Stock Code:4119

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021

Address: No.61, LN. 309, HAIHUN.RD., LUZHU DIST., TAOYUAN CITY 33856, TAIWAN (R.O.C)
Telephone: (03)354-3133

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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安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電 話 Tel + 886 2 8101 6666
傳 真 Fax + 886 2 8101 6667
網 址 Web home.kpmg/tw

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, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, and changes in equity and cash flows for the nine months ended September 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 $52,558 thousand and $64,984 thousand as of September 30, 2022 and 2021, respectively, and its equity in net earnings (losses) on these investee companies of $(4,845) thousand, $(53) thousand, $(9,889) thousand and $(1,016) thousand for the three months and nine months ended September 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 September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 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)
November 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 September 30, 2022 and 2021

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(expressed in thousands of New Taiwan dollars)

		September 30, 2022		December 31, 2021		September 30, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note (6)(a))	$ 244,821	5	332,231	8	427,690	10
1110	Current financial assets at fair value through profit or loss (note (6)(b))	99,104	2	360,401	9	595,821	14
1170	Notes and accounts receivable, net (notes (6)(d) and (6)(t))	227,164	5	82,976	2	160,763	4
1206	Other receivables (notes (6)(f) and (10))	207	-	265,586	6	265,848	7
1310	Inventories, net (note (6)(e))	427,809	9	294,182	7	263,312	6
1470	Other current assets	70,905	2	61,934	1	57,616	1
		1,070,010	23	1,397,310	33	1,771,050	42
	Non-current assets:						
1518	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	79,879	2	72,521	2	78,009	2
1550	Investments accounted for using equity method (note (6)(g))	52,558	1	52,447	1	64,984	1
1600	Property, plant and equipment (notes (6)(h), (7) and (8))	2,805,414	61	2,097,997	50	1,650,406	39
1755	Right-of-use assets (note (6)(i))	900	-	2,134	-	2,545	-
1761	Investment property, land (note (6)(j))	228,012	5	-	-	-	-
1780	Intangible assets	54,381	1	60,290	2	62,322	1
1840	Deferred tax assets	241,552	5	241,552	6	256,127	6
1900	Other non-current assets (note (h))	85,677	2	265,644	6	374,761	9
		3,548,373	77	2,792,585	67	2,489,154	58
	Total assets	**$ 4,618,383**	**100**	**4,189,895**	**100**	**4,260,204**	**100**

		September 30, 2022		December 31, 2021		September 30, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2170	Notes and accounts payable	$ 40,121	1	33,779	1	24,511	1
2130	Current contract liabilities (note (6)(t))	31,629	1	41,764	1	42,219	1
2200	Other payables (note (6)(m))	152,563	3	128,748	3	132,531	3
2213	Payables on contractors and equipment	145,993	3	118,194	3	98,030	2
2230	Current tax liabilities	60,144	2	-	-	22,301	-
2250	Current provisions (notes (6)(o) and (10))	283,118	6	418,840	10	458,023	11
2280	Current lease liabilities (note (6)(n))	914	-	1,584	-	1,652	-
2300	Other current liabilities	7,623	-	5,028	-	6,390	-
		722,105	16	747,937	18	785,657	18
	Non-Current liabilities:						
2541	Long-term borrowings (note (6)(l))	214,369	5	-	-	-	-
2580	Non-current lease liabilities (note (6)(n))	-	-	571	-	914	-
2570	Deferred tax liabilities	103,811	2	103,811	3	103,811	3
2630	Deferred income (note (6)(l))	2,964	-	-	-	-	-
2640	Provisions for employee benefits, non-current	16,014	-	16,945	-	19,687	-
2600	Total other non-current liabilities (note (7))	1,000	-	-	-	-	-
		338,158	7	121,327	3	124,412	3
	Total liabilities	1,060,263	23	869,264	21	910,069	21
	Equity attributable to owners of parent (note (6)(r)):						
3100	Ordinary Share	953,824	21	953,824	23	953,824	22
3200	Capital surplus	1,348,339	29	1,348,339	32	1,348,339	32
3310	Legal reserve	431,874	9	426,103	10	426,103	10
3320	Special reserve	48,929	1	29,378	1	29,378	1
3350	Unappropriated retained earnings	816,725	18	611,916	14	629,557	15
3400	Other components of equity	(41,571)	(1)	(48,929)	(1)	(37,066)	(1)
	Total equity	3,558,120	77	3,320,631	79	3,350,135	79
	Total liabilities and equity	**$ 4,618,383**	**100**	**4,189,895**	**100**	**4,260,204**	**100**

See accompanying notes to consolidated financial statements.

