

SCI PHARMTECH, INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of SCI Pharmtech, Inc. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SCI Pharmtech, Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: SCI Pharmtech, Inc.

Chairman: Weichyun Wong

Date: March 10, 2025

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of SCI Pharmtech, Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note 4(h) and Note 5 of the consolidated financial statements for the accounting policy of inventory valuation, as well as the estimation of inventory valuation, respectively. Information regarding the inventory and related expenses are shown in Note 6(e) of the consolidated financial statements.

Description of key audit matters:

Due to the characteristics of the pharmaceutical industry, products are manufactured for specific customers, providing batch-specific differentiation services according to their needs while the Group estimates the net realizable value of inventory. If there were no objective information regarding the current sales price available for reference, the Group has to make an evaluation of each product's various factors, such as the demands of the market, to determine the net realizable value of the product. As the reasonableness of estimation might have an impact on the inventory valuation, the test of inventory valuation is one of the key audit matters in our audit.

Our audit procedures include:

- Assessing the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the evaluation of changes in the market, customer demand and inventory turn-over to identify the obsolete inventories.
- Performing a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.
- Sampling and inspecting the Group's sales price; as well as verifying the calculation of the lower of cost or net realizable value; evaluating the adopted net realizable value as a basis for obsolete inventories.

2. Revenue recognition

Please refer to Note 4(q) of the consolidated financial statements, for the accounting policy of revenue recognition for operating revenue recognition.

Description of key audit matters:

The Group's main products are the manufacture of active pharmaceutical ingredients, and intermediates, etc. The Group's major customers are foreign pharmaceutical companies that have transaction terms different from each other, and the revenue recognition was booked by using manual adjustments, which may result in an inappropriate risk in revenue recognition. Therefore, the revenue recognition is one of the key audit matters in our audit.

Our audit procedures include:

- Understanding and testing the related controls surrounding the aforementioned sales and collection cycle;
- Checking the vouchers related to sales revenue;
- Verifying whether the revenue had been recognized in the proper period by testing the selected sales transactions before and after the balance sheet date in order to evaluate the accuracy of the timing of the Group's operating revenue recognition.

Other Matter

SCI Pharmtech Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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 with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsin, Yu-Ting and Huang, Keng-Chia.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2025

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit 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

December 31, 2024 and 2023

(expressed in thousands of New Taiwan dollars)

Assets		December 31, 2024		December 31, 2023		Liabilities and Equity		December 31, 2024		December 31, 2023			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$	582,382	8	942,057	14	2100	Short-term borrowings (note 6(j))	\$	100	-	175,000	3
1110	Current financial assets at fair value through profit or loss (note 6(b))		110,374	1	88,998	1	2170	Notes and accounts payable		58,437	1	44,251	1
1170	Notes and accounts receivable, net (notes 6(d) and 6(t))		289,514	4	307,369	5	2130	Current contract liabilities (note 6(t))		94,923	1	38,367	1
1206	Other receivables		-	-	151	-	2200	Other payables (note 6(l))		193,349	3	169,538	3
1310	Inventories, net (note 6(e))		620,897	9	529,533	8	2213	Payables on equipment and construction		155,325	2	68,840	1
1470	Other current assets		<u>57,220</u>	<u>1</u>	<u>85,131</u>	<u>1</u>	2230	Current tax liabilities		85,251	1	11,536	-
			<u>1,660,387</u>	<u>23</u>	<u>1,953,239</u>	<u>29</u>	2250	Current provisions (note 6(n))		17,011	-	29,058	-
Non-current assets:							2280	Current lease liabilities (note 6(m))		2,465	-	1,946	-
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))		81,427	1	96,814	2	2300	Other current liabilities		4,078	-	11,351	-
1550	Investments accounted for using equity method (note 6(f))		156,097	2	144,808	2	2322	Long-term borrowings, current portion (note 6(k))		<u>403,439</u>	<u>6</u>	<u>20,000</u>	-
1600	Property, plant and equipment (notes 6(g), 7 and 8)		4,794,453	67	3,906,993	58		Non-current liabilities:		<u>1,014,378</u>	<u>14</u>	<u>569,887</u>	<u>9</u>
1755	Right-of-use assets (note 6(h))		8,780	-	4,772	-	2541	Long-term borrowings (note 6(k))		578,009	8	842,670	13
1761	Investment property, net (notes 6(i) and 7)		228,012	3	228,012	4	2580	Non-current lease liabilities (note 6(m))		6,374	-	2,858	-
1780	Intangible assets		37,765	1	46,147	1	2570	Deferred tax liabilities (note 6(p))		104,453	2	146,000	2
1840	Deferred tax assets (note 6(p))		143,817	2	153,277	2	2640	Provisions for employee benefits, non-current (note 6(o))		11,959	-	21,536	-
1900	Other non-current assets (notes 6(c) and 6(g))		<u>90,043</u>	<u>1</u>	<u>156,679</u>	<u>2</u>	2600	Total other non-current liabilities (notes 6(k) and 7)		<u>8,676</u>	-	<u>7,837</u>	-
			<u>5,540,394</u>	<u>77</u>	<u>4,737,502</u>	<u>71</u>		Total liabilities		<u>709,471</u>	<u>10</u>	<u>1,020,901</u>	<u>15</u>
										<u>1,723,849</u>	<u>24</u>	<u>1,590,788</u>	<u>24</u>
							Equity attributable to owners of parent (note 6(q)):						
						3100	Ordinary Shares		1,195,087	17	1,195,087	18	
						3200	Capital surplus		2,234,986	31	2,233,590	33	
						3310	Legal reserve		504,024	7	462,435	7	
						3320	Special reserve		-	-	54,727	1	
						3350	Unappropriated retained earnings		1,532,765	21	1,128,657	17	
						3400	Other equity interests		<u>10,070</u>	-	<u>25,457</u>	-	
							Total equity		<u>5,476,932</u>	<u>76</u>	<u>5,099,953</u>	<u>76</u>	
Total assets		\$	<u>7,200,781</u>	<u>100</u>	<u>6,690,741</u>	<u>100</u>	Total liabilities and equity		\$	<u>7,200,781</u>	<u>100</u>	<u>6,690,741</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 years ended December 31, 2024 and 2023****(expressed in thousands of New Taiwan Dollars, except for earnings per share)**

