

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

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	11~38
(7) Related-party transactions	38~39
(8) Pledged assets	39
(9) Commitments and contingencies	39
(10) Losses Due to Major Disasters	40
(11) Subsequent Events	40
(12) Other	40~41
(13) Other disclosures	
(a) Information on significant transactions	41~42
(b) Information on investees	42
(c) Information on investment in mainland China	42
(d) Major shareholders	43
(14) Segment information	43



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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of SCI Pharmtech, Inc. and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and changes in equity and cash flows for the nine months ended September 30, 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 \$150,132 thousand and \$52,558 thousand as of September 30, 2023 and 2022, respectively, and its equity in net earnings (losses) on these investee companies of \$(6,018) thousand, \$(4,845) thousand, \$(8,515) thousand and \$(9,889) thousand for the three months and nine months ended September 30, 2023 and 2022, 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, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 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 review resulting in this independent auditors’ report are Hsin, Yu-Ting and Shu-Min Hsu.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 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)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, 2022, and September 30, 2022

(expressed in thousands of New Taiwan dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 140,515	2	166,828	3	244,821	5	2100	Total short-term borrowings (note 6(k))	\$ 140,000	2	112,000	2	-	-
1110	Current financial assets at fair value through profit or loss (note 6(b))	90,744	2	97,545	2	99,104	2	2170	Notes and accounts payable	31,669	1	48,636	1	40,121	1
1170	Notes and accounts receivable, net (notes 6(d) and 6(t))	278,745	5	173,565	4	227,164	5	2130	Current contract liabilities (note 6(t))	31,555	1	31,773	1	31,629	1
1206	Other receivables (notes 6(f) and 10)	78	-	31,101	1	207	-	2200	Other payables (note 6(m))	171,039	3	296,017	6	152,563	3
1310	Inventories, net (note 6(e))	519,079	9	513,430	10	427,809	9	2213	Payables on contractors and equipment	58,415	1	160,591	4	145,993	3
1470	Other current assets	82,260	2	59,929	1	70,905	2	2230	Current tax liabilities	75,244	1	3,862	-	60,144	2
		<u>1,111,421</u>	<u>20</u>	<u>1,042,398</u>	<u>21</u>	<u>1,070,010</u>	<u>23</u>	2250	Current provisions (notes 6(o) and 10)	37,598	1	111,384	2	283,118	6
								2280	Current lease liabilities (note 6(n))	2,002	-	828	-	914	-
Non-current assets:								2300	Other current liabilities (note 6(d))	10,570	-	5,224	-	7,623	-
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	112,064	2	66,723	1	79,879	2			<u>558,092</u>	<u>10</u>	<u>770,315</u>	<u>16</u>	<u>722,105</u>	<u>16</u>
1550	Investments accounted for using equity method (note 6(g))	150,132	3	141,317	3	52,558	1	Non-Current liabilities:							
1600	Property, plant and equipment (notes 6(h), 7 and 8)	3,699,462	66	3,193,144	64	2,805,414	61	2541	Long-term borrowings (note 6(l))	735,828	13	432,356	9	214,369	5
1755	Right-of-use assets (note 6(i))	5,278	-	1,013	-	900	-	2580	Non-current lease liabilities (note 6(n))	3,298	-	195	-	-	-
1761	Investment property, land (notes 6(j) and 7)	228,012	4	228,012	5	228,012	5	2570	Deferred tax liabilities	103,811	2	103,811	2	103,811	2
1780	Intangible assets	48,251	1	54,582	1	54,381	1	2630	Deferred income (note 6(l))	6,066	-	4,108	-	2,964	-
1840	Deferred tax assets	167,252	3	167,252	4	241,552	5	2640	Provisions for employee benefits, non-current	18,585	1	19,530	-	16,014	-
1900	Other non-current assets (note 6(h))	33,631	1	66,098	1	85,677	2	2600	Total other non-current liabilities (note 7)	1,000	-	1,000	-	1,000	-
		<u>4,444,082</u>	<u>80</u>	<u>3,918,141</u>	<u>79</u>	<u>3,548,373</u>	<u>77</u>			<u>868,588</u>	<u>16</u>	<u>561,000</u>	<u>11</u>	<u>338,158</u>	<u>7</u>
								Total liabilities		<u>1,426,680</u>	<u>26</u>	<u>1,331,315</u>	<u>27</u>	<u>1,060,263</u>	<u>23</u>
Total assets		<u>\$ 5,555,503</u>	<u>100</u>	<u>4,960,539</u>	<u>100</u>	<u>4,618,383</u>	<u>100</u>	Equity attributable to owners of parent (note 6(r)):							
								3100	Ordinary Share	1,075,087	19	953,824	19	953,824	21
								3200	Capital surplus	1,377,270	25	1,357,127	27	1,348,339	29
								3310	Legal reserve	462,435	8	431,874	9	431,874	9
								3320	Special reserve	54,727	1	48,929	1	48,929	1
								3350	Unappropriated retained earnings	1,124,227	20	892,197	18	816,725	18
								3400	Other components of equity	35,077	1	(54,727)	(1)	(41,571)	(1)
								Total equity		<u>4,128,823</u>	<u>74</u>	<u>3,629,224</u>	<u>73</u>	<u>3,558,120</u>	<u>77</u>
								Total liabilities and equity		<u>\$ 5,555,503</u>	<u>100</u>	<u>4,960,539</u>	<u>100</u>	<u>4,618,383</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2023 and 2022