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

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

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

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

		For the three months ended September 30, 2022		2021		For the nine months ended September 30, 2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4110	**Sales revenue (note (6)(t))**	$ 304,589	100	228,254	100	673,973	100	728,452	100
5110	**Cost of sales (notes (6)(e), (6)(p) and (12))**	211,542	69	154,053	67	465,691	69	523,815	72
5900	**Gross profit**	93,047	31	74,201	33	208,282	31	204,637	28
	Operating expenses (notes (6)(p) and (12)):								
6100	Selling expenses	15,557	5	13,590	6	37,301	6	38,777	5
6200	Administrative expenses	20,463	7	15,413	7	61,349	9	43,893	6
6300	Research and development expenses	9,887	3	8,404	4	28,890	4	22,418	4
		45,907	15	37,407	17	127,540	19	105,088	15
6900	**Net operating income**	47,140	16	36,794	16	80,742	12	99,549	13
	Non-operating income and expenses:								
7190	Other income (notes (6)(n), (6)(v), (7) and (10))	2,985	1	1,241	1	194,401	29	12,736	2
7101	Interest income	215	-	65	-	305	-	524	-
7130	Dividend income	4,826	2	8,256	3	5,494	1	9,120	1
7235	Losses on financial assets at fair value through profit or loss	(6,016)	(2)	(3,508)	(2)	(10,392)	(2)	(1,902)	-
7510	Interest expense (note (6)(n))	(75)	-	(11)	-	(629)	-	(32)	-
7590	Miscellaneous disbursements	(156)	-	(5,201)	(2)	(1,257)	-	(10,190)	(1)
7610	Losses on disposals of property, plant and equipment	-	-	-	-	(1,333)	-	-	-
7630	Foreign exchange gains (losses)	18,228	6	(540)	-	32,880	5	(15,371)	(2)
7770	Share of loss of associates and joint ventures accounted for using equity method, net (note (6)(g))	(4,845)	(2)	(53)	-	(9,889)	(2)	(1,016)	-
		15,162	5	249	-	209,580	31	(6,131)	-
7900	**Profit before tax**	62,302	21	37,043	16	290,322	43	93,418	13
7950	Less: Income tax expenses (note (6)(q))	13,686	5	7,123	3	60,191	9	18,074	3
8200	**Profit**	48,616	16	29,920	13	230,131	34	75,344	10
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	(2,449)	(1)	19,894	9	7,358	1	(7,688)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	-	-	-	-	-	-	-	-
8300	**Other comprehensive income, net**	(2,449)	(1)	19,894	9	7,358	1	(7,688)	(1)
8500	**Total comprehensive income**	**$ 46,167**	**15**	**49,814**	**22**	**237,489**	**35**	**67,656**	**9**
	Earnings per share (note (6)(s)):								
9750	**Basic earnings per share**	**$ 0.51**		**0.31**		**2.41**		**0.79**	
9850	**Diluted earnings per share**	**$ 0.51**		**0.31**		**2.41**		**0.79**	

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 nine months ended September 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 nine months ended September 30, 2021	-	-	-	-	75,344	-	75,344
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	(7,688)	(7,688)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	75,344	(7,688)	67,656
Legal reserve appropriated	-	-	36,022	-	(36,022)	-	-
Special reserve appropriated	-	-	-	29,378	(29,378)	-	-
Cash dividends of ordinary share	-	-	-	-	(39,743)	-	(39,743)
Stock dividends of ordinary share	158,971	-	-	-	(158,971)	-	-
Balance at September 30, 2021	**$ 953,824**	**1,348,339**	**426,103**	**29,378**	**629,557**	**(37,066)**	**3,350,135**
Balance at January 1, 2022	$ 953,824	1,348,339	426,103	29,378	611,916	(48,929)	3,320,631
Profit for the nine months ended September 30, 2022	-	-	-	-	230,131	-	230,131
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	7,358	7,358
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	230,131	7,358	237,489
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	5,771	-	(5,771)	-	-
Special reserve appropriated	-	-	-	19,551	(19,551)	-	-
Balance at September 30, 2022	**$ 953,824**	**1,348,339**	**431,874**	**48,929**	**816,725**	**(41,571)**	**3,558,120**

See accompanying notes to consolidated financial statements.