		2024		2023	
		Amount	%	Amount	%
4110	Operating revenue (notes 6(t) and 7)	\$ 1,523,738	100	1,204,159	100
5110	Operating costs (notes 6(e), 6(o) and 12)	<u>1,113,073</u>	<u>73</u>	<u>853,836</u>	<u>71</u>
5900	Gross profit	<u>410,665</u>	<u>27</u>	<u>350,323</u>	<u>29</u>
	Operating expenses (notes 6(m), 6(o), 6(r) and 12):				
6100	Selling expenses	74,152	5	61,736	5
6200	Administrative expenses	95,548	6	79,193	7
6300	Research and development expenses	<u>42,680</u>	<u>3</u>	<u>49,094</u>	<u>4</u>
		<u>212,380</u>	<u>14</u>	<u>190,023</u>	<u>16</u>
6900	Net operating income	<u>198,285</u>	<u>13</u>	<u>160,300</u>	<u>13</u>
	Non-operating income and expenses:				
7101	Interest income	8,029	-	3,447	-
7130	Dividend income	1,950	-	2,720	-
7190	Other income (notes 6(v), 7 and 10)	446,511	29	219,983	18
7235	Gains (losses) on financial assets at fair value through profit or loss	3,616	-	(1,872)	-
7510	Interest expense (note 6(m))	(5,540)	-	(6,290)	-
7590	Miscellaneous disbursements	(4,864)	-	(2,044)	-
7610	Losses on disposals of property, plant and equipment	-	-	(584)	-
7630	Foreign exchange gains (losses), net	22,602	1	2,369	-
7770	Share of loss of associates and joint ventures accounted for using equity method, net (note 6(f))	<u>(23,732)</u>	<u>(1)</u>	<u>(13,839)</u>	<u>(1)</u>
		<u>448,572</u>	<u>29</u>	<u>203,890</u>	<u>17</u>
7900	Profit before tax	646,857	42	364,190	30
7950	Less: Income tax expenses (note 6(p))	<u>112,179</u>	<u>7</u>	<u>69,469</u>	<u>6</u>
8200	Profit	<u>534,678</u>	<u>35</u>	<u>294,721</u>	<u>24</u>
8300	Other comprehensive income:				
8310	Item that will not be reclassified to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(o))	8,817	-	(3,321)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(15,387)	(1)	204,683	17
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(p))	<u>1,763</u>	<u>-</u>	<u>(664)</u>	<u>-</u>
8300	Other comprehensive income, net	<u>(8,333)</u>	<u>(1)</u>	<u>202,026</u>	<u>17</u>
8500	Total comprehensive income	<u>\$ 526,345</u>	<u>34</u>	<u>496,747</u>	<u>41</u>
	Earnings per share (note 6(s)):				
9750	Basic earnings per share	<u>\$ 4.47</u>		<u>2.70</u>	
9850	Diluted earnings per share	<u>\$ 4.46</u>		<u>2.69</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 years ended December 31, 2024 and 2023****(expressed in thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					Other equity interests	
						Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
Balance at January 1, 2023	\$ 953,824	1,357,127	431,874	48,929	892,197	(54,727)	3,629,224
Profit for the year ended December 31, 2023	-	-	-	-	294,721	-	294,721
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	(2,657)	204,683	202,026
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	292,064	204,683	496,747
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	30,561	-	(30,561)	-	-
Special reserve appropriated	-	-	-	5,798	(5,798)	-	-
Cash dividends of ordinary shares	-	-	-	-	(23,846)	-	(23,846)
Stock dividends of ordinary shares	119,228	-	-	-	(119,228)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(670)	-	(670)
Capital increase by cash	120,000	837,600	-	-	-	-	957,600
Share-based payments transactions	-	18,720	-	-	-	-	18,720
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	124,499	(124,499)	-
Capital increased by employee remunerations	2,035	20,143	-	-	-	-	22,178
Balance at December 31, 2023	1,195,087	2,233,590	462,435	54,727	1,128,657	25,457	5,099,953
Profit for the year ended December 31, 2024	-	-	-	-	534,678	-	534,678
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	7,054	(15,387)	(8,333)
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	541,732	(15,387)	526,345
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	41,589	-	(41,589)	-	-
Special reserve appropriated	-	-	-	(54,727)	54,727	-	-
Cash dividends of ordinary shares	-	-	-	-	(149,387)	-	(149,387)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,396	-	-	(1,375)	-	21
Balance at December 31, 2024	\$ 1,195,087	2,234,986	504,024	-	1,532,765	10,070	5,476,932

