,975	(3,018)	(1,679)	(1,329)	(10)
Other payables		142,839	(142,839)	(142,839)	-	-
Payables on contractors and equipment		42,692	(42,692)	(42,692)	-	-
	$	**216,426**	**(216,469)**	**(215,130)**	**(1,329)**	**(10)**

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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(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

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	$ 5,822	29.67	172,722	11,980	27.63	331,007	15,272	27.81	424,714
EUR to TWD	1	30.85	17	859	31.12	26,732	1,788	32.95	58,915
Financial liabilities									
Monetary items									
USD to TWD	919	29.67	27,265	1,098	27.63	30,338	176	27.81	4,895

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 six months ended June 30, 2022 and 2021, would have affected the net profit before tax increased or decreased $1,455 and $4,787, 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 six months ended June 30, 2022 and 2021, the exchange gains (losses), including realized and unrealized, are $7,830, $(9,263), $14,652 and $(14,831), respectively.

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 financial risk management.

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

	Carrying amount	
	June 30, 2022	June 30, 2021
Variable rate instruments:		
Financial assets	$ 189,021	397,644
Financial liabilities	220,936	-

The following sensitivity analysis is based on the exposure to the interest rate risk of 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 $(40) and $497, respectively, for the six months ended June 30, 2022 and 2021, with all other variable factors remaining constant. This is mainly due to the Group's bank savings and borrowings 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:

	June 30, 2022				
		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	$ 131,275	131,275	-	-	131,275
Financial assets at fair value through other comprehensive income					
Emerging stocks	82,328	-	-	82,328	82,328

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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	June 30, 2022				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	404,282	-	-	-	-
Notes and accounts receivable	136,756	-	-	-	-
Other receivables	118,822	-	-	-	-
Refunded deposits (recognized as other non-current assets)	2,810	-	-	-	-
Subtotal	662,670				
Total	**$ 876,273**				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 58,000	-	-	-	-
Notes and accounts payable	52,357	-	-	-	-
Lease liabilities (including current and non-current)	1,329	-	-	-	-
Other payables	167,878	-	-	-	-
Payables on contractors and equipment	124,661	-	-	-	-
Long-term borrowings	160,815	-	-	-	-
Total	**$ 565,040**				

	December 31, 2021				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 360,401	360,401	-	-	360,401
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	72,521	-	-	72,521	72,521
Financial assets measured at amortized cost					
Cash and cash equivalents	332,231	-	-	-	-
Notes and accounts receivable	82,976	-	-	-	-
Other receivables	265,586	-	-	-	-
Refunded deposits (recognized as other non-current assets)	3,210	-	-	-	-
Subtotal	684,003				
Total	**$ 1,116,925**				

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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	December 31, 2021				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 33,779	-	-	-	-
Lease liabilities (including current and non-current)	2,155	-	-	-	-
Other payables	128,748	-	-	-	-
Payables on contractors and equipment	118,194	-	-	-	-
Total	**$ 282,876**				

	June 30, 2021				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 624,375	624,375	-	-	624,375
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	58,115	-	-	58,115	58,115
Financial assets measured at amortized cost					
Cash and cash equivalents	427,889	-	-	-	-
Notes and accounts receivable	137,153	-	-	-	-
Other receivables	525,316	-	-	-	-
Refunded deposits (recognized as other non-current assets)	6,210	-	-	-	-
Subtotal	1,096,568				
Total	**$ 1,779,058**				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 27,920	-	-	-	-
Lease liabilities (including current and non-current)	2,975	-	-	-	-
Other payables	142,839	-	-	-	-
Payables on contractors and equipment	42,692	-	-	-	-
Total	**$ 216,426**				

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

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

4) Transfers between Levels

For the six months ended June 30, 2022 and 2021, there were no transfers 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, 2022	$ 72,521
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	9,807
June 30, 2022	**$ 82,328**
January 1, 2021	$ 85,697
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	(27,582)
June 30, 2021	**$ 58,115**

For the three months and six months ended June 30, 2022 and 2021, 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 June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
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"	$ (8,042)	(10,096)	9,807	(27,582)

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 – equity investments". Financial assets at fair value through other comprehensive income – equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial assets at fair value through other comprehensive income – equity investments without an active market are individually independent, and there is no correlation between them.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through other comprehensive income– equity investments without an active market	Price-Book ratio method	· The multiplier of Price-Book Ratio (As of June 30, 2022, December 31, 2021 and June 30, 2021 were 1.54~3.08, 1.70~2.72 and 1.61~2.96 , respectively)	The higher the fair value is, the higher the fair value will be.
〃	〃	· Lack-of-Marketability discount rate (As of June 30, 2022, December 31, 2021 and June 30, 2021 were 23%~28%, 23%~50% and 23%~50%, 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
June 30, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 4,114	4,130
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 1,255	1,268
December 31, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,698	3,600
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,345	2,247

(Continued)

	Inputs	Move up or downs	Other comprehensive income	
			Favorable	Unfavorable
June 30, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 2,479	2,506
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 1,877	1,909

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.