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

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

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	**2021**
Cash flows from (used in) operating activities:		
Profit before tax	$ 290,322	93,418
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	56,843	40,843
Amortization expense	6,121	5,485
Net loss on financial assets or liabilities at fair value through profit or loss	10,392	1,902
Interest expense	629	32
Interest income	(305)	(524)
Dividend income	(5,494)	(9,120)
Share of loss of associates and joint ventures accounted for using equity method	9,889	1,016
Losses due to (reversal of) major disasters	(31,958)	-
Others	1,333	2,434
Total adjustments to reconcile profit	47,450	42,068
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(144,188)	176,986
Decrease (increase) in inventories	(133,627)	117,567
Decrease in other receivables and other current assets	256,408	243,690
Decrease in contract liabilities	(10,135)	(55,076)
Increase (decrease) in notes and accounts payable	6,342	(56,367)
Increase (decrease) in other payable	23,815	(56,407)
Decrease in provisions	(103,764)	(137,209)
Increase (decrease) in other current liabilities	2,595	(3,587)
Decrease in provision for employee benefits, non-current	(931)	(756)
Total changes in operating assets and liabilities	(103,485)	228,841
Total adjustments	(56,035)	270,909
Cash flow from (used in) operations	234,287	364,327
Interest received	305	524
Dividends received	5,494	9,120
Interest paid	(629)	(32)
Income taxes paid	(47)	(115,844)
Net cash flows from (used in) operating activities	239,410	258,095
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	250,905	70,529
Acquisition of financial assets designated at fair value through profit or loss	-	(297)
Acquisition of investments accounted for using equity method	(10,000)	(66,000)
Acquisition of property, plant and equipment	(702,415)	(110,996)
Proceeds from disposal of property, plant and equipment	65	-
Decrease (increase) in refundable deposits	400	(2,000)
Acquisition of intangible assets	-	(3,952)
Increase in prepayments of property, plant and equipment	(82,461)	(309,613)
Net cash flows from (used in) investing activities	(543,506)	(422,329)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	492,000	-
Decrease in short-term loans	(492,000)	-
Proceeds from long-term borrowings	216,927	-
Increase in guarantee deposits received	1,000	-
Payment of lease liabilities	(1,241)	(1,362)
Cash dividends paid	-	(39,743)
Net cash flows from (used in) financing activities	216,686	(41,105)
Net increase (decrease) in cash and cash equivalents	(87,410)	(205,339)
Cash and cash equivalents at beginning of period	332,231	633,029
Cash and cash equivalents at end of period	**$ 244,821**	**427,690**

See accompanying notes to consolidated financial statements.

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

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

SCI PHARMTECH, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 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 November 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"

(Continued)

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”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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)

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 “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(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, 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**	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %	100.00 %

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

(Continued)

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(d) Income taxes

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

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

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

(e) Employee benefits

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

(f) 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.

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.

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

(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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	$ 585	542	513
Checking accounts and demand deposits	162,168	303,689	399,177
Time deposits	17,000	28,000	28,000
Bills sold under repurchase agreements	65,068	-	-
	$ 244,821	**332,231**	**427,690**

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

(ii) Please refer to note (6)(w) 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

	September 30, 2022	December 31, 2021	September 30, 2021
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$ 1,037	144,252	346,760
Stocks listed on domestic markets	98,067	216,149	249,061
Total	**$ 99,104**	**360,401**	**595,821**

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at fair value through other comprehensive income:			
Emerging stocks and unlisted stocks in domestic markets	$ **79,879**	**72,521**	**78,009**

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 September 30, 2022, the Energenesis' ownership held by the Group was 2.41%.

No strategic investments were disposed for the nine months ended September 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)(w) for market risk of the Group.