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

	For the three months ended September 30,				For the nine months ended September 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4110	Sales revenue (notes 6(t) and 7)	\$ 257,849	100	304,589	100	912,743	100	673,973	100
5110	Cost of sales (notes 6(e), 6(p) and 12)	177,696	69	211,542	69	629,815	69	465,691	69
5900	Gross profit	<u>80,153</u>	<u>31</u>	<u>93,047</u>	<u>31</u>	<u>282,928</u>	<u>31</u>	<u>208,282</u>	<u>31</u>
	Operating expenses (notes 6(p) and 12):								
6100	Selling expenses	14,978	6	15,557	5	45,448	5	37,301	6
6200	Administrative expenses	15,266	6	20,463	7	47,854	5	61,349	9
6300	Research and development expenses	13,648	5	9,887	3	38,237	4	28,890	4
		<u>43,892</u>	<u>17</u>	<u>45,907</u>	<u>15</u>	<u>131,539</u>	<u>14</u>	<u>127,540</u>	<u>19</u>
6900	Net operating income	<u>36,261</u>	<u>14</u>	<u>47,140</u>	<u>16</u>	<u>151,389</u>	<u>17</u>	<u>80,742</u>	<u>12</u>
	Non-operating income and expenses:								
7101	Interest income	135	-	215	-	1,416	-	305	-
7130	Dividend income	1,532	1	4,826	2	1,532	-	5,494	1
7190	Other income (notes 6(v), 7 and 10)	2,663	1	2,985	1	217,730	24	194,401	29
7235	Gains (losses) on financial assets at fair value through profit or loss	1,460	1	(6,016)	(2)	(127)	-	(10,392)	(2)
7510	Interest expense (note 6(n))	(1,183)	(1)	(75)	-	(4,765)	(1)	(629)	-
7590	Miscellaneous disbursements	(1,469)	(1)	(156)	-	(1,911)	-	(1,257)	-
7610	Losses on disposals of property, plant and equipment	-	-	-	-	(537)	-	(1,333)	-
7630	Foreign exchange gains (losses)	11,042	4	18,228	6	18,271	2	32,880	5
7770	Share of loss of associates and joint ventures accounted for using equity method, net (note 6(g))	(6,018)	(2)	(4,845)	(2)	(8,515)	(1)	(9,889)	(2)
		<u>8,162</u>	<u>3</u>	<u>15,162</u>	<u>5</u>	<u>223,094</u>	<u>24</u>	<u>209,580</u>	<u>31</u>
7900	Profit before tax	44,423	17	62,302	21	374,483	41	290,322	43
7950	Less: Income tax expenses (note 6(q))	9,047	3	13,686	5	76,151	8	60,191	9
8200	Profit	<u>35,376</u>	<u>14</u>	<u>48,616</u>	<u>16</u>	<u>298,332</u>	<u>33</u>	<u>230,131</u>	<u>34</u>
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	(37,958)	(15)	(2,449)	(1)	203,605	22	7,358	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	<u>(37,958)</u>	<u>(15)</u>	<u>(2,449)</u>	<u>(1)</u>	<u>203,605</u>	<u>22</u>	<u>7,358</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ (2,582)</u>	<u>(1)</u>	<u>46,167</u>	<u>15</u>	<u>501,937</u>	<u>55</u>	<u>237,489</u>	<u>35</u>
	Earnings per share (note 6(s)):								
9750	Basic earnings per share	<u>\$ 0.33</u>		<u>0.45</u>		<u>2.78</u>		<u>2.14</u>	
9850	Diluted earnings per share	<u>\$ 0.33</u>		<u>0.45</u>		<u>2.77</u>		<u>2.14</u>	

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2023 and 2022
(expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity interest Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Retained earnings				
			Legal reserve	Special reserve	Unappropriated retained earnings		
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
Balance at January 1, 2023	\$ 953,824	1,357,127	431,874	48,929	892,197	(54,727)	3,629,224
Profit for the nine months ended September 30, 2023	-	-	-	-	298,332	-	298,332
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	203,605	203,605
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	298,332	203,605	501,937
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	30,561	-	(30,561)	-	-
Special reserve appropriated	-	-	-	5,798	(5,798)	-	-
Cash dividends of ordinary share	-	-	-	-	(23,846)	-	(23,846)
Stock dividends of ordinary share	119,228	-	-	-	(119,228)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(670)	-	(670)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	113,801	(113,801)	-
Capital increased by employee remunerations	2,035	20,143	-	-	-	-	22,178
Balance at September 30, 2023	\$ 1,075,087	1,377,270	462,435	54,727	1,124,227	35,077	4,128,823

