Stock Code:4119

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022

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

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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 kpmg.com/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 March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, 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 the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China 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 $139,320 thousand and $50,278 thousand as of March 31, 2023 and 2022, respectively, and its equity in net earnings (losses) on these investee companies of $(1,997) thousand and $(2,169) thousand 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 March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 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 audit resulting in this independent auditors' report are Hsin, Yu-Ting and Shu-Min Hsu.

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2023

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 Standards on Auditing as of March 31, 2023 and 2022

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, and March 31, 2022

(expressed in thousands of New Taiwan dollars)

	Assets	March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 99,605	2	166,828	3	173,454	4
1110	Current financial assets at fair value through profit or loss (note 6(b))	97,401	2	97,545	2	233,453	5
1170	Notes and accounts receivable, net (notes 6(d) and 6(t))	254,530	5	173,565	4	174,451	4
1206	Other receivables (notes 6(f) and 10)	141	-	31,101	1	265,581	6
1310	Inventories, net (note 6(e))	521,057	10	513,430	10	348,130	8
1470	Other current assets	60,985	1	59,929	1	75,299	2
		1,033,719	20	1,042,398	21	1,270,368	29
	Non-current assets:						
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	63,212	1	66,723	1	90,370	2
1550	Investments accounted for using equity method (note 6(g))	139,320	3	141,317	3	50,278	1
1600	Property, plant and equipment (notes 6(h), 7 and 8)	3,449,235	66	3,193,144	64	2,361,140	54
1755	Right-of-use assets (note 6(i))	610	-	1,013	-	1,723	-
1761	Investment property, land (notes 6(j) and 7)	228,012	4	228,012	5	-	-
1780	Intangible assets	52,468	1	54,582	1	58,461	1
1840	Deferred tax assets	167,252	3	167,252	4	241,552	6
1900	Other non-current assets (note 6(h))	82,533	2	66,098	1	325,941	7
		4,182,642	80	3,918,141	79	3,129,465	71
	Total assets	$ 5,216,361	100	4,960,539	100	4,399,833	100

	Liabilities and Equity	March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%
	Current liabilities:						
2100	Total short-term borrowings (note 6(k))	$ 425,000	8	112,000	2	243,000	6
2170	Notes and accounts payable	46,815	1	48,636	1	45,095	1
2130	Current contract liabilities (note 6(t))	31,450	1	31,773	1	35,739	1
2200	Other payables (note 6(m))	168,863	3	296,017	6	100,994	2
2213	Payables on contractors and equipment	158,637	3	160,591	4	67,758	2
2230	Current tax liabilities	19,112	-	3,862	-	10,833	-
2250	Current provisions (notes 6(o) and 10)	40,612	1	111,384	2	279,666	6
2280	Current lease liabilities (note 6(n))	485	-	828	-	1,516	-
2300	Other current liabilities (note 6(d))	5,251	-	5,224	-	4,887	-
		896,225	17	770,315	16	789,488	18
	Non-Current liabilities:						
2541	Long-term borrowings (note 6(l))	502,179	10	432,356	9	108,417	3
2580	Non-current lease liabilities (note 6(n))	131	-	195	-	227	-
2570	Deferred tax liabilities	103,811	2	103,811	2	103,811	2
2630	Deferred income (note 6(l))	4,626	-	4,108	-	1,599	-
2640	Provisions for employee benefits, non-current	19,238	-	19,530	-	16,638	-
2600	Total other non-current liabilities (note 7)	1,000	-	1,000	-	-	-
		630,985	12	561,000	11	230,692	5
	Total liabilities	1,527,210	29	1,331,315	27	1,020,180	23
	Equity attributable to owners of parent (note 6(r)):						
3100	Ordinary Share	953,824	18	953,824	19	953,824	22
3200	Capital surplus	1,357,127	26	1,357,127	27	1,348,339	31
3310	Legal reserve	431,874	8	431,874	9	426,103	9
3320	Special reserve	48,929	1	48,929	1	29,378	1
3350	Unappropriated retained earnings	955,635	19	892,197	18	653,089	15
3400	Other components of equity	(58,238)	(1)	(54,727)	(1)	(31,080)	(1)
	Total equity	3,689,151	71	3,629,224	73	3,379,653	77
	Total liabilities and equity	$ 5,216,361	100	4,960,539	100	4,399,833	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 Standards on Auditing