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

(d) Notes and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	$ 536	-	-
Accounts receivable	226,628	82,976	160,763
Less: Loss allowance	-	-	-
	$ **227,164**	**82,976**	**160,763**

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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	September 30, 2022		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 210,591	-	-
1 to 30 days past due	3,509	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	8,559	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
More than 360 days past due	4,505 (note)	-	-
	$ 227,164		**-**

	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		**-**

	September 30, 2021		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 109,460	-	-
1 to 30 days past due	16,540	-	-
31 to 60 days past due	23,612	-	-
61 to 90 days past due	8	-	-
91 to 180 days past due	6,200	-	-
181 to 270 days past due	4,943 (note)	-	-
271 to 360 days past due	-	-	-
	$ 160,763		**-**

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

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

	For the nine months ended September 30,	
	2022	**2021**
Balance at January 1 (Balance at September 30)	$ -	-

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

(e) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	$ 146,664	142,304	139,916
Work in progress	38,900	22,244	26,896
Finished goods	242,245	129,634	96,500
	$ 427,809	**294,182**	**263,312**

For the three months and nine months ended September 30, 2022 and 2021, inventory cost recognized as cost of sales amounting to $200,921, $108,787, $429,188 and $368,502, respectively, and unallocated production overheads amounting to $12,125, $45,032, $35,436 and $162,190, 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 September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
The write-downs (reversals)	**$ (1,504)**	**234**	**1,067**	**(6,877)**

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

(f) Other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Insurance claim receivable	$ -	265,539	265,539
Others	207	47	309
	$ 207	**265,586**	**265,848**

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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:

	September 30, 2022	December 31, 2021	September 30, 2021
Associates	$ 52,558	52,447	64,984

(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) In July 2022, the Group acquired 4.3% shares of HoneyBear Biosciences, Inc.(Honey bear), in cash, for $10,000, entitling the Group to obtain one seat in Honeybear’s Board of Directors, resulting in the Group to have significant influence over HoneyBear.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Attributable to the Group:				
Profit (loss)	$ (4,845)	(53)	(9,889)	(1,016)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	$ (4,845)	(53)	(9,889)	(1,016)

(iv) Pledge to secure

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

(v) 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.

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(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	-	1,881	108,220	1,756	-	618,357	730,214
Transferred (out) in	90,215	15,758	245,118	19,022	-	(107,891)	262,222
Reclassifications	(228,012)	-	-	-	-	-	(228,012)
Disposal and derecognitions	-	(1,879)	(12,014)	(403)	-	-	(14,296)
Balance on September 30, 2022	**$ 687,883**	**700,232**	**884,467**	**54,314**	**12,968**	**1,143,762**	**3,483,626**
Balance on January 1, 2021	$ 825,680	553,521	543,884	32,917	12,968	222,713	2,191,683
Additions	-	935	8,111	1,190	-	177,726	187,962
Transferred (out) in	-	122,879	6,714	1,521	-	(129,343)	1,771
Disposal and derecognitions	-	-	(3,602)	(645)	-	-	(4,247)
Balance on September 30, 2021	**$ 825,680**	**677,335**	**555,107**	**34,983**	**12,968**	**271,096**	**2,377,169**
Depreciation and impairments loss:							
Balance on January 1, 2022	$ -	264,840	345,081	19,688	5,892	-	635,501
Depreciation	-	17,980	33,711	3,139	779	-	55,609
Transferred (out) in	-	-	-	-	-	-	-
Disposals and derecognitions	-	(1,879)	(10,616)	(403)	-	-	(12,898)
Balance on September 30, 2022	**$ -**	**280,941**	**368,176**	**22,424**	**6,671**	**-**	**678,212**
Balance on January 1, 2021	$ -	248,002	420,724	17,963	4,842	-	691,531
Depreciation	-	16,079	20,041	2,568	791	-	39,479
Transferred (out) in	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(3,602)	(645)	-	-	(4,247)
Balance on September 30, 2021	**$ -**	**264,081**	**437,163**	**19,886**	**5,633**	**-**	**726,763**
Carrying amounts:							
Balance on January 1, 2022	**$ 825,680**	**419,632**	**198,062**	**14,251**	**7,076**	**633,296**	**2,097,997**
Balance on September 30, 2022	**$ 687,883**	**419,291**	**516,291**	**31,890**	**6,297**	**1,143,762**	**2,805,414**
Balance on January 1, 2021	**$ 825,680**	**305,519**	**123,160**	**14,954**	**8,126**	**222,713**	**1,500,152**
Balance on September 30, 2021	**$ 825,680**	**413,254**	**117,944**	**15,097**	**7,335**	**271,096**	**1,650,406**

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.