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2023 and 2022****(expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 374,483	290,322
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	94,079	56,843
Amortization expense	6,331	6,121
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	127	10,392
Interest expense	4,765	629
Interest income	(1,416)	(305)
Dividend income	(1,532)	(5,494)
Share of loss of associates and joint ventures accounted for using equity method	8,515	9,889
Losses due to (reversal of) major disasters	(373)	(31,958)
Others	537	1,333
Total adjustments to reconcile profit	<u>111,033</u>	<u>47,450</u>
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(105,180)	(144,188)
Increase in inventories	(5,649)	(133,627)
Decrease in other receivables and other current assets	8,653	256,408
Decrease in contract liabilities	(218)	(10,135)
Increase (decrease) in notes and accounts payable	(16,967)	6,342
Increase (decrease) in other payable	(102,800)	23,815
Decrease in provisions	(73,413)	(103,764)
Increase in other current liabilities	5,346	2,595
Decrease in provision for employee benefits, non-current	(945)	(931)
Total changes in operating assets and liabilities	<u>(291,173)</u>	<u>(103,485)</u>
Total adjustments	<u>(180,140)</u>	<u>(56,035)</u>
Cash flow from (used in) operations	194,343	234,287
Interest received	1,416	305
Dividends received	1,532	5,494
Interest paid	(4,765)	(629)
Income taxes paid	(4,730)	(47)
Net cash flows from (used in) operating activities	<u>187,796</u>	<u>239,410</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,981)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	162,245	-
Proceeds from disposal of financial assets at fair value through profit or loss	6,674	250,905
Acquisition of investments accounted for using equity method	(18,000)	(10,000)
Acquisition of property, plant and equipment	(636,412)	(702,415)
Proceeds from disposal of property, plant and equipment	-	65
Decrease (increase) in refundable deposits	(110)	400
Increase in prepayments of property, plant and equipment	(31,203)	(82,461)
Net cash flows from (used in) investing activities	<u>(520,787)</u>	<u>(543,506)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	28,000	-
Proceeds from long-term borrowings	303,922	216,927
Increase in guarantee deposits received	-	1,000
Payment of lease liabilities	(1,398)	(1,241)
Cash dividends paid	(23,846)	-
Net cash flows from (used in) financing activities	<u>306,678</u>	<u>216,686</u>
Net decrease in cash and cash equivalents	<u>(26,313)</u>	<u>(87,410)</u>
Cash and cash equivalents at beginning of period	<u>166,828</u>	<u>332,231</u>
Cash and cash equivalents at end of period	<u>\$ 140,515</u>	<u>244,821</u>

See accompanying notes to consolidated financial statements.

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

SCI PHARMTECH, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 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 November 10, 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”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

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

(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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following 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”
- Amendments to IAS21 “Lack of Exchangeability”

(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.

(Continued)

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

(b) Basis of Consolidation

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>		
			<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
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.

(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.

(Continued)

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

(a) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand	\$ 516	743	585
Checking accounts and demand deposits	104,067	74,369	162,168
Time deposits	35,932	91,716	17,000
Bill sold under repurchase agreement	-	-	65,068
	<u>\$ 140,515</u>	<u>166,828</u>	<u>244,821</u>

(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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	\$ 1,049	1,039	1,037
Stocks listed on domestic markets	89,695	96,506	98,067
	<u>\$ 90,744</u>	<u>97,545</u>	<u>99,104</u>

The Group did not provide any aforementioned financial assets as collateral for its loans as of September 30, 2023, December 31 and September 30, 2022, respectively.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through other comprehensive income:			
Stocks listed on domestic markets	\$ 96,174	-	-
Emerging stocks	15,890	66,723	79,879
	<u>\$ 112,064</u>	<u>66,723</u>	<u>79,879</u>

(Continued)

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

- (i) 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.
- (ii) In the second and third quarter of 2023, the Group had sold some part of its shares held in Sunny Pharmtech Inc, which is accounted under equity investments measured at fair value through other comprehensive income, with a fair value of \$162,245 at the time of disposal, and the cumulative gain on disposal amounted to \$113,801. Therefore, the Group has transferred the aforesaid cumulative gain on disposal from other equity to retained earnings.
- (iii) Energenesis Biomedical Co., Ltd., was originally an emerging company and became listed in June 2023.
- (iv) Please refer to note 6(w) for market risk of the Group.
- (v) As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any aforementioned financial assets as collateral for its loans.
- (d) Notes and accounts receivable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ -	-	536
Accounts receivable	278,745	173,565	226,628
Less: Loss allowance	-	-	-
	<u>\$ 278,745</u>	<u>173,565</u>	<u>227,164</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables, 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:

	<u>September 30, 2023</u>		
	<u>Gross carrying amount</u>	<u>Rate of loss allowance provision</u>	<u>Loss allowance provision</u>
Current	\$ 185,329	-	-
1 to 30 days past due	13,711	-	-
31 to 60 days past due	5,494	-	-
61 to 90 days past due	1,609	-	-
91 to 180 days past due	<u>72,602</u>	-	-
	<u>\$ 278,745</u>		<u>-</u>

(Continued)

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

	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	<u>4,717 (note)</u>	-	-
	<u>\$ 173,565</u>		<u>-</u>
	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	<u>4,505 (note)</u>	-	-
	<u>\$ 227,164</u>		<u>-</u>

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 nine months ended September 30,	
	2023	2022
Balance at January 1 (Balance at September 30)	<u>\$ -</u>	<u>-</u>

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(Continued)

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

(e) Inventories

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Raw materials	\$ 123,431	195,009	146,664
Work in progress	93,035	45,405	38,900
Finished goods	<u>302,613</u>	<u>273,016</u>	<u>242,245</u>
	<u><u>\$ 519,079</u></u>	<u><u>513,430</u></u>	<u><u>427,809</u></u>

Inventory cost recognized as operating costs for the three months and nine months ended September 30, 2023 and 2022 were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Inventory that has been sold	\$ 151,283	198,454	554,725	426,721
Write-down of inventories (Reversal of write-downs)	3,181	(1,504)	13,860	1,067
Loss on disposal of inventories	517	2,467	1,898	2,467
Unallocated production overheads	<u>22,715</u>	<u>12,125</u>	<u>59,332</u>	<u>35,436</u>
	<u><u>\$ 177,696</u></u>	<u><u>211,542</u></u>	<u><u>629,815</u></u>	<u><u>465,691</u></u>

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any inventories as collaterals for its loans.