(w) Financial risk management

There were no significant changes in the Group' s financial risk management and policies as disclosed in note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(x) 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, 2021. Also, management believes that there were no significant changes in the Group' s capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(y) 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 six months ended June 30, 2022 and 2021, were as follows:

(i) For the acquisition of right-of-use assets by lease for the six months ended June 30, 2022 and 2021, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2022 and 2021, were as follows:

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Changes in lease payments	Others	
Short-term borrowings	$ -	58,000	-	-	58,000
Long-term borrowings	-	162,936	-	(2,121)	160,815
Lease liabilities	2,155	(826)	-	-	1,329
	$ 2,155	**220,110**	**-**	**(2,121)**	**220,144**

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	January 1, 2021	Cash flows	Non-cash changes: Changes in lease payments	Non-cash changes: Others	June 30, 2021
Lease liabilities	$ 2,588	(953)	1,340	-	2,975

(7) Related-party transactions:

(a) Names and relationship with related parties:

Name of related party	Relationship with the Group
Weichyun Wong	The chairman of the Company

(b) Significant transaction with related parties:

(i) Others

The title deed of a certain portion of the land was registered in the name of Mr. Weichyun Wong due to certain legal requirements for the six months ended June 30, 2022 and 2021. Please refer to note 6(h).

(c) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Salary and short-term employee benefits	$ 5,859	2,921	10,275	7,989

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	June 30, 2022	December 31, 2021	June 30, 2021
Land	Pledged as collaterals	$ 42,736	42,736	42,736
Building	〃	3,202	3,523	3,845
		$ 45,938	46,259	46,581

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(9) Commitments and contingencies:

(a) As of June 30, 2022, December 31, 2021 and June 30, 2021, the unused balance of the Group's outstanding standby letters of credit amounted to $5,789, $39,826 and $33,031, respectively.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisitions of property, plant and equipment	$ 594,659	887,002	247,749

(10) Losses Due to Major Disasters:

A major fire occurred on December 20, 2020, and caused damage to some of the Company's buildings, equipment, construction in progress and inventories, and spread to several nearby plants, resulting in damage to their property and interruption of their operations. In 2020, the Company derecognized damaged assets, including buildings, equipment and construction in progress and inventories and estimated the amount of fire indemnity for the nearby companies.

The Company is currently in the process of negotiation with the above damaged companies for fire indemnity payments. As of June 30, 2022, December 31, 2021 and June 30, 2021, the outstanding provisions for fire indemnity was $241,996, $374,894 and $452,923, respectively, which was recorded under provisions. Please refer to note 6(n) for the details.

The Company has already entered into related property insurance contracts. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Company recognized the claim receivables for $116,397, $265,539 and $519,057, respectively, which were recorded under other receivables. As of date of the report, the above receivables had been received.

For the six months ended June 30, 2022 and 2021, the Company received net incremental compensation amounting to $158,275 and $0, respectively, which was recorded under other income.

(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 June 30, 2022			For the three months ended June 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	31,889	22,290	54,179	25,010	10,506	35,516
Labor and health insurance	2,738	962	3,700	2,811	1,027	3,838
Pension	1,361	495	1,856	1,433	527	1,960
Remuneration of directors	-	2,210	2,210	-	68	68
Others	785	1,240	2,025	797	1,084	1,881
Depreciation	12,278	6,524	18,802	9,532	4,283	13,815
Amortization	1,034	1,006	2,040	1,010	1,005	2,015

By function / By item	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	61,269	38,960	100,229	52,706	27,303	80,009
Labor and health insurance	5,926	2,191	8,117	6,547	2,322	8,869
Pension	2,692	983	3,675	2,965	1,050	4,015
Remuneration of directors	-	2,930	2,930	-	752	752
Others	1,615	2,439	4,054	1,580	2,511	4,091
Depreciation	21,578	12,336	33,914	18,638	8,256	26,894
Amortization	2,069	2,011	4,080	1,441	2,011	3,452

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicality 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 six months ended June 30, 2022:

(i) Loans to other parties: None.

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

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(iii) Securities held as of June 30, 2022 (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	61	1,036	-	1,036	-
〃	Stock (Fubon S&P Preferred Shares A)	-	〃	312	19,656	-	19,656	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	790	49,375	-	49,375	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	11	690	-	690	-
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	570	36,138	-	36,138	-
〃	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	〃	599	24,380	-	24,380	-
〃	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	42,795	2.41 %	42,795	-
〃	Stock (Sunny Pharmtech Inc.)	-	〃	4,497	39,533	3.25 %	39,533	-

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

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings	2021.10.19	$ 630,000	$ 252,000	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: None.

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(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2022 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Ending balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API	351,761	351,761	35,190	100 %	348,328	(271)	(271)	Note 1
The Company	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	66,000	66,000	6,600	40 %	47,403	(12,609)	(5,044)	

Note 1：The transactions had been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Unit: shares

Shareholding / Shareholders' Name	Shares	Percentage
Mercuries & Associates Holding Ltd.	30,283,358	31.74 %
Zhan Liwei	6,060,000	6.35 %

(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.