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(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) In September 2022, the Group rented out a piece of land in Guanyin, Taoyuan to Framosa Co., Ltd., with a carrying amount of $228,012. Please refer to note (6)(j) for the detail.

(iii) As of September 30, 2022, December 31 and September 30, 2021, the Group's prepayments for equipment purchases amounted to $82,867, $262,434 and $371,551, respectively, which were recorded as other non-current assets.

(iv) As of September 30, 2022, December 31 and September 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 September 30, 2022)	**$ 4,406**
Balance on January 1, 2021	$ 5,657
Additions	1,384
Reductions	(2,545)
Reductions due to lease modification	(90)
Balance on September 30, 2021	**$ 4,406**
Accumulated depreciation:	
Balance on January 1, 2022	$ 2,272
Depreciation for the period	1,234
Balance on September 30, 2022	**$ 3,506**
Balance on January 1, 2021	$ 3,089
Depreciation for the period	1,364
Reductions	(2,545)
Reductions due to lease modification	(47)
Balance on September 30, 2021	**$ 1,861**
Carrying amount:	
Balance on January 1, 2022	**$ 2,134**
Balance on September 30, 2022	**$ 900**
Balance on January 1, 2021	**$ 2,568**
Balance on September 30, 2021	**$ 2,545**

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(j) Investments property

	Land
Cost:	
Balance on January 1, 2022	$ -
Transferred from Property, plant and equipment	228,012
Balance on September 30, 2022	**$ 228,012**
Accumulated depreciation:	
Balance on January 1, 2022 (Same as balance on September 30, 2022)	**$ -**
Carrying amount:	
Balance on January 1, 2022	**$ -**
Balance on September 30, 2022	**$ 228,012**

(i) In September 2022, the Group rented out a piece of land in Guanyin, Taoyuan to Framosa Co., Ltd., with a carrying amount of $228,012, which was reclassified from property, plant and equipment to investment property. Please refer to note (8) for the detail.

(ii) The fair value of investment property is based on the evaluation of independent evaluators (with professional qualifications). Under the valuation techniques for financial instruments measured at fair value, the inputs are categorized at level 3. As of September 30, 2022, the fair value of investment property was $556,526.

(iii) The Group did not provide any investment properties as collaterals for its loan.

(k) Short-term borrowings

The details of short-term borrowings were as following:

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

(i) For the nine months ended September 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 $492,000 and $0, respectively.

(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)(w).

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(l) Long-term borrowings

	September 30, 2022
Secured bank loans—Maturity year 114.3~116.2	$ 216,927
Less: current portion	-
Less: Deferred income	(2,558)
	$ 214,369
Unused credit lines	$ 783,073
Range of interest rates	0.8%~1.175%

(i) For the nine months ended September 30, 2022, the Group had the additional long-term borrowings amounting to $216,927 and the repayment amounted to $0.

(ii) The Group's application for a low-interest loan for the construction of plants, purchasing equipment, and support medium-term working capital, had been approved by the National Development Fund, Executive Yuan in 2022, with Mega International Commercial Bank providing the non-revolving loan of $1,000,000, which was recognized and measured by using the market rates, with the margin interests calculated by using the rates between the actual rates and the market rates, recognized as deferred income, based on the Government grants. As of September 30, 2022, the Group had used the credit amount of $216,927.

(m) Other payables

	September 30, 2022	December 31, 2021	September 30, 2021
Salaries payable	$ 69,362	77,512	90,653
Others	83,201	51,236	41,878
	$ 152,563	128,748	132,531

(n) Lease liabilities

The carrying amount of lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	$ 914	1,584	1,652
Non-current	$ -	571	914

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

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	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
The amounts recognized in profit or loss were as follows:				
Interest on lease liabilities	$ 4	11	18	30
Expenses relating to short-term leases	$ 1,429	18,075	18,767	32,861
Variable lease payments not included in the measurement of lease liabilities	$ 7	10	26	96
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 151	281	448	909
Lease modification gains (recorded as other income)	$ -	-	-	(1)

	For the nine months ended September 30,	
	2022	2021
The amounts recognized in the statement of cash flows for the Group were as follows:		
Total cash outflow for leases	$ 20,500	35,258

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.