(f) Other receivables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Insurance claim receivable	\$ -	30,950	-
Others	<u>78</u>	<u>151</u>	<u>207</u>
	<u><u>\$ 78</u></u>	<u><u>31,101</u></u>	<u><u>207</u></u>

(g) Investments accounted for using equity method

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Associates	<u><u>\$ 150,132</u></u>	<u><u>141,317</u></u>	<u><u>52,558</u></u>

(Continued)

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

- (i) Except for the following, there was no significant change for investments accounted for using the equity method for the nine months ended September 30, 2023 and 2022. Furthermore, in July and November 2022, the Group increased its investment on associates amounting to \$92,750. For the related information, please refer to note 6(g) of the consolidated financial statements for the year ended December 31, 2022.
- (ii) In May 2023, the Group subscribed to the newly issued shares of HoneyBear Biosciences, Inc. (HoneyBear) amounting to \$18,000, at a percentage disproportionate to its existing ownership percentage, resulting in the ownership of HoneyBear by the Group to increase from 6.09% to 11.54%, and the retained earnings to decrease by \$670.
- (iii) The Group's financial information on investments accounted for using equity method that are individually insignificant was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of individually insignificant associates' equity	\$ 150,132	141,317	52,558
	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023
Attributable to the Group:			
Profit (loss)	\$ (6,018)	(4,845)	(8,515)
Other comprehensive income (loss)	-	-	-
Total comprehensive income (loss)	\$ (6,018)	(4,845)	(8,515)

- (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.

(Continued)

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

(h) Property, plant and equipment

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others equipment</u>	<u>Prepayment for equipment and construction in progress</u>	<u>Total</u>
Cost:							
Balance on January 1, 2023	\$ 687,883	700,232	1,116,895	55,466	12,968	1,323,065	3,896,509
Additions	-	-	56,817	219	-	477,200	534,236
Disposal and derecognitions	-	-	(765)	-	-	-	(765)
Transferred in (out)	-	-	316,002	2,376	-	(253,090)	65,288
Balance on September 30, 2023	<u>\$ 687,883</u>	<u>700,232</u>	<u>1,488,949</u>	<u>58,061</u>	<u>12,968</u>	<u>1,547,175</u>	<u>4,495,268</u>
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
Disposal and derecognitions	-	(1,879)	(12,014)	(403)	-	-	(14,296)
Transferred in (out)	90,215	15,758	245,118	19,022	-	(107,891)	262,222
Reclassifications	(228,012)	-	-	-	-	-	(228,012)
Balance on September 30, 2022	<u>\$ 687,883</u>	<u>700,232</u>	<u>884,467</u>	<u>54,314</u>	<u>12,968</u>	<u>1,143,762</u>	<u>3,483,626</u>
Depreciation and impairments loss:							
Balance on January 1, 2023	\$ -	287,084	385,715	23,635	6,931	-	703,365
Depreciation	-	18,407	69,754	3,729	779	-	92,669
Disposals and derecognitions	-	-	(228)	-	-	-	(228)
Balance on September 30, 2023	<u>\$ -</u>	<u>305,491</u>	<u>455,241</u>	<u>27,364</u>	<u>7,710</u>	<u>-</u>	<u>795,806</u>
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
Disposals and derecognitions	-	(1,879)	(10,616)	(403)	-	-	(12,898)
Balance on September 30, 2022	<u>\$ -</u>	<u>280,941</u>	<u>368,176</u>	<u>22,424</u>	<u>6,671</u>	<u>-</u>	<u>678,212</u>
Carrying amounts:							
Balance on January 1, 2023	<u>\$ 687,883</u>	<u>413,148</u>	<u>731,180</u>	<u>31,831</u>	<u>6,037</u>	<u>1,323,065</u>	<u>3,193,144</u>
Balance on September 30, 2023	<u>\$ 687,883</u>	<u>394,741</u>	<u>1,033,708</u>	<u>30,697</u>	<u>5,258</u>	<u>1,547,175</u>	<u>3,699,462</u>
Balance on January 1, 2022	<u>\$ 825,680</u>	<u>419,632</u>	<u>198,062</u>	<u>14,251</u>	<u>7,076</u>	<u>633,296</u>	<u>2,097,997</u>
Balance on September 30, 2022	<u>\$ 687,883</u>	<u>419,291</u>	<u>516,291</u>	<u>31,890</u>	<u>6,297</u>	<u>1,143,762</u>	<u>2,805,414</u>

Except for the following, the information on significant transactions of the Group's property, plant and equipment, please refer to note 6(h) of the consolidated financial statements for the year ended December 31, 2022.

- (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. Please refer to note 6(j) for the detail.

(Continued)

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

- (ii) As of September 30, 2023, December 31 and September 30, 2022, the Group's prepayments for equipment purchases amounted to \$32,711, \$65,288 and \$82,867, respectively, which were recorded as other non-current assets.
- (iii) As of September 30, 2023, December 31 and September 30, 2022, 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, 2023	\$ 4,922
Additions	5,675
Reductions	(4,233)
Balance on September 30, 2023	\$ 6,364
Balance on January 1, 2022 (Same as balance on September 30, 2022)	\$ 4,406
Accumulated depreciation:	
Balance on January 1, 2023	\$ 3,909
Depreciation for the period	1,410
Reductions	(4,233)
Balance on September 30, 2023	\$ 1,086
Balance on January 1, 2022	\$ 2,272
Depreciation for the period	1,234
Balance on September 30, 2022	\$ 3,506
Carrying amount:	
Balance on January 1, 2023	\$ 1,013
Balance on September 30, 2023	\$ 5,278
Balance on January 1, 2022	\$ 2,134
Balance on September 30, 2022	\$ 900