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 years ended December 31, 2024 and 2023****(expressed in thousands of New Taiwan Dollars)**

	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 646,857	364,190
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	225,410	136,859
Amortization expense	8,382	8,435
Net (profit) loss on financial assets and liabilities at fair value through profit or loss	(3,616)	1,872
Interest expense	5,540	6,290
Interest income	(8,029)	(3,447)
Dividend income	(1,950)	(2,720)
Share-based payment transactions	-	18,720
Share of loss of associates and joint ventures accounted for using equity method	23,732	13,839
Losses from disposal of property, plant and equipment	-	584
Reversal of provisions for losses on major disasters	-	(373)
Others	3,039	-
Total adjustments to reconcile profit	252,508	180,059
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	17,855	(133,804)
Increase in inventories	(91,364)	(16,103)
Decrease in other receivables and other current assets	28,060	5,707
Increase in contract liabilities	56,556	6,594
Increase (decrease) in notes and accounts payable	14,186	(4,385)
Increase (decrease) in other payables	23,811	(104,301)
Decrease in provisions	(12,047)	(81,953)
(Decrease) increase in other current liabilities	(7,273)	6,127
Decrease in provision for employee benefits, non-current	(760)	(1,315)
Total changes in operating assets and liabilities	29,024	(323,433)
Total adjustments	281,532	(143,374)
Cash flow from operations	928,389	220,816
Interest received	8,029	3,447
Dividends received	1,950	2,720
Interest paid	(5,540)	(6,290)
Income taxes paid	(72,312)	(4,926)
Net cash flows from operating activities	860,516	215,767
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	-	178,573
Acquisition of financial assets at fair value through profit or loss	(80,230)	-
Proceeds from disposal of financial assets at fair value through profit or loss	62,470	6,675
Acquisition of investments accounted for using equity method	(35,000)	(18,000)
Acquisition of property, plant and equipment	(867,468)	(873,601)
Increase in refundable deposits	(297)	(110)
Increase in prepayments of investments	(9,656)	-
Increase in prepayments of equipment	(79,170)	(155,759)
Net cash flows used in investing activities	(1,009,351)	(866,203)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(174,900)	63,000
Proceeds from long-term borrowings	141,786	430,805
Repayments of long-term borrowings	(26,250)	-
Increase in guarantee deposits received	228	-
Payment of lease liabilities	(2,317)	(1,894)
Cash dividends paid	(149,387)	(23,846)
Capital increase by cash	-	957,600
Net cash flows (used in) from financing activities	(210,840)	1,425,665
Net (decrease) increase in cash and cash equivalents	(359,675)	775,229
Cash and cash equivalents at beginning of period	942,057	166,828
Cash and cash equivalents at end of period	\$ 582,382	942,057

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

For the years ended December 31, 2024 and 2023

(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(c) 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 March 10, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- 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”

- (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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

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Standards or Interpretations	Content of amendment	Effective date per IASB
Annual Improvements to IFRS Accounting Standards—Volume 11	<p>The amendments set out:</p> <ol style="list-style-type: none"> IFRS 1 “First-time Adoption of International Financial Reporting Standards”: <p>The amendments address a potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 and requirements for hedge accounting in IFRS 9 Financial Instruments.</p> IFRS 7 “Financial Instruments: Disclosures”: <p>The amendments address a potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.</p> IFRS 9 “Financial Instruments”: <ul style="list-style-type: none"> Derecognition of a lease liability <p>The IASB’s amendment states that if a lease liability is derecognized, then the derecognition will be accounted for under IFRS 9, (i.e. the difference between the carrying amount and the consideration paid is recognized in profit or loss). However, when a lease liability is modified, the modification will be accounted for under IFRS 16 Leases.</p> Transaction price <p>The amendments require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 Revenue from Contracts with Customers. The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured.</p> 	January 1, 2026

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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Standards or Interpretations	Content of amendment	Effective date per IASB
	4. IFRS 10 “ Consolidated Financial Statements”: The amendments clarify the determination of a ‘de facto agent’.	
	5. IAS 7 “Statement of Cash Flows”: The amendments address a potential confusion in applying paragraph 37 of IAS 7 that arises from the use of the term ‘cost method’.	

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies:

The material accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value ;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(r).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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

List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2024	December 31, 2023
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

(e) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading

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

- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets) and debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

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- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Investment property

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

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

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

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

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(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 2 ~ 56 years
- 2) Machinery: 3 ~ 21 years
- 3) Other equipment: 3 ~ 21 years

Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at the carrying amount when the use of the property changes from owner-occupied to investment property.

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(l) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or
- 4) there is a change of its assessment on whether it will exercise a extension or termination option; or
- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives of computer software is 6~11 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Government grants and government assistance

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

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculate separated for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

The grant date of a share-based payment award is the date which the capital increase base date is adopted.