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

		For the three months ended March 31,			
		2023		2022	
		Amount	%	Amount	%
4110	**Sales revenue (note 6(t))**	$ 341,779	100	188,023	100
5110	**Cost of sales (notes 6(e), 6(p) and 12)**	218,767	64	132,861	71
5900	**Gross profit**	123,012	36	55,162	29
	Operating expenses (notes 6(p) and 12):				
6100	Selling expenses	14,800	4	11,672	6
6200	Administrative expenses	17,473	5	16,818	9
6300	Research and development expenses	11,958	4	8,446	4
		44,231	13	36,936	19
6900	**Net operating income**	78,781	23	18,226	10
	Non-operating income and expenses:				
7101	Interest income	397	-	25	-
7130	Dividend income	-	-	462	-
7190	Other income (notes 6(v), 7 and 10)	1,816	1	31,956	17
7235	Gains (losses) on financial assets at fair value through profit or loss	2,294	1	(2,161)	(1)
7510	Interest expense (note 6(n))	(1,706)	(1)	(69)	-
7590	Miscellaneous disbursements	(85)	-	(742)	-
7610	Losses on disposals of property, plant and equipment	-	-	(344)	-
7630	Foreign exchange gains (losses)	(776)	-	6,822	3
7770	Share of loss of associates and joint ventures accounted for using equity method, net (note 6(g))	(1,997)	(1)	(2,169)	(1)
		(57)	-	33,780	18
7900	**Profit before tax**	78,724	23	52,006	28
7950	Less: Income tax expenses (note 6(q))	15,286	4	10,833	6
8200	**Profit**	63,438	19	41,173	22
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	(3,511)	(1)	17,849	9
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**	(3,511)	(1)	17,849	9
8500	**Total comprehensive income**	**$ 59,927**	**18**	**59,022**	**31**
	Earnings per share (note 6(s)):				
9750	**Basic earnings per share**	**$**	**0.67**		**0.43**
9850	**Diluted earnings per share**	**$**	**0.66**		**0.43**

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SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(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, 2022	$ 953,824	1,348,339	426,103	29,378	611,916	(48,929)	3,320,631
Profit for the three months ended March 31, 2022	-	-	-	-	41,173	-	41,173
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	17,849	17,849
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	41,173	17,849	59,022
Balance at March 31, 2022	**$ 953,824**	**1,348,339**	**426,103**	**29,378**	**653,089**	**(31,080)**	**3,379,653**
Balance at January 1, 2023	$ 953,824	1,357,127	431,874	48,929	892,197	(54,727)	3,629,224
Profit for the three months ended March 31, 2023	-	-	-	-	63,438	-	63,438
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	(3,511)	(3,511)
Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	63,438	(3,511)	59,927
Balance at March 31, 2023	**$ 953,824**	**1,357,127**	**431,874**	**48,929**	**955,635**	**(58,238)**	**3,689,151**

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with Standards on Auditing

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	**2022**
Cash flows from (used in) operating activities:		
Profit before tax	$ 78,724	52,006
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	29,732	15,112
Amortization expense	2,114	2,040
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(2,294)	2,161
Interest expense	1,706	69
Interest income	(397)	(25)
Dividend income	-	(462)
Share of loss of associates and joint ventures accounted for using equity method	1,997	2,169
Losses due to (reversal of) major disasters	-	(29,803)
Others	-	344
Total adjustments to reconcile profit	32,858	(8,395)
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(80,965)	(91,475)
Increase in inventories	(7,627)	(53,948)
Decrease (increase) in other receivables and other current assets	29,904	(13,360)
Decrease in contract liabilities	(323)	(6,025)
(Decrease) increase in notes and accounts payable	(1,821)	11,316
Decrease in other payable	(127,154)	(27,754)
Decrease in provisions	(70,772)	(109,371)
Increase (decrease) in other current liabilities	27	(141)
Decrease in provision for employee benefits, non-current	(292)	(307)
Total changes in operating assets and liabilities	(259,023)	(291,065)
Total adjustments	(226,165)	(299,460)
Cash flow from (used in) operations	(147,441)	(247,454)
Interest received	397	25
Dividends received	-	462
Interest paid	(1,706)	(69)
Income taxes paid	(36)	-
Net cash flows from (used in) operating activities	(148,786)	(247,036)
Cash flows from (used in) investing activities:		
Disposal of financial assets designated at fair value through profit or loss	2,438	124,787
Acquisition of property, plant and equipment	(222,086)	(301,422)
Proceeds from disposal of property, plant and equipment	-	65
Decrease in refundable deposits	-	400
Increase in prepayments of property, plant and equipment	(81,302)	(88,175)
Net cash flows from (used in) investing activities	(300,950)	(264,345)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	747,000	243,000
Decrease in short-term borrowings	(434,000)	-
Proceeds from long-term borrowings	69,920	110,016
Payment of lease liabilities	(407)	(412)
Net cash flows from (used in) financing activities	382,513	352,604
Net decrease in cash and cash equivalents	(67,223)	(158,777)
Cash and cash equivalents at beginning of period	166,828	332,231
Cash and cash equivalents at end of period	$ **99,605**	**173,454**