(Continued)

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

(j) Investments property

	Land
Cost:	
Balance on January 1, 2023 (Same as balance on September 30, 2023)	\$ <u>228,012</u>
Balance on January 1, 2022	\$ -
Transferred from Property, plant and equipment	<u>228,012</u>
Balance September 30, 2022	\$ <u>228,012</u>
Accumulated depreciation:	
Balance on January 1, 2023 (Same as balance on September 30, 2023)	\$ -
Balance on January 1, 2022 (Same as balance on September 30, 2022)	\$ -
Carrying amount:	
Balance on January 1, 2023	\$ <u>228,012</u>
Balance on September 30, 2023	\$ <u>228,012</u>
Balance on January 1, 2022	\$ -
Balance on September 30, 2022	\$ <u>228,012</u>

- (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 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.
- (iii) The Group rented out investment property for related parties. Please refer to note 7 for the details of rental income.
- (iv) 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, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 120,000	112,000	-
Secured bank loans	<u>20,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 140,000</u>	<u>112,000</u>	<u>-</u>
Unused short-term credit lines	<u>\$ 750,000</u>	<u>658,000</u>	<u>420,000</u>
Range of interest rates	<u>1.7%~1.925%</u>	<u>1.48%~1.58%</u>	<u>1.20%~1.26%</u>

- (i) For the collateral of the Group's assets for short-term borrowings, please refer to note 8.
- (ii) For the information on the Group's exposure to the interest rate risk and liquidity risk, please refer to note 6(w).

(Continued)

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

(l) Long-term borrowings

The details of long-term borrowings were as following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Secured bank loans – Maturity year 2025.3~2027.2	\$ 559,689	322,767	216,927
Unsecured bank loans – Maturity year 2025.11 and 2026.9	180,000	113,000	-
Less: current portion	-	-	-
Less: Deferred income	<u>(3,861)</u>	<u>(3,411)</u>	<u>(2,558)</u>
	<u>\$ 735,828</u>	<u>432,356</u>	<u>214,369</u>
Unused credit lines	<u>\$ 490,311</u>	<u>714,233</u>	<u>783,073</u>
Range of interest rates	<u>1.55%~1.925%</u>	<u>1.43%~1.8%</u>	<u>0.8%~1.175%</u>

- (i) For the nine months ended September 30, 2023 and 2022, the Group had the additional long-term borrowings amounting to \$303,922 and \$216,927, respectively, 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, 2023, the Group had used the credit amount of \$559,689.

(m) Other payables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Salaries payable	\$ 85,952	85,129	69,362
Indemnities payable	-	125,403	-
Others	<u>85,087</u>	<u>85,485</u>	<u>83,201</u>
	<u>\$ 171,039</u>	<u>296,017</u>	<u>152,563</u>

(Continued)

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

(n) Lease liabilities

The carrying amount of lease liabilities was as follows:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Current	\$ <u>2,002</u>	<u>828</u>	<u>914</u>
Non-current	\$ <u>3,298</u>	<u>195</u>	<u>-</u>

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
The amounts recognized in profit or loss were as follows:				
Interest on lease liabilities	\$ <u>30</u>	<u>4</u>	<u>51</u>	<u>18</u>
Expenses relating to short-term leases	\$ <u>187</u>	<u>1,429</u>	<u>510</u>	<u>18,767</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>5</u>	<u>7</u>	<u>8</u>	<u>26</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>166</u>	<u>151</u>	<u>493</u>	<u>448</u>
			<u>For the nine months ended</u> <u>September 30,</u>	
			<u>2023</u>	<u>2022</u>

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

Total cash outflow for leases	\$ <u>2,460</u>	<u>20,500</u>
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The Group leases company cars and copy machines: The leases typically run for a period of three to six years.

The Group also leases 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.

(Continued)

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

(o) Provisions

Except for the following disclosure, there was no significant change for provisions for the nine months ended September 30, 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 made (reversed) during the year	8,877	(373)	8,504
Provisions used during the year	<u>(20,944)</u>	<u>(61,346)</u>	<u>(82,290)</u>
Balance on September 30, 2023	<u>\$ 31,158</u>	<u>6,440</u>	<u>37,598</u>
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	<u>(10,466)</u>	<u>(104,324)</u>	<u>(114,790)</u>
Balance on September 30, 2022	<u>\$ 44,506</u>	<u>238,612</u>	<u>283,118</u>

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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating cost	\$ 147	117	421	379
Operating expenses	<u>60</u>	<u>63</u>	<u>200</u>	<u>164</u>
Total	<u>\$ 207</u>	<u>180</u>	<u>621</u>	<u>543</u>

(Continued)

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

(ii) Defined contribution plans

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Operating cost	\$ 1,407	1,213	4,070	3,643
Selling expenses	69	57	204	170
Administration expenses	242	206	681	549
Research expenses	177	198	559	624
Total	\$ 1,895	1,674	5,514	4,986

(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, 2023 and 2022 were calculated as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Current income tax expense	\$ 9,047	13,686	76,151	60,191

(iii) For the three months and nine months ended September 30, 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 September 30, 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) Ordinary shares

Based on the resolution of stockholders' meeting held on June 19, 2023, the Company increased its common stock through the issuance of stock dividends by transferring retained earnings amounting to \$119,228. The newly issued shares totaled 11,923 thousand shares with a par value of NTD 10 per share. The effective date is August 2, 2023, and the registration procedures has been completed.