(o) Provisions

Except for the following disclosure, there was no significant change for provisions for the six months ended September 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	11,026	(31,958)	(20,932)
Provisions used during the year	(10,466)	(104,324)	(114,790)
Balance on September 30, 2022	$ 44,506	238,612	283,118

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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		3,589	-	3,589
Provisions used during the year		(33,066)	(107,732)	(140,798)
Balance on September 30, 2021	$	**56,679**	**401,344**	**458,023**

Please refer to note (10) for the above fire indemnity.

(p) 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 September 30,			For the nine months ended September 30,	
		2022	2021	2022	2021
Operating cost	$	117	172	379	514
Operating expenses		63	64	164	195
Total	$	**180**	**236**	**543**	**709**

(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 September 30,			For the nine months ended September 30,	
		2022	2021	2022	2021
Operating cost	$	1,213	1,203	3,643	3,826
Selling expenses		57	59	170	191
Administration expenses		206	166	549	504
Research expenses		198	228	624	677
Total	$	**1,674**	**1,656**	**4,986**	**5,198**

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(q) 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 nine months ended September 30, 2022 and 2021 were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Current income tax expense	$ 13,686	7,123	60,191	18,074

(iii) For the three months and nine months ended September 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.

(r) 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, 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.

(ii) 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

(iii) 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	7,358
Balance at September 30, 2022	$ (41,571)
Balance at January 1, 2021	$ (29,378)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(7,688)
Balance at September 30, 2021	$ (37,066)

(s) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	$ 48,616	29,920	230,131	75,344
Weighted-average number of ordinary shares (thousand shares)	95,382	95,382	95,382	95,382
	$ 0.51	0.31	2.41	0.79

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	For the three months ended September 30,		For the nine months ended September 30,	
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	$ **48,616**	**29,920**	**230,131**	**75,344**
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	212	120	233	335
Weighted-average number of ordinary shares (thousand shares) (diluted)	**95,594**	**95,502**	**95,615**	**95,717**
	$ **0.51**	**0.31**	**2.41**	**0.79**

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Primary geographical markets:				
Italy	$ 68,173	60,883	204,824	193,732
Germany	43,419	63,041	101,184	89,821
Taiwan	45,400	12,848	78,568	56,652
Japan	39,305	3,388	56,222	18,491
United States	14,522	34,992	50,175	75,087
Switzerland	26,563	-	47,707	31,501
China	8,295	43,339	43,429	137,651
Others	58,912	9,763	91,864	125,517
	$ **304,589**	**228,254**	**673,973**	**728,452**

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	For the three months ended September 30,		For the nine months ended September 30,	
Major products:				
Active Pharmaceutical Ingredients	$ 193,247	60,157	302,481	354,888
Intermediates	109,275	162,102	356,379	358,056
Specialty Chemical	2,067	5,995	15,113	15,508
	$ 304,589	**228,254**	**673,973**	**728,452**

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts receivable	$ 227,164	82,976	160,763
Less: Loss allowance	-	-	-
Total	**$ 227,164**	**82,976**	**160,763**
Contract liabilities (sales received in advance)	**$ 31,629**	**41,764**	**42,219**

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

The amount of revenue recognized for the nine months ended September 30, 2022 and 2021, that was included in the contract liability balance at the beginning of the period was $10,314 and $63,398, 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.

(u) 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, 2022 and 2021, the remunerations to employees amounted to $5,227, $4,150, $18,544 and $9,698, respectively, and the remunerations to directors amounted to $1,720, $500, $4,650 and $1,252, 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.