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

(t) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
2. temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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Deferred tax assets and liabilities are offset if the following criteria are met:

1. The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise convertible bond, employee stock options, remuneration to employees not yet approved by the Board of directors, and restricted employee shares.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments and estimates, about the future, including climate-related risks and opportunities, 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

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

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Group writes down the cost of inventories to net realizable value since the inventories at reporting date were estimated to be obsolescence and unmarketable items. The inventory valuation is based on the demand of the products within a specific period. Therefore, the value of inventories will vary significantly variable. Please refer to note 6(e) of the financial statement for inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash in hand	\$ 668	499
Checking accounts and demand deposits	133,638	907,102
Time deposits	285,828	34,456
Bill sold under repurchase agreement	162,248	-
Cash and cash equivalents in the consolidated statements of cash flows	\$ 582,382	942,057

(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

	December 31, 2024	December 31, 2023
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Beneficiary certificate	\$ 81,264	1,052
Stocks listed on domestic markets	29,110	87,946
Total	\$ 110,374	88,998

The Group did not provide any aforementioned financial assets as collateral for its loans as of December 31, 2024 and 2023, respectively.

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

	December 31, 2024	December 31, 2023
Financial assets at fair value through other comprehensive income:		
Stocks listed on domestic markets	\$ 81,427	96,814

(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) No strategic investments were disposed for the year ended December 31, 2024, and there were no transfers of any cumulative gain or loss within equity relating to these investment. In 2023, the Group had sold all 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 \$178,573 at the time of disposal, and the cumulative gain on disposal amounted to \$124,499. 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) Energenesis Biomedical Co., Ltd. increased its capital by cash in November 2024 upon the resolution of the board of directors. The base date for the capital increase was January 7, 2025. As of December 31, 2024, the Company's prepaid investment amounted to \$9,656 and recorded under other non-current assets.
- (v) Please refer to note 6(w) for market risk of the Group.
- (vi) As of December 31, 2024 and 2023, the Group did not provide any aforementioned financial assets as collateral for its loans.
- (d) Notes and accounts receivable

	December 31, 2024	December 31, 2023
Accounts receivable	289,514	307,369
Less: loss allowance	-	-
	<u>\$ 289,514</u>	<u>307,369</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:

	December 31, 2024		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	\$ 181,874	-	-
1 to 30 days past due	71,515	-	-
31 to 60 days past due	36,081	-	-
61 to 90 days past due	44	-	-
	<u>\$ 289,514</u>		<u>-</u>

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

	December 31, 2023		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	\$ 184,452	-	-
1 to 30 days past due	28,289	-	-
31 to 60 days past due	25,539	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	14	-	-
181 to 270 days past due	<u>69,075</u>	-	<u>-</u>
	<u>\$ 307,369</u>		<u>-</u>

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

	2024	2023
Balance at January 1 (Balance at December 31)	<u>\$ -</u>	<u>-</u>

As of December 31, 2024 and 2023, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 111,027	92,404
Work in progress	176,339	85,692
Finished goods	<u>333,531</u>	<u>351,437</u>
	<u>\$ 620,897</u>	<u>529,533</u>

Inventory cost recognized as operating costs for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Inventory that has been sold	\$ 950,423	735,302
Reversal (gains) losses on write-down of inventories	(27,289)	19,806
Loss on disposal of inventories	35,960	11,798
Unallocated production overheads	<u>153,979</u>	<u>86,930</u>
	<u>\$ 1,113,073</u>	<u>853,836</u>

The Company recognizes write-down losses of inventories as they are reduced to net realizable value and recognizes reversal gains of write-downs as the net realizable value of inventories increases due to the sale or written off of obsolete inventories.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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As of December 31, 2024 and 2023, the Group did not provide any inventories as collaterals for its loans.

(f) Investments accounted for using equity method

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

	December 31, 2024	December 31, 2023
Associates	<u>\$ 156,097</u>	<u>144,808</u>
(i) In May 2023, the Group subscribed to the newly issued shares of HoneyBear Biosciences, Inc.(HoneyBear) amounting to \$18,000, at a percentage disproportionate from 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.		
(ii) In August 2024, HoneyBear conducted its first capital increase by cash. The Group increased its investment by \$35,000 and acquired 4.97% of equity in HoneyBear, at a percentage disproportionate from its existing ownership percentage. As a result, the capital surplus decreased by \$8,788, and the retained earnings decreased by \$1,375. In November 2024, HoneyBear conducted its second capital increase by cash, the Group and its subsidiary did not acquire additional share, resulting in the ownership of HoneyBear by the Group decreased from 4.97% to 4.04% , and the capital surplus increased by \$10,184.		
(iii) The Group's financial information on investments accounted for using equity method that are individually insignificant was as follows:		
	December 31, 2024	December 31, 2023
Carrying amount of individually insignificant associates' equity	<u>\$ 156,097</u>	<u>144,808</u>
	<u>2024</u>	<u>2023</u>
Attributable to the Group:		
Profit (loss) for the year	\$ (23,732)	(13,839)
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ (23,732)</u>	<u>(13,839)</u>

(iv) Pledge to secure

As of December 31 2024 and 2023, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