See accompanying notes to consolidated financial statements.

SCI PHARMTECH, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(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 May 12, 2023.

(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, 2023:

- 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

(b) 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.

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

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, 2022. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of Consolidation

			Shareholding		
Name of investor	**Name of subsidiary**	**Principal activity**	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %	100.00 %

(c) 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.

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

(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.

(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, 2022. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

(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, 2022. Please refer to note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	$ 541	743	570
Checking accounts and demand deposits	68,657	74,369	144,884
Time deposits	30,407	91,716	28,000
	$ 99,605	**166,828**	**173,454**

(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.

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$ 1,042	1,039	36,486
Stocks listed on domestic markets	96,359	96,506	196,967
Total	**$ 97,401**	**97,545**	**233,453**

The Group did not provide any aforementioned financial assets as collateral for its loans as of March 31, 2023, December 31 and March 31, 2022, respectively.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at fair value through other comprehensive income:			
Emerging stocks and unlisted stocks in domestic markets	**$ 63,212**	**66,723**	**90,370**

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.

No strategic investments were disposed for the three months ended March 31, 2023 and 2022, 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 March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	$ 536	-	60
Accounts receivable	253,994	173,565	174,391
Less: Loss allowance	-	-	-
	$ 254,530	**173,565**	**174,451**

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

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:

	March 31, 2023		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 247,006	-	-
1 to 30 days past due	-	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	2,745	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
More than 360 days past due	4,779 (note)	-	-
	$ 254,530		**-**

	December 31, 2022		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 134,842	-	-
1 to 30 days past due	30,762	-	-
31 to 60 days past due	535	-	-
61 to 90 days past due	2,709	-	-
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 360 days past due	-	-	-
More than 360 days past due	4,717 (note)	-	-
	$ 173,565		**-**

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

	March 31, 2022			
	Gross carrying amount		Rate of loss allowance provision	Loss allowance provision
Current	$ 110,471		-	-
1 to 30 days past due	21,250		-	-
31 to 60 days past due	38,069		-	-
61 to 90 days past due	60		-	-
91 to 180 days past due	-		-	-
181 to 270 days past due	-		-	-
271 to 360 days past due	-		-	-
More than 360 days past due	4,601	(note)	100%	-
	$ 174,451			-

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

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

	For the three months ended March 31,	
	2023	2022
Balance at January 1 (Balance at March 31)	$ -	-

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	$ 130,719	195,009	122,245
Work in progress	62,000	45,405	52,358
Finished goods	328,338	273,016	173,527
	$ 521,057	513,430	348,130

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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 March 31,	
	2023	**2022**
Inventory that has been sold	$ 190,323	121,491
Write-down of inventories	9,634	826
Loss on disposal of inventories	1,381	-
Unallocated production overheads	17,429	10,544
	$ 218,767	**132,861**

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any inventories as collaterals for its loans.

(f) Other receivables

	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Insurance claim receivable	$ -	30,950	265,539
Others	141	151	42
	$ 141	**31,101**	**265,581**

(g) Investments accounted for using equity method

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

	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Associates	**$ 139,320**	**141,317**	**50,278**

(i) There was no significant change for investments accounted for using equity method for the period from January 1 to March 31, 2023 and 2022. For the related information, please refer to note 6(g)of the consolidated financial statements for the year ended December 31, 2022.