(Continued)

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

Based on the resolution of the stockholders' meeting held on June 19, 2023, the Company decided to issue 203 thousand new shares with par value of NTD10 per share as employees' remuneration amounting to \$22,178. The registration procedures have been completed, please refer to note 6(u).

(ii) 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.

(iii) Earnings distribution

Based on the resolution of stockholders' meeting held on June 19, 2023, the appropriation of earnings for the year 2022 was approved. Moreover, based on the resolution of stockholders' meeting held on June 21, 2022, there were no dividends to be appropriated from the 2021 earnings. The above dividends per share were appropriated as follows:

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

(Continued)

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

(iv) 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	203,605
Disposal of investments in equity instruments designated at fair value through other comprehensive income	<u>(113,801)</u>
Balance at September 30, 2023	<u>\$ 35,077</u>
Balance at January 1, 2022	\$ (48,929)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>7,358</u>
Balance at September 30, 2022	<u>\$ (41,571)</u>

(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,	
	2023	2022	2023	2022
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u>\$ 35,376</u>	<u>48,616</u>	<u>298,332</u>	<u>230,131</u>
Weighted-average number of ordinary shares (thousand shares)	<u>107,509</u>	<u>107,305</u>	<u>107,454</u>	<u>107,305</u>
	<u>\$ 0.33</u>	<u>0.45</u>	<u>2.78</u>	<u>2.14</u>

(Continued)

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>35,376</u>	<u>48,616</u>	<u>298,332</u>	<u>230,131</u>
Weighted-average number of ordinary shares (thousand shares)	107,509	107,305	107,454	107,305
Effect of potentially dilutive ordinary shares:				
Effect of employee compensation	<u>219</u>	<u>212</u>	<u>283</u>	<u>233</u>
Weighted-average number of ordinary shares (thousand shares) (diluted)	<u>107,728</u>	<u>107,517</u>	<u>107,737</u>	<u>107,538</u>
	<u>\$ 0.33</u>	<u>0.45</u>	<u>2.77</u>	<u>2.14</u>

The above mentioned weighted average number of ordinary shares has been retroactively adjusted for the shares obtained as stock dividends, with August 2, 2023 as the date of capital increase.

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Primary geographical markets:				
Italy	\$ 55,550	68,173	234,820	204,824
Japan	44,963	39,305	99,674	56,222
Germany	15,510	43,419	89,682	101,184
United States	10,147	14,522	81,963	50,175
Taiwan	24,060	45,400	65,391	78,568
China	20,975	8,295	60,093	43,429
Netherlands	26,984	-	54,009	-
Switzerland	8,702	26,563	48,791	47,707
Others	<u>50,958</u>	<u>58,912</u>	<u>178,320</u>	<u>91,864</u>
	<u>\$ 257,849</u>	<u>304,589</u>	<u>912,743</u>	<u>673,973</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
Major products:				
Active Pharmaceutical	\$ 181,991	193,247	568,935	302,481
Ingredients				
Intermediates	67,462	109,275	332,511	356,379
Specialty Chemical	8,396	2,067	11,297	15,113
	\$ 257,849	304,589	912,743	673,973
 (ii) Contract balances				
	September 30, 2023	December 31, 2022	September 30, 2022	
Notes and accounts receivable	\$ 278,745	173,565	227,164	
Less: Loss allowance	-	-	-	
Total	\$ 278,745	173,565	227,164	
Contract liabilities (sales received in advance)	\$ 31,555	31,773	31,629	

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, 2023 and 2022, that was included in the contract liability balance at the beginning of the period was \$323 and \$10,314, 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, 2023 and 2022, the remunerations to employees amounted to \$7,200, \$5,227, \$20,943 and \$18,544, respectively, and the remunerations to directors amounted to \$600, \$1,720, \$4,800 and \$4,650, 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.

(Continued)

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

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 aforementioned remunerations to employees in 2022 amounting to \$22,178, are calculated with the closing market price of ordinary shares (NTD109 per share) on the day before the resolution of the board of directors to distribute the remunerations to employees on March 14, 2023, and 203 thousand shares are distributed. The information is available on the Market Observation Post System website.

(v) Other Income

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Provisions reversal of fire indemnity \$	-	2,155	373	31,958
Insurance claim income, net	-	-	210,943	158,275
Rental income and others	2,663	830	6,414	4,168
	\$ 2,663	2,985	217,730	194,401

(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 represent the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of September 30, 2023, December 31 and September 30, 2022, there were six, five and six major customers, respectively, that accounted for 74.54%, 72.58% and 68.75%, 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.

(Continued)

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

- 3) Receivables and debt securities
- a) For credit risk exposure of notes and trade receivables, please refer to note 6(d).
- b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Group are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
September 30, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 140,000	(140,377)	(140,377)	-	-
Notes and accounts payable	31,669	(31,669)	(31,669)	-	-
Lease liabilities (including current and non-current)	5,300	(5,494)	(2,091)	(1,463)	(1,940)
Other payables	171,039	(171,039)	(171,039)	-	-
Payables on contractors and equipment	58,415	(58,415)	(58,415)	-	-
Long-term borrowings	735,828	(769,763)	(10,810)	(175,130)	(583,823)
Deposits received	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
	<u>\$ 1,143,251</u>	<u>(1,177,757)</u>	<u>(414,401)</u>	<u>(176,593)</u>	<u>(586,763)</u>
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	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
	<u>\$ 1,051,623</u>	<u>(1,074,839)</u>	<u>(623,865)</u>	<u>(5,821)</u>	<u>(445,153)</u>