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(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2024 and 2023, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Prepayment for equipment and construction in progress</u>	<u>Total</u>
Cost:							
Balance on January 1, 2024	\$ 687,883	707,002	1,714,324	58,337	12,968	1,564,525	4,745,039
Additions	-	-	72,017	640	-	885,149	957,806
Disposal and derecognitions	-	-	(13,038)	-	-	-	(13,038)
Transferred in (out)	-	15,902	621,219	271	-	(484,676)	152,716
Balance on December 31, 2024	<u>\$ 687,883</u>	<u>722,904</u>	<u>2,394,522</u>	<u>59,248</u>	<u>12,968</u>	<u>1,964,998</u>	<u>5,842,523</u>
Balance on January 1, 2023	\$ 687,883	700,232	1,116,895	55,466	12,968	1,323,065	3,896,509
Additions	-	5,030	122,867	219	-	655,972	784,088
Disposal and derecognitions	-	-	(846)	-	-	-	(846)
Transferred in (out)	-	1,740	475,408	2,652	-	(414,512)	65,288
Balance on December 31, 2023	<u>\$ 687,883</u>	<u>707,002</u>	<u>1,714,324</u>	<u>58,337</u>	<u>12,968</u>	<u>1,564,525</u>	<u>4,745,039</u>
Depreciation and impairments loss:							
Balance on January 1, 2024	\$ -	311,735	489,788	28,553	7,970	-	838,046
Depreciation	-	26,249	191,131	4,643	1,039	-	223,062
Disposals and derecognitions	-	-	(13,038)	-	-	-	(13,038)
Balance on December 31, 2024	<u>\$ -</u>	<u>337,984</u>	<u>667,881</u>	<u>33,196</u>	<u>9,009</u>	<u>-</u>	<u>1,048,070</u>
Balance on January 1, 2023	\$ -	287,084	385,715	23,635	6,931	-	703,365
Depreciation	-	24,651	104,335	4,918	1,039	-	134,943
Disposals and derecognitions	-	-	(262)	-	-	-	(262)
Balance on December 31, 2023	<u>\$ -</u>	<u>311,735</u>	<u>489,788</u>	<u>28,553</u>	<u>7,970</u>	<u>-</u>	<u>838,046</u>
Carrying amounts:							
Balance on December 31, 2024	<u>\$ 687,883</u>	<u>384,920</u>	<u>1,726,641</u>	<u>26,052</u>	<u>3,959</u>	<u>1,964,998</u>	<u>4,794,453</u>
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 December 31, 2023	<u>\$ 687,883</u>	<u>395,267</u>	<u>1,224,536</u>	<u>29,784</u>	<u>4,998</u>	<u>1,564,525</u>	<u>3,906,993</u>

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

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- (ii) As of December 31, 2024 and 2023, the Group's prepayments for equipment purchases amounted to \$79,170 and \$155,759, respectively, which were recorded as other non-current assets.
- (iii) As of December 31, 2024 and 2023, part of the property, plant and equipment of the Group had been pledged as collateral. Please refer to note 8 for the details.

(h) Right-of-use assets

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

	<u>Land</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance on January 1, 2024	\$ 3,566	2,626	6,192
Additions	-	6,591	6,591
Reductions	-	(1,132)	(1,132)
Balance on December 31, 2024	<u>\$ 3,566</u>	<u>8,085</u>	<u>11,651</u>
Balance on January 1, 2023	\$ -	4,922	4,922
Additions	3,566	2,109	5,675
Reductions	-	(4,405)	(4,405)
Balance on December 31, 2023	<u>\$ 3,566</u>	<u>2,626</u>	<u>6,192</u>
Accumulated depreciation:			
Balance on January 1, 2024	\$ 475	945	1,420
Depreciation for the period	713	1,635	2,348
Reductions	-	(897)	(897)
Balance on December 31, 2024	<u>\$ 1,188</u>	<u>1,683</u>	<u>2,871</u>
Balance on January 1, 2023	\$ -	3,909	3,909
Depreciation for the period	475	1,441	1,916
Reductions	-	(4,405)	(4,405)
Balance on December 31, 2023	<u>\$ 475</u>	<u>945</u>	<u>1,420</u>
Carrying amount:			
Balance on December 31, 2024	<u>\$ 2,378</u>	<u>6,402</u>	<u>8,780</u>
Balance on January 1, 2023	<u>\$ -</u>	<u>1,013</u>	<u>1,013</u>
Balance on December 31, 2023	<u>\$ 3,091</u>	<u>1,681</u>	<u>4,772</u>

(i) Investments property

- (i) Investment real estate refers to the self-owned land held by the Group, with a carrying amount of \$228,012. Investment property, with lease that has fixed rental income and contains an initial non-cancellable term of 50 years (extendable upon maturity) based on the agreement. Please refer to note 7 for the detail.
- (ii) As of December 31, 2024 and 2023, the fair value of investment property were \$658,621 and \$496,448, respectively.

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

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

(j) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 100	125,000
Secured bank loans	-	50,000
Total	\$ 100	175,000
Unused short-term credit lines	\$ 750,746	695,000
Range of interest rates	2.225%	1.7%~2.1%

(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).

(k) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2024	December 31, 2023
Secured bank loans — Maturity period 2025.3~2027.2	\$ 818,358	686,572
Unsecured bank loans — Maturity period 2025.11 and 2026.9	163,750	180,000
Less: current portion	(403,439)	(20,000)
Less: deferred income	(660)	(3,902)
	\$ 578,009	842,670
Unused credit lines	\$ 257,892	363,428
Range of interest rates	1.675%~2.05%	1.05%~1.925%

(i) For the years ended December 31, 2024 and 2023, the Group had proceeds from long-term borrowings accounted to \$141,786 and \$430,805, respectively, and the repayments of long-term borrowings amounted to \$26,250 and \$0, respectively.