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(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 March 31, 2023	For the three months ended March 31, 2022
Attributable to the Group:		
Profit (loss)	(1,997)	(2,169)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	**(1,997)**	**(2,169)**

(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, 2023	$ 687,883	700,232	1,116,895	55,466	12,968	1,323,065	3,896,509
Additions	-	-	9,669	-	-	210,463	220,132
Transferred in (out)	-	-	36,237	246	-	28,805	65,288
Balance on March 31, 2023	**$ 687,883**	**700,232**	**1,162,801**	**55,712**	**12,968**	**1,562,333**	**4,181,929**
Balance on January 1, 2022	$ 825,680	684,472	543,143	33,939	12,968	633,296	2,733,498
Additions	-	-	1,973	90	-	248,923	250,986
Disposal and derecognitions	-	-	(3,854)	-	-	-	(3,854)
Transferred in (out)	90,215	1,181	10,275	412	-	(74,816)	27,267
Balance on March 31, 2022	**$ 915,895**	**685,653**	**551,537**	**34,441**	**12,968**	**807,403**	**3,007,897**

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		Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Depreciation and impairments loss:								
Balance on January 1, 2023	$	-	287,084	385,715	23,635	6,931	-	703,365
Depreciation		-	6,138	21,701	1,230	260	-	29,329
Balance on March 31, 2023	$	-	293,222	407,416	24,865	7,191	-	732,694
Balance on January 1, 2022	$	-	264,840	345,081	19,688	5,892	-	635,501
Depreciation		-	5,849	7,720	872	260	-	14,701
Disposals and derecognitions		-	-	(3,445)	-	-	-	(3,445)
Balance on March 31, 2022	$	-	270,689	349,356	20,560	6,152	-	646,757
Carrying amounts:								
Balance on January 1, 2023	$	687,883	413,148	731,180	31,831	6,037	1,323,065	3,193,144
Balance on March 31, 2023	$	687,883	407,010	755,385	30,847	5,777	1,562,333	3,449,235
Balance on January 1, 2022	$	825,680	419,632	198,062	14,251	7,076	633,296	2,097,997
Balance on March 31, 2022	$	915,895	414,964	202,181	13,881	6,816	807,403	2,361,140

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, 2022.

(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 March 31, 2023, December 31 and March 31, 2022, the Group’s prepayments for equipment purchases amounted to $81,723, $65,288 and $323,131, respectively, which were recorded as other non-current assets.

(iii) As of March 31, 2023, December 31 and March 31, 2022, part of the property, plant and equipment of the Group had been pledged as collateral. Please refer to note 8 for the details.

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(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, 2023	$ 4,922
Reductions	(868)
Balance on March 31, 2023	**$ 4,054**
Balance on January 1, 2022 (Same as balance on March 31, 2022)	**$ 4,406**
Accumulated depreciation:	
Balance on January 1, 2023	$ 3,909
Depreciation for the period	403
Reductions	(868)
Balance on March 31, 2023	**$ 3,444**
Balance on January 1, 2022	$ 2,272
Depreciation for the period	411
Balance on March 31, 2022	**$ 2,683**
Carrying amount:	
Balance on January 1, 2023	**$ 1,013**
Balance on March 31, 2023	**$ 610**
Balance on January 1, 2022	**$ 2,134**
Balance on March 31, 2022	**$ 1,723**

(j) Investments property

(i) Investment property, with a carrying amount of $228,012, with lease that has fixed rental income and contains an initial non-cancellable lease term of 50 years (extendable upon maturity) based on the agreement, comprises lands owned by the Group.

(ii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2023 and 2022. For related information, please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2022.

(iii) There were no significant changes in the fair value of the Group’ s investment property as disclosed in note 6(j) of the consolidated financial statements for the year ended December 31, 2022.

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

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(k) Short-term borrowings

The details of short-term borrowings were as following:

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	$ 395,000	112,000	177,000
Secured bank loans	30,000	-	66,000
Total	**$ 425,000**	**112,000**	**243,000**
Unused short-term credit lines	**$ 365,000**	**658,000**	**117,000**
Range of interest rates	**1.6%~1.975%**	**1.48%~1.58%**	**1.00%~1.26%**

(i) For the three months ended March 31, 2023 and 2022, the Group had the additional short-term borrowings amounting to $747,000 and $296,000, respectively, and the repayment each amounted to $434,000 and $53,000, 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).