(Continued)

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
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	<u>214,369</u>	<u>(225,892)</u>	<u>(2,237)</u>	<u>(2,243)</u>	<u>(221,412)</u>
	<u>\$ 553,960</u>	<u>(565,488)</u>	<u>(341,833)</u>	<u>(2,243)</u>	<u>(221,412)</u>

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

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 2022</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	
Financial assets										
Monetary items										
USD to TWD	\$	9,365	32.22	301,740	8,287	30.66	254,079	8,665	31.7	274,681
EUR to TWD		1,834	33.71	61,824	493	32.52	16,032	1,030	31.06	31,992
Financial liabilities										
Monetary items										
USD to TWD		542	32.22	17,463	1,028	30.66	31,518	631	31.7	20,003

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, 2023 and 2022, would have affected the net profit before tax increased or decreased \$3,461 and \$2,867, respectively. The analysis is performed on the same basis for both periods.

(Continued)

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

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, 2023 and 2022, the exchange gains (losses), including realized and unrealized, are \$11,042, \$18,228, \$18,271 and \$32,880, 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:

	<u>Carrying amount</u>	
	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2022</u>
Variable rate instruments:		
Financial assets	\$ 103,857	161,899
Financial liabilities	879,689	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 decreased by \$1,455 and \$103, respectively, for the nine months ended September 30, 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.

(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:

(Continued)

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

	September 30, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 90,744	90,744	-	-	90,744
Financial assets at fair value through other comprehensive income					
Listed stocks and emerging stocks	112,064	112,064	-	-	112,064
Financial assets measured at amortized cost					
Cash and cash equivalents	140,515	-	-	-	-
Notes and accounts receivable	278,745	-	-	-	-
Other receivables	78	-	-	-	-
Refunded deposits (recognized as other non-current assets)	920	-	-	-	-
Subtotal	420,258				
Total	<u>\$ 623,066</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 140,000	-	-	-	-
Notes and accounts payable	31,669	-	-	-	-
Lease liabilities (including current and non-current)	5,300	-	-	-	-
Other payables	171,039	-	-	-	-
Payables on contractors and equipment	58,415	-	-	-	-
Long-term borrowings	735,828	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	<u>\$ 1,143,251</u>				

(Continued)

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

	December 31, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	<u>\$ 536,572</u>				
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	<u>\$ 1,051,623</u>				

(Continued)

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

	September 30, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
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				

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.

(Continued)

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

- 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

The Group holds investment in equity shares, which are classified as financial assets at fair value through other comprehensive income, with the fair value of \$112,064, \$66,723 and \$79,879 as of September 30, 2023, December 31 and September 30, 2022, respectively.

In June, 2023, one of the above financial assets, Sunny Pharmtech Inc., listed its equity shares on an exchange and became publicly quoted on an active market. Furthermore, the degree of the stock trading activity of Energenesis, an emerging company, meets the definition of an active market. Therefore, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy as of June 30, 2023.

(Continued)

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

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	241,563
Reclassifications	(241,377)
Disposal	(66,909)
September 30, 2023	\$ -
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

For the three months and nine months ended September 30, 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 September 30,		For the nine months ended September 30,	
	2023	2022	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”	\$ -	(2,449)	-	7,358

(Continued)

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

- 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.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Fair value through other comprehensive income – equity investments without an active market	Price-Book ratio method	The multiplier of Price-Book Ratio (As of December 31 and September 30, 2022 were 1.42~2.89 and 1.59~3.39, respectively)	The higher the fair value is, the higher the fair value will be.
"	"	Lack-of-Marketability discount rate (As of December 31 and September 30, 2022 were 23% and 23%~27%, 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:

	<u>Inputs</u>	<u>Move up or downs</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	<u>\$ 3,312</u>	<u>3,357</u>
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	<u>\$ 976</u>	<u>1,021</u>

(Continued)

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

September 30, 2022	Inputs	Move up or downs	Other comprehensive income	
			Favorable	Unfavorable
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>3,992</u>	<u>3,992</u>
Financial assets at fair value through other comprehensive income	Lack-of Marketability discount rate	5%	\$ <u>1,213</u>	<u>1,213</u>

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 nine months ended September 30, 2023 and 2022, were as follows:

- (i) For the acquisition of right-of-use assets by lease for the nine months ended September 30, 2023 and 2022, please refer to note 6(i).
- (ii) Reconciliation of liabilities arising from financing activities for the nine months ended September 30, 2023 and 2022, were as follows:

	January 1, 2023	Cash flows	Non-cash changes		September 30, 2023
			Acquisition	Others	
Short-term borrowings	\$ 112,000	28,000	-	-	140,000
Long-term borrowings	432,356	303,922	-	(450)	735,828
Lease liabilities	<u>1,023</u>	<u>(1,398)</u>	<u>5,675</u>	<u>-</u>	<u>5,300</u>
	<u>\$ 545,379</u>	<u>330,524</u>	<u>5,675</u>	<u>(450)</u>	<u>881,128</u>

(Continued)

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

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Acquisition	Others	
Long-term borrowings	\$ -	216,927	-	(2,558)	214,369
Lease liabilities	2,155	(1,241)	-	-	914
	<u>\$ 2,155</u>	<u>215,686</u>	<u>-</u>	<u>(2,558)</u>	<u>215,283</u>

(7) Related-party transactions:

- (a) Names and relationship with related parties:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Weichyun Wong	The chairman of the Company
Framosa Co., Ltd. (Framosa)	The associate of the Company
Honey Bear Biosciences, Inc. (Honey Bear)	"

- (b) Significant transaction with related parties:

- (i) Sales

The amounts of sales by the Group to related parties were as follow:

	September 30, 2023	December 31, 2022	September 30, 2022
Associates	<u>\$ 8,000</u>	<u>-</u>	<u>-</u>

There were no comparative sales prices between the related parties and other customers, and the payment term was 30 days. The payment terms have no significant differences between the related parties and other customers. As of September 30, 2023, all the above transaction amount have been received.