(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 (other non-current liabilities), based on the Government grants. As of December 31, 2024, the Group had used the credit amount of \$818,358.

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(iii) For the collateral for long-term borrowings, please refer to note 8.

(l) Other payables

	December 31, 2024	December 31, 2023
Salaries payable	\$ 99,035	81,664
Others	94,314	87,874
	<u>\$ 193,349</u>	<u>169,538</u>

(m) Lease liabilities

The carrying amount of lease liabilities was as follows:

	December 31, 2024	December 31, 2023
Current	<u>\$ 2,465</u>	<u>1,946</u>
Non-current	<u>\$ 6,374</u>	<u>2,858</u>

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

	2024	2023
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	<u>\$ 112</u>	<u>76</u>
Expenses relating to short-term leases	<u>\$ 713</u>	<u>693</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>11</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 822</u>	<u>691</u>
	<u>2024</u>	<u>2023</u>

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

Total cash outflow for leases	<u>\$ 3,964</u>	<u>3,365</u>
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(i) The Group leases company cars and parking lots, the leases typically run for a period of three to six years.

(ii) Other leases

The Group leases vehicles and office equipment. 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.

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

(n) Provisions

	Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2024	\$ 29,058	-	29,058
Provisions made during the year	59,792	-	59,792
Provisions used during the year	(71,839)	-	(71,839)
Balance on December 31, 2024	<u>\$ 17,011</u>	<u>-</u>	<u>17,011</u>
Balance on January 1, 2023	\$ 43,225	68,159	111,384
Provisions made (reversed) during the year	12,047	(373)	11,674
Provisions used during the year	(26,214)	(67,786)	(94,000)
Balance on December 31, 2023	<u>\$ 29,058</u>	<u>-</u>	<u>29,058</u>

- (i) In 2024 and 2023, the provisions were recognized for the treatment of liquid waste in accordance with the Standard of Environmental Protection Administration; the amount of provisions were estimated based on the quantity and cost of the treatment of liquid waste at the reporting date. The Group considers to write off and recognize the above provisions in the following year.

(o) Employee benefits

(i) Defined benefit plans

Reconciliations of the defined benefit obligations at present value and plan assets at fair value are as follows:

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	\$ (79,262)	(80,320)
Fair value of plan assets	<u>67,303</u>	<u>58,784</u>
Net defined benefit liabilities	<u>\$ (11,959)</u>	<u>(21,536)</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

(Continued)

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$67,303 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	<u>2024</u>	<u>2023</u>
Defined benefit obligation at January 1	\$ (80,320)	(79,356)
Current service costs and interest	(2,193)	(1,578)
Remeasurement in net defined benefit liability (assets)	3,251	(3,858)
Benefits paid	<u>-</u>	<u>4,472</u>
Defined benefit obligation at December 31	<u><u>\$ (79,262)</u></u>	<u><u>(80,320)</u></u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2024</u>	<u>2023</u>
Fair value of plan assets at January 1	\$ 58,784	59,826
Contributions made	2,348	2,145
Interest income	605	748
Remeasurement in net defined benefit liability (assets)	5,566	537
Benefits paid	<u>-</u>	<u>(4,472)</u>
Fair value of plan assets at December 31	<u><u>\$ 67,303</u></u>	<u><u>58,784</u></u>

4) Movements of the effect of the asset ceiling

In 2024 and 2023, there were no movements on the effect of the Company's defined benefit plans asset ceiling.

(Continued)

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

5) Expenses recognized in profit or loss

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

	<u>2024</u>	<u>2023</u>
Service cost	\$ 1,355	600
Net interest of net liabilities for defined benefit obligations	<u>233</u>	<u>230</u>
	<u>\$ 1,588</u>	<u>830</u>
Operating cost	\$ 1,154	571
Operating expenses	<u>434</u>	<u>259</u>
	<u>\$ 1,588</u>	<u>830</u>

6) Remeasurement in net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Cumulative amount at January 1	\$ 12,417	9,096
Recognized during the year	<u>(8,817)</u>	<u>3,321</u>
Cumulative amount at December 31	<u>\$ 3,600</u>	<u>12,417</u>

7) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate	1.60 %	1.15 %
Future salary increasing rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$2,614.

The weighted-average duration of the defined benefit obligation is 6 years.