(v) Other Income

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Provisions reversal of fire indemnity	$ 2,155	-	31,958	-
Insurance claim income, net	-	-	158,275	-
Others	830	1,241	4,168	12,736
	$ 2,985	**1,241**	**194,401**	**12,736**

(w) 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 September 30, 2022, December 31 and September 30, 2021, there were six, five and four major customers, respectively, that accounted for 68.75%, 84.15% and 81.19%, 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
September 30, 2022					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 40,121	(40,121)	(40,121)	-	-
Lease liabilities (including current and non-current)	914	(919)	(919)	-	-
Other payables	152,563	(152,563)	(152,563)	-	-
Payables on contractors and equipment	145,993	(145,993)	(145,993)	-	-
Long-term borrowings	214,369	(225,892)	(2,237)	(2,243)	(221,412)
	$ 553,960	**(565,488)**	**(341,833)**	**(2,243)**	**(221,412)**
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)**	**-**
September 30, 2021					
Non-derivative financial liabilities:					
Notes and accounts payable	$ 24,511	(24,511)	(24,511)	-	-
Lease liabilities (including current and non-current)	2,566	(2,598)	(1,679)	(919)	-
Other payables	132,531	(132,531)	(132,531)	-	-
Payables on contractors and equipment	98,030	(98,030)	(98,030)	-	-
	$ 257,638	**(257,670)**	**(256,751)**	**(919)**	**-**

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

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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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	$ 8,665	31.7	274,681	11,980	27.63	331,007	15,891	27.8	441,770
EUR to TWD	1,030	31.06	31,992	859	31.12	26,732	1,764	32.12	56,660
Financial liabilities									
Monetary items									
USD to TWD	631	31.7	20,003	1,098	27.63	30,338	652	27.8	18,126

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, 2022 and 2021, would have affected the net profit before tax increased or decreased $2,867 and $4,803, 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, 2022 and 2021, the exchange gains (losses), including realized and unrealized, are $18,228, $(540), $32,880 and $(15,371), respectively.

(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	
	September 30, 2022	**September 30, 2021**
Variable rate instruments:		
Financial assets	$ 161,899	398,988
Financial liabilities	216,927	-

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 $(103) and $748, respectively, for the nine months ended September 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:

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	September 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	$ 99,104	99,104	-	-	99,104
Financial assets at fair value through other comprehensive income					
Emerging stocks	79,879	-	-	79,879	79,879
Financial assets measured at amortized cost					
Cash and cash equivalents	244,821	-	-	-	-
Notes and accounts receivable	227,164	-	-	-	-
Other receivables	207	-	-	-	-
Refunded deposits (recognized as other non-current assets)	2,810	-	-	-	-
Subtotal	475,002				
Total	$ **653,985**				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 40,121	-	-	-	-
Lease liabilities (including current and non-current)	914	-	-	-	-
Other payables	152,563	-	-	-	-
Payables on contractors and equipment	145,993	-	-	-	-
Long-term borrowings	214,369	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	$ **554,960**				

(Continued)

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	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**				
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**				

(Continued)

	September 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	$ 595,821	595,821	-	-	595,821
Financial assets at fair value through other comprehensive income					
Emerging stocks and unlisted stocks on domestic market	78,009	-	-	78,009	78,009
Financial assets measured at amortized cost					
Cash and cash equivalents	427,690	-	-	-	-
Notes and accounts receivable	160,763	-	-	-	-
Other receivables	265,848	-	-	-	-
Refunded deposits (recognized as other non-current assets)	3,210	-	-	-	-
Subtotal	857,511				
Total	**$ 1,531,341**				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 24,511	-	-	-	-
Lease liabilities (including current and non-current)	2,566	-	-	-	-
Other payables	132,531	-	-	-	-
Payables on contractors and equipment	98,030	-	-	-	-
Total	**$ 257,638**				

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.

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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 nine months ended September 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		7,358
September 30, 2022	**$**	**79,879**
January 1, 2021	$	85,697
Total gains and losses recognized:		
In profit or loss		-
In other comprehensive income		(7,688)
September 30, 2021	**$**	**78,009**

For the three months and nine months ended September 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 September 30,		For the nine months ended September 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"	$	(2,449)	19,894	7,358	(7,688)

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.

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through other comprehensive income– equity investments without an active market	Price-Book ratio method	· The multiplier of Price-Book Ratio (As of September 30, 2022, December 31 and September 30, 2021 were 1.59~3.39, 1.70~2.72 and 1.71~4.36, respectively)	The higher the fair value is, the higher the fair value will be.
〃	〃	· Lack-of-Marketability discount rate (As of September 30, 2022, December 31 and September 30, 2021 were 23%~27%, 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	Other comprehensive income Unfavorable
September 30, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,992	3,992
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 1,213	1,213
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

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	Inputs	Move up or downs	Other comprehensive income	
			Favorable	Unfavorable
September 30, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,303	3,303
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 2,374	2,371

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.