- (ii) 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)				Other receivables from related parties		
	For the three months ended September 30,		For the nine months ended September 30,		September 30, 2023	December 31, 2022	September 30, 2022
	2023	2022	2023	2022			
Associates	<u>\$ 1,616</u>	<u>310</u>	<u>4,697</u>	<u>310</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Guarantee deposits received (recorded as other non-current liability)		
	September 30, 2023	December 31, 2022	September 30, 2022
	Associates	<u>\$ 1,000</u>	<u>1,000</u>

(Continued)

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

(iii) Property transactions

The Group entrusted Framosa with the construction of its wastewater treatment plant, the total contract price is \$248,818 (before tax), as of September 30, 2023, December 31 and September 30, 2022, the amount of \$71,605, \$0 and 0, respectively, was recorded as construction in progress. As of September 30, 2023, all the above transaction price has been paid.

(iv) 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, 2023 and 2022. Please refer to note 6(h).

(c) Key management personnel compensation

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Salary and short-term employee benefits	<u>\$ 7,743</u>	<u>3,720</u>	<u>19,065</u>	<u>13,996</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Land	Pledged as collaterals	\$ 42,736	42,736	42,736
Building	"	2,414	2,884	3,041
		<u>\$ 45,150</u>	<u>45,620</u>	<u>45,777</u>

(9) Commitments and contingencies:

- (a) As of September 30, 2023, December 31 and September 30, 2022, the unused balance of the Group's outstanding standby letters of credit amounted to \$6,799, \$5,535 and \$9,107, respectively.
- (b) The significant outstanding purchase commitments for property, plant and equipment were as follows:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Acquisitions of property, plant and equipment	<u>\$ 535,983</u>	<u>712,862</u>	<u>594,205</u>

(Continued)

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

(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, 2023, December 31 and September 30, 2022, the outstanding provisions for fire indemnity was \$6,440, \$68,159 and \$238,612, 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 September 30, 2023, December 31 and September 30, 2022, the Company recognized the claim receivables for \$0, \$30,000 and \$0, respectively, which were recorded under other receivables.

For the three months and nine months ended September 30, 2023 and 2022, the Company received insurance claim income amounting to \$0, \$0, \$210,943 and \$158,275, respectively, which was recorded under other income.

(11) Subsequent Events:

For the construction of plants in Guanyin, the Group has decided to conduct a cash capital increase, as resolved by the Board of Directors held on August 10, 2023. The newly issued shares totaled 12,000 thousand shares with a par value of NTD 10 per share and an issue price of NTD 80 per share, raising \$960,000, among them 10% of the total number of shares issued for employees' subscription, with November 6, 2023, as the date of capital increase. As of the reporting date, the entire amount of the shares has been received, and the related legal procedures are still in progress.

(12) Other:

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

By function	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	42,366	17,489	59,855	29,422	19,705	49,127
Labor and health insurance	3,359	1,165	4,524	3,140	1,298	4,438
Pension	1,554	548	2,102	1,330	524	1,854
Remuneration of directors	-	600	600	-	1,720	1,720
Others	931	2,052	2,983	741	1,408	2,149
Depreciation	27,280	6,603	33,883	15,965	6,964	22,929
Amortization	1,038	1,069	2,107	1,035	1,006	2,041

(Continued)

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

By function By item	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	121,581	53,701	175,282	90,691	58,665	149,356
Labor and health insurance	9,858	3,514	13,372	9,066	3,489	12,555
Pension	4,491	1,644	6,135	4,022	1,507	5,529
Remuneration of directors	-	4,800	4,800	-	4,650	4,650
Others	2,692	5,631	8,323	2,356	3,847	6,203
Depreciation	73,778	20,301	94,079	37,543	19,300	56,843
Amortization	3,118	3,213	6,331	3,104	3,017	6,121

(b) Seasonality of operations

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2023:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of September 30, 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	1,049	-	1,049	-
"	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	"	672	40,320	-	40,320	-
"	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	"	0.023	1	-	1	-
"	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	"	528	31,891	-	31,891	-
"	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	"	577	17,483	-	17,483	-
"	Stock (Energensis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	96,174	2.10 %	96,174	-
"	Stock (Sunny Pharmtech Inc.)	-	"	437	15,890	0.30 %	15,890	-

(Continued)

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

- (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 nine months ended September 30, 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
				September 30, 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 %	353,099	3,770	4,415	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 %	120,289	(20,069)	(6,594)	
Yushan Pharmaceuticals Inc.	Honey Bear Biosciences, Inc.	R.O.C.	Biotechnology services	33,000	15,000	3,300	11.54 %	29,843	(17,931)	(1,921)	

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

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

(Continued)

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

(d) Major shareholders:

Unit: shares

Shareholders' Name	Shareholding	Shares	Percentage
Mercuries & Associates Holding Ltd.		34,068,777	31.68 %
Zhan Liwei		6,817,500	6.34 %

(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.