(l) Long-term borrowings

The details of long-term borrowings were as following:

	March 31, 2023	December 31, 2022	March 31, 2022
Secured bank loans—Maturity year 114.3~116.2	$ 375,687	322,767	110,016
Unsecured bank loans—Maturity year 114.11	130,000	113,000	-
Less: current portion	-	-	-
Less: Deferred income	(3,508)	(3,411)	(1,599)
	$ 502,179	**432,356**	**108,417**
Unused credit lines	**$ 624,313**	**714,233**	**889,984**
Range of interest rates	**0.8%~1.8%**	**0.8%~1.8%**	**0.80%**

(i) For the three months ended March 31, 2023 and 2022, the Group had the additional long-term borrowings amounting to $69,920 and $110,016, respectively, and the repayment amounted to $0.

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(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 March 31, 2023, the Group had used the credit amount of $375,687.

(m) Other payables

	March 31, 2023	December 31, 2022	March 31, 2022
Salaries payable	$ 81,066	85,129	55,048
Indemnities payable	-	125,403	-
Others	87,797	85,485	45,946
	$ 168,863	296,017	100,994

(n) Lease liabilities

The carrying amount of lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	$ 485	828	1,516
Non-current	$ 131	195	227

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

	For the three months ended March 31,	
	2023	2022
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	$ 3	8
Expenses relating to short-term leases	$ 194	8,195
Variable lease payments not included in the measurement of lease liabilities	$ 6	9
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 140	145

	For the three months ended March 31,	
	2023	2022
The amounts recognized in the statement of cash flows for the Group were as follows:		
Total cash outflow for leases	$ 750	8,769

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

The Group also leases 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 three months ended March 31, 2023 and 2022. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2022.

		Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2023	$	43,225	68,159	111,384
Provisions used during the year		(9,823)	(60,949)	(70,772)
Balance on March 31, 2023	**$**	**33,402**	**7,210**	**40,612**
Balance on January 1, 2022	$	43,946	374,894	418,840
Provisions reversed during the year		-	(29,803)	(29,803)
Provisions used during the year		(6,710)	(102,661)	(109,371)
Balance on March 31, 2022	**$**	**37,236**	**242,430**	**279,666**

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, 2022 and 2021.

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

		For the three months ended March 31,	
		2023	**2022**
Operating cost	$	136	133
Operating expenses		70	48
Total	**$**	**206**	**181**

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(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 March 31,	
	2023	**2022**
Operating cost	$ 1,325	1,198
Selling expenses	63	57
Administration expenses	217	168
Research expenses	194	215
Total	**$ 1,799**	**1,638**

(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 ended March 31, 2023 and 2022 were calculated as follows:

	For the three months ended March 31,	
	2023	**2022**
Current income tax expense	**$ 15,286**	**10,833**

(iii) For the three months ended March 31, 2023 and 2022, 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 2021.

(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 March 31, 2023 and 2022. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2022.

(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.

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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 Board of Directors held on March 14, 2023, the appropriation of earnings for the year 2022 was proposed. Moreover, based on the resolution of stockholders' meeting held on June 21, 2022, there were no dividends to be appropriated from the 2021 earnings, and the dividends per share were appropriated as follows:

	2022		**2021**	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.25	23,846	-	-
Stock	1.25	119,228	-	-
Total		**$ 143,074**		**-**

(iii) Other equity (net of tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2023	$ (54,727)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	$ (3,511)
Balance at March 31, 2023	**$ (58,238)**
Balance at January 1, 2022	$ (48,929)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	17,849
Balance at March 31, 2022	**$ (31,080)**

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(s) Earnings per share

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

	For the three months ended March 31,	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ **63,438**	**41,173**
Weighted-average number of ordinary shares (thousand shares)	**95,382**	**95,382**
	$ **0.67**	**0.43**
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ **63,438**	**41,173**
Weighted-average number of ordinary shares (thousand shares)	95,382	95,382
Effect of potentially dilutive ordinary shares:		
Effect of employee compensation	258	125
Weighted-average number of ordinary shares (thousand shares) (diluted)	**95,640**	**95,507**
	$ **0.66**	**0.43**