(x) 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.

(y) 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.

(z) 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, 2022 and 2021, were as follows:

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

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

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Changes in lease payments	Others	
Long-term borrowings	$ -	216,927	-	(2,558)	214,369
Lease liabilities	2,155	(1,241)	-	-	914
	$ 2,155	215,686	-	(2,558)	215,283

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			Non-cash changes		
	January 1, 2021	Cash flows	Changes in lease payments	Others	September 30, 2021
Lease liabilities	$ 2,588	(1,362)	1,340	-	2,566

(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
Framosa Co., Ltd.	The associate of the Company

(b) Significant transaction with related parties:

(i) Lease

The Group rented out land for related party, the details of the above lease transactions is as follows:

	Rental income (recorded as other income)			
	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Associate	$ 310	-	310	-

	Guarantee deposits received (recorded as other non-current liability)		
	September 30, 2022	December 31, 2021	September 30, 2021
Associate	$ 1,000	-	-

(ii) 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 nine months ended September 30, 2022 and 2021. Please refer to note (6)(h).

(c) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Salary and short-term employee benefits	$ 3,720	4,144	13,996	12,133

(Continued)

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	September 30, 2022	December 31, 2021	September 30, 2021
Land	Pledged as collaterals	$ 42,736	42,736	42,736
Building	〃	3,041	3,523	3,684
		$ 45,777	**46,259**	**46,420**

(9) Commitments and contingencies:

(a) As of September 30, 2022, December 31 and September 30, 2021, the unused balance of the Group's outstanding standby letters of credit amounted to $9,107, $47,625 and $60,048, respectively.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Acquisitions of property, plant and equipment	**$ 594,205**	**887,002**	**338,164**

(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 September 30, 2022, December 31 and September 30, 2021, the outstanding provisions for fire indemnity was $238,612, $374,894 and $401,344, respectively, which was recorded under provisions. Please refer to note (6)(o) for the details.

The Company has already entered into related property insurance contracts. As of September 30, 2022, December 31 and September 30, 2021, the Company recognized the claim receivables for $0, $265,539 and $265,539, respectively, which were recorded under other receivables. As of date of the report, the above receivables had been received.

For the nine months ended September 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 September 30, 2022			For the three months ended September 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	29,422	19,705	49,127	26,245	15,836	42,081
Labor and health insurance	3,140	1,298	4,438	2,756	1,016	3,772
Pension	1,330	524	1,854	1,375	517	1,892
Remuneration of directors	-	1,720	1,720	-	500	500
Others	741	1,408	2,149	748	1,526	2,274
Depreciation	15,965	6,964	22,929	9,603	4,346	13,949
Amortization	1,035	1,006	2,041	1,027	1,006	2,033

By function / By item	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	90,691	58,665	149,356	78,951	43,139	122,090
Labor and health insurance	9,066	3,489	12,555	9,303	3,338	12,641
Pension	4,022	1,507	5,529	4,340	1,567	5,907
Remuneration of directors	-	4,650	4,650	-	1,252	1,252
Others	2,356	3,847	6,203	2,328	4,037	6,365
Depreciation	37,543	19,300	56,843	28,241	12,602	40,843
Amortization	3,104	3,017	6,121	2,468	3,017	5,485

(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 nine months ended September 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 September 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	1,037	-	1,037	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	743	43,763	-	43,763	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	0.023	1	-	1	-
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	528	31,944	-	31,944	-
〃	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	〃	577	22,359	-	22,359	-
〃	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	40,166	2.41 %	40,166	-
〃	Stock (Sunny Pharmtech Inc.)	-	〃	4,497	39,713	3.25 %	39,713	-

(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 nine months ended September 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
				September 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 %	348,639	40	40	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 %	42,763	(24,210)	(9,684)	
Yushan Pharmaceuticals Inc.	Honey Bear Biosciences, Inc.	R.O.C	Biotechnology services	10,000	-	1,000	4.30 %	9,795	(4,979)	(205)	

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.