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

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact on the present value of the defined benefit obligation	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
As of December 31, 2024		
Discount rate	\$ (1,213)	1,248
Future salary increasing rate	1,228	(1,200)
As of December 31, 2023		
Discount rate	(1,360)	1,401
Future salary increasing rate	1,372	(1,339)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group recognized the pension costs under the defined contribution method amounting to \$8,853 and \$7,501 for the years ended December 31, 2024 and 2023, respectively. Payment was made to the Bureau of Labor Insurance.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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(p) Income taxes

(i) Income tax expenses

The amount of income tax for the years ended December 31, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense		
Recognized during the year	\$ 126,062	16,953
Income tax underestimate (overestimate) for prior years	30,532	774
Tax incentives	<u>(10,565)</u>	<u>(5,086)</u>
	<u>146,029</u>	<u>12,641</u>
Deferred tax expense		
Recognition and reversal of temporary differences	5,864	56,828
Income tax underestimate (overestimate) for prior years	<u>(39,714)</u>	<u>-</u>
	<u>(33,850)</u>	<u>56,828</u>
Income tax expense	<u><u>\$ 112,179</u></u>	<u><u>69,469</u></u>

The amount of income tax recognized in other comprehensive income for 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Items that will not be reclassified to profit or loss:		
Remeasurement in defined benefit plan	<u><u>\$ 1,763</u></u>	<u><u>(664)</u></u>

Reconciliation of income tax and profit before tax for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Profit excluding income tax	\$ 646,857	364,190
Income tax using the respective companies' domestic tax rate	129,371	72,838
Net gains or losses on domestic investments accounted for using equity method	4,746	2,768
Tax-exempt income	(390)	(544)
Over provision in prior periods	(9,182)	774
Tax incentives	(10,565)	(5,086)
Unrecognized tax losses	(1,373)	(1,465)
Other	<u>(428)</u>	<u>184</u>
	<u><u>\$ 112,179</u></u>	<u><u>69,469</u></u>

(Continued)

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

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities: None.
- 2) Unrecognized deferred tax assets

Details of unrecognized under deferred tax assets which were resulting from Yushan's carry-forward of unused tax losses are as follows:

	December 31, 2024	December 31, 2023
Tax effect of loss carry forward	\$ 1,228	2,601

The ROC Income tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against taxable income in the following ten years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to offset taxable income over a period of ten years. As of December 31, 2024, the details of the unused tax losses of Yushan were as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Expiry year</u>
2015(Assessed)	\$ 885	2025
2016(Assessed)	959	2026
2017(Assessed)	1,139	2027
2018(Assessed)	825	2028
2019(Assessed)	704	2029
2020(Assessed)	788	2030
2021(Assessed)	840	2031
	\$ 6,140	

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

	Loss for market price decline and obsolete inventories	Losses due to major disasters	Provision	Others	Total
Deferred tax assets:					
Balance on January 1, 2024	\$ 29,780	110,989	2,843	9,665	153,277
Recognized in profit or loss	(5,458)	(2,974)	-	735	(7,697)
Recognized in other comprehensive income	-	-	-	(1,763)	(1,763)
Balance on December 31, 2024	<u><u>\$ 24,322</u></u>	<u><u>108,015</u></u>	<u><u>2,843</u></u>	<u><u>8,637</u></u>	<u><u>143,817</u></u>
Balance on January 1, 2023	\$ 25,819	110,989	19,460	10,984	167,252
Recognized in profit or loss	3,961	-	(16,617)	(1,983)	(14,639)
Recognized in other comprehensive income	-	-	-	664	664
Balance on December 31, 2023	<u><u>\$ 29,780</u></u>	<u><u>110,989</u></u>	<u><u>2,843</u></u>	<u><u>9,665</u></u>	<u><u>153,277</u></u>
Deferred tax liabilities:					
		Insurance claim compensation	Others	Total	
Balance on January 1, 2024	\$	146,000	-		146,000
Recognized in profit or loss		(42,189)	642		(41,547)
Recognized in other comprehensive income		-	-		-
Balance on December 31, 2024	<u><u>\$</u></u>	<u><u>103,811</u></u>	<u><u>642</u></u>		<u><u>104,453</u></u>
Balance on January 1, 2023	\$	103,811	-		103,811
Recognized in profit or loss		42,189	-		42,189
Recognized in other comprehensive income		-	-		-
Balance on December 31, 2023	<u><u>\$</u></u>	<u><u>146,000</u></u>	<u><u>-</u></u>		<u><u>146,000</u></u>

(iii) Examination and approval

The ROC tax authorities have examined the Company's and Yushan's income tax returns through 2022.

(q) Capital and other equity

Based on the resolution of stockholders' meeting held on May 30, 2024, the Company resolved to increase the authorized capital stock to \$1,600,000, the statutory registration procedures have been completed.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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As of December 31, 2024 and 2023, the authorized capital of the Company had the total of 160,000 thousand shares and 120,000 thousand shares, with a par value of NTD 10 per share, amounting to \$160,000,000 and \$120,000,000, respectively, (of which 8,000 thousand shares were reserved for the exercise of share warrants, preferred shares with warrants, or convertible bonds with warrants; and also, 119,509 thousand shares were issued for both the financial year). All issued shares were paid up upon issuance.

(i) Ordinary shares

Based on the resolution of the shareholders' meeting held on June 19, 2023, the Company increased its capital through the issuance of shares 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.

Based on the resolution of the shareholders' 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.