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31,	
	2023	2022
Primary geographical markets:		
Italy	$ 78,383	70,872
Germany	61,312	49,748
Netherlands	27,025	-
United States	23,389	-
Switzerland	23,330	9,344
Australia	20,641	2,071
Taiwan	13,267	18,349
Japan	10,618	14,067
Others	83,814	23,572
	$ **341,779**	**188,023**

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	For the three months ended March 31,	
Major products:		
Active Pharmaceutical Ingredients	$ 208,711	52,814
Intermediates	130,830	128,688
Specialty Chemical	2,238	6,521
	$ 341,779	**188,023**

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and accounts receivable	$ 254,530	173,565	174,451
Less: Loss allowance	-	-	-
Total	**$ 254,530**	**173,565**	**174,451**
Contract liabilities (sales received in advance)	**$ 31,450**	**31,773**	**35,739**

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

The amount of revenue recognized for the three months ended March 31, 2023 and 2022, that was included in the contract liability balance at the beginning of the period was $323 and $7,541, 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 ended March 31, 2023 and 2022, the remunerations to employees amounted to $7,622 and $5,111, respectively, and the remunerations to directors amounted to $1,250 and $720, 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, 2022 and 2021, the remunerations to employees amounted to $26,091 and $6,424, respectively, and the remunerations to directors amounted to $4,250 and $876, 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 March 31, 2023	2022
Provisions reversal of fire indemnity	$ -	29,803
Others	1,816	2,153
	$ 1,816	**31,956**

(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(x) of the consolidated financial statements for the year ended December 31, 2022.

(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 March 31, 2023, December 31 and March 31, 2022, there were all five major customers, respectively, that accounted for 60.99%, 72.58% and 75.10%, 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
March 31, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	$ 425,000	(426,185)	(426,185)	-	-
Notes and accounts payable	46,815	(46,815)	(46,815)	-	-
Lease liabilities (including current and non-current)	616	(621)	(490)	(131)	-
Other payables	168,863	(168,863)	(168,863)	-	-
Payables on contractors and equipment	158,637	(158,637)	(158,637)	-	-
Long-term borrowings	502,179	(527,436)	(6,699)	(6,672)	(514,065)
Deposits received	1,000	(1,000)	-	-	(1,000)
	$ 1,303,110	**(1,329,557)**	**(807,689)**	**(6,803)**	**(515,065)**
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 112,000	(112,177)	(112,177)	-	-
Notes and accounts payable	48,636	(48,636)	(48,636)	-	-
Lease liabilities (including current and non-current)	1,023	(1,033)	(836)	(197)	-
Other payables	296,017	(296,017)	(296,017)	-	-
Payables on contractors and equipment	160,591	(160,591)	(160,591)	-	-
Long-term borrowings	432,356	(455,385)	(5,608)	(5,624)	(444,153)
Deposits received	1,000	(1,000)	-	-	(1,000)
	$ 1,051,623	**(1,074,839)**	**(623,865)**	**(5,821)**	**(445,153)**

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	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
March 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 243,000	(243,417)	(243,417)	-	-
Notes and accounts payable	45,095	(45,095)	(45,095)	-	-
Lease liabilities (including current and non-current)	1,743	(1,758)	(1,531)	(227)	-
Other payables	100,994	(100,994)	(100,994)	-	-
Payables on contractors and equipment	67,758	(67,758)	(67,758)	-	-
Long-term borrowings	108,417	(114,017)	(890)	(892)	(112,235)
	$ 567,007	**(573,039)**	**(459,685)**	**(1,119)**	**(112,235)**

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follow:

Foreign currency: in thousands of dollars

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	$ 8,625	30.4	262,200	8,287	30.66	254,079	7,894	28.575	225,571
EUR to TWD	1,399	32.95	46,097	493	32.52	16,032	782	31.72	24,805
Financial liabilities									
Monetary items									
USD to TWD	974	30.4	29,610	1,028	30.66	31,518	1,161	28.575	33,176

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 three months ended March 31, 2023 and 2022, would have affected the net profit before tax increased or decreased $2,787 and $2,172, respectively. The analysis is performed on the same basis for both periods.

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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 ended March 31, 2023 and 2022, the exchange gains (losses), including realized and unrealized, are $(776) and $6,822, 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	
	March 31, 2023	**March 31, 2022**
Variable rate instruments:		
Financial assets	$ 68,243	144,281
Financial liabilities	930,687	353,016

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 $(539) and $(130), respectively, for the three months ended March 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group’s bank savings and borrowings with variable interest rates.

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(v) Fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy 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:

	March 31, 2023				
		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	$ 97,401	97,401	-	-	97,401
Financial assets at fair value through other comprehensive income					
Emerging stocks	63,212	-	-	63,212	63,212
Financial assets measured at amortized cost					
Cash and cash equivalents	99,605	-	-	-	-
Notes and accounts receivable	254,530	-	-	-	-
Other receivables	141	-	-	-	-
Refunded deposits (recognized as other non-current assets)	810	-	-	-	-
Subtotal	355,086				
Total	**$ 515,699**				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 425,000	-	-	-	-
Notes and accounts payable	46,815	-	-	-	-
Lease liabilities (including current and non-current)	616	-	-	-	-
Other payables	168,863	-	-	-	-
Payables on contractors and equipment	158,637	-	-	-	-
Long-term borrowings	502,179	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	**$ 1,303,110**				

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	December 31, 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	$ 97,545	97,545	-	-	97,545
Financial assets at fair value through other comprehensive income					
Emerging stocks	66,723	-	-	66,723	66,723
Financial assets measured at amortized cost					
Cash and cash equivalents	166,828	-	-	-	-
Notes and accounts receivable	173,565	-	-	-	-
Other receivables	31,101	-	-	-	-
Refunded deposits (recognized as other non-current assets)	810	-	-	-	-
Subtotal	372,304				
Total	**$ 536,572**				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 112,000	-	-	-	-
Notes and accounts payable	48,636	-	-	-	-
Lease liabilities (including current and non-current)	1,023	-	-	-	-
Other payables	296,017	-	-	-	-
Payables on contractors and equipment	160,591	-	-	-	-
Long-term borrowings	432,356	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	**$ 1,051,623**				

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	March 31, 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	$ 233,453	233,453	-	-	233,453
Financial assets at fair value through other comprehensive income					
Emerging stocks	90,370	-	-	90,370	90,370
Financial assets measured at amortized cost					
Cash and cash equivalents	173,454	-	-	-	-
Notes and accounts receivable	174,451	-	-	-	-
Other receivables	265,581	-	-	-	-
Refunded deposits (recognized as other non-current assets)	2,810	-	-	-	-
Subtotal	616,296				
Total	**$ 940,119**				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 243,000	-	-	-	-
Notes and accounts payable	45,095	-	-	-	-
Lease liabilities (including current and non-current)	1,743	-	-	-	-
Other payables	100,994	-	-	-	-
Payables on contractors and equipment	67,758	-	-	-	-
Long-term borrowings	108,417	-	-	-	-
Total	**$ 567,007**				

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 three months ended March 31, 2023 and 2022, there were no transfers from one level to another.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income — Unquoted equity instruments
January 1, 2023	$ 66,723
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	(3,511)
March 31, 2023	**$ 63,212**

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	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	17,849
March 31, 2022	**$ 90,370**

For the three months ended March 31, 2023 and 2022, 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 March 31,	
	2023	**2022**
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"	$ (3,511)	17,849

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 March 31, 2023, December 31 and March 31, 2022 were 1.46~2.84, 1.42~2.89 and 1.61~3.08, respectively)	The higher the fair value is, the higher the fair value will be.
〃	〃	· Lack-of-Marketability discount rate (As of March 31, 2023, December 31 and March 31, 2022 were 23%, 23% and 23%~25%, 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
March 31, 2023				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,197	3,152
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 972	928
December 31, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 3,312	3,357
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 976	1,021

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	Inputs	Move up or downs	Other comprehensive income Favorable	Other comprehensive income Unfavorable
March 31, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 4,433	4,583
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	$ 1,323	1,422

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(y) of the consolidated financial statements for the year ended December 31, 2022.

(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, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2022.

(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 three months ended March 31, 2023 and 2022, were as follows:

(i) For the acquisition of right-of-use assets by lease for the three months ended March 31, 2023 and 2022, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities for the three months ended March 31, 2023 and 2022, were as follows:

	January 1, 2023	Cash flows	Non-cash changes Acquisition	Non-cash changes Others	March 31, 2023
Short-term borrowings	$ 112,000	313,000	-	-	425,000
Long-term borrowings	432,356	69,920	-	(97)	502,179
Lease liabilities	1,023	(407)	-	-	616
	$ 545,379	382,513	-	(97)	927,795

(Continued)

	January 1, 2022	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Others	March 31, 2022
Short-term borrowings	$ -	243,000	-	-	243,000
Long-term borrowings	-	110,016	-	(1,599)	108,417
Lease liabilities	2,155	(412)	-	-	1,743
	$ 2,155	**352,604**	**-**	**(1,599)**	**353,160**

(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. (Framosa)	The associate of the Company

(b) Significant transaction with related parties:

(i) Lease

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

	Rental income (recorded as other income) For the three months ended March 31, 2023	Rental income (recorded as other income) For the three months ended March 31, 2022	Other receivables from related parties March 31, 2023	Other receivables from related parties December 31, 2022	Other receivables from related parties March 31, 2022
Associate	**$ 1,557**	**-**	**-**	**-**	**-**

	Guarantee deposits received (recorded as other non-current liability) March 31, 2023	December 31, 2022	March 31, 2022
Associate	**$ 1,000**	**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 three months ended March 31, 2023 and 2022. Please refer to note 6(h).

(c) Key management personnel compensation

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Salary and short-term employee benefits	**$ 5,717**	**4,416**

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(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	March 31, 2023	December 31, 2022	March 31, 2022
Land	Pledged as collaterals	$ 42,736	42,736	42,736
Building	〃	2,729	2,884	3,363
		$ 45,465	**45,620**	**46,099**

(9) Commitments and contingencies:

(a) As of March 31, 2023, December 31 and March 31, 2022, the unused balance of the Group's outstanding standby letters of credit amounted to $2,432, $5,535 and $12,953, respectively.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Acquisitions of property, plant and equipment	**$ 526,969**	**464,044**	**732,936**

(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 March 31, 2023, December 31 and March 31, 2022, the outstanding provisions for fire indemnity was $7,210, $68,159 and $242,430, respectively, which was recorded under provisions. Please refer to note 6(o) for the details.

The Company has already entered into related property insurance and public liability insurance contracts. As of March 31, 2023, December 31 and March 31, 2022, the Company recognized the claim receivables for $0, $30,000 and $265,539, respectively, which were recorded under other receivables.

(11) Subsequent Events:

The Company applied the third insurance settlement on March 31, 2023, with compensation that includes claims for maintenance expenses and compensation income for replacement assets amounting to $500,000. As of date of the report, the above receivables had been fully received.

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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 March 31, 2023			For the three months ended March 31, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	38,619	20,725	59,344	29,380	16,670	46,050
Labor and health insurance	3,370	1,270	4,640	3,188	1,229	4,417
Pension	1,461	544	2,005	1,331	488	1,819
Remuneration of directors	-	1,250	1,250	-	720	720
Others	898	1,705	2,603	830	1,199	2,029
Depreciation	22,719	7,013	29,732	9,300	5,812	15,112
Amortization	1,042	1,072	2,114	1,035	1,005	2,040

(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 three months ended March 31, 2023:

(i) Loans to other parties: None.

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

(iii) Securities held as of March 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares

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	1,042	-	1,042	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	743	44,506	-	44,506	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	0.023	1	-	1	-
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	528	31,311	-	31,311	-
〃	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	〃	577	20,541	-	20,541	-

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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	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	28,852	2.40 %	28,852	-
〃	Stock (Sunny Pharmtech Inc.)	-	〃	4,497	34,360	3.25 %	34,360	-

(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	$ 472,500	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

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

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

(ix) Trading in derivative instruments: None.

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2023 (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
				March 31, 2023	December 31, 2022	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 %	351,132	1,778	1,778	Note 1
The Company	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	143,750	143,750	14,375	25 %	125,006	(6,198)	(1,877)	
Yushan Pharmaceuticals Inc.	Honey Bear Biosciences, Inc.	R.O.C	Biotechnology services	15,000	15,000	1,500	6.09 %	14,314	(1,971)	(120)	

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

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

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(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.