Based on the resolution of the Board of Directors' meeting held on August 10, 2023, the Company decided to issue 12,000 thousand new shares with par value of NTD10 per share, at an issuance price of NTD 80 per share, raising \$960,000, 10% of the total number of shares issued were reserved for employees' subscription, with September 25, 2023, as the base date of the capital increase. The relevant registration procedures have been completed, and all of the payment for the shares issued have been received.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
Additional paid-in capital	\$ 2,127,990	2,127,990
Cash capital increase reserved for employees' subscription	18,720	18,720
Gain on disposal of assets	980	980
Stock options	71,530	71,530
Changes in equity of associates and joint ventures accounted for using equity method	10,184	8,788
Employee stock options	5,582	5,582
	<u><u>\$ 2,234,986</u></u>	<u><u>2,233,590</u></u>

According to the R.O.C Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and special reserves are supposed to set aside in accordance with the relevant regulations or as required by the government. And then any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's dividend policy, the type of dividends should be determined after considering the Company's capital and financial structure, operating conditions, operating surplus, industrial characteristics and cycle. The distribution of net earnings should not be lower than 50% of the current profit before tax. Cash dividends to stockholders should not be lower than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. The amount to be reclassified to special reserve shall be a portion of after-tax net profit for the period plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(iv) Earnings distribution

Based on the resolution of stockholders' meeting held on May 30, 2024 and June 19, 2023, the appropriation of earnings for the year 2023 and 2022 was approved. The above dividends per share were appropriated as follows:

	2023		2022	
	Amount per share (NTD)	Total amount	Amount per share (NTD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.25	149,387	0.25	23,846
Stock	-	-	1.25	119,228
Total		\$ 149,387		143,074

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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On March 10, 2025, the Company's Board of Directors resolved to appropriate the 2024 earnings. These earnings were appropriated as follows:

	2024	
	Amount per share (NTD)	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.50	179,263
(v) Other equity (net of tax)		
		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2024	\$	25,457
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(15,387)
Balance at December 31, 2024	\$	10,070
Balance at January 1, 2023	\$	(54,727)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		204,683
Disposal of equity instruments at fair value through other comprehensive income		(124,499)
Balance at December 31, 2023	\$	25,457

(r) Share-based payment

Based on the resolution of the Board of Directors held on August 10, 2023, the Company decided to conduct a cash capital increase, among them 10% of the total number of shares, 1,200 thousand shares were reserved for preferential subscription by the Company's employees, and the actual number of shares subscribed was 1,200 thousand shares.

	December 31, 2023
	Cash capital increase reserved for employees' subscription
Grant date	September 25, 2023
Quantity granted	1,200 thousand shares
Recipients	Employees of the Company
Vesting conditions	Immediately vested

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

(i) Fair value on the grant date

Information on the fair value of the Group's share-based payment at the grant date was as follows:

	<u>September 25, 2023</u>
	Cash capital increase reserved for employees' subscription
Fair value at grant date	NTD 15.6
Stock price at grant date	NTD 95.6
Exercise price	NTD 80.0
Expected option life (years)	Immediately vested

(ii) For the years ended December 31, 2023, the expenses incurred by the Group for the share-based payment was \$18,720.

(s) Earnings per share

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

	<u>2024</u>	<u>2023</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>534,678</u>	<u>294,721</u>
Weighted-average number of ordinary shares (thousand shares)	<u>119,509</u>	<u>109,309</u>
	\$ <u>4.47</u>	<u>2.70</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>534,678</u>	<u>294,721</u>
Weighted-average number of ordinary shares (thousand shares)	119,509	109,309
Effect of potentially dilutive ordinary shares:		
Effect of employee stock compensation	444	300
Weighted-average number of ordinary shares (thousand shares) (diluted)	<u>119,953</u>	<u>109,609</u>
	\$ <u>4.46</u>	<u>2.69</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.

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2024</u>	<u>2023</u>
Primary geographical markets:		
Italy	\$ 274,726	313,713
Spain	159,836	33,289
Taiwan	144,948	96,234
Switzerland	130,956	71,380
United States of America	128,126	127,473
Belgium	127,316	9,935
Netherlands	114,260	54,009
Germany	99,996	116,080
Japan	74,377	116,547
China	28,337	61,833
Others	<u>240,860</u>	<u>203,666</u>
	<u>\$ 1,523,738</u>	<u>1,204,159</u>
Major products:		
Active pharmaceutical ingredients	\$ 1,087,553	718,312
Intermediates	416,085	471,644
Specialty chemical	<u>20,100</u>	<u>14,203</u>
	<u>\$ 1,523,738</u>	<u>1,204,159</u>

(ii) Contract balances

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Notes and accounts receivable	\$ 289,514	307,369	173,565
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 289,514</u>	<u>307,369</u>	<u>173,565</u>
Contract liabilities (sales received in advance)	<u>\$ 94,923</u>	<u>38,367</u>	<u>31,773</u>

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

The amount of revenue recognized for the years ended December 31, 2024 and 2023, that was included in the contract liabilities balances at the beginning of the period was \$6,917 and \$323, 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.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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(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 years ended December 31, 2024 and 2023, the remunerations to employees amounted to \$35,377 and \$24,407, respectively, and the remunerations to directors amounted to \$5,500 and \$3,936, 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.

There were no differences between the amounts approved in the Board of Directors and those recognized in the 2024 and 2023 financial statements. Related information would be available at the Market Observation Post System Website.

(v) Other income

	<u>2024</u>	<u>2023</u>
Provisions reversal of fire indemnity	\$ -	373
Insurance claim income, net	431,455	210,943
Rental income and others	<u>15,056</u>	<u>8,667</u>
	<u><u>\$ 446,511</u></u>	<u><u>219,983</u></u>

(w) Financial instruments

(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 December 31, 2024 and 2023, there were seven and five major customers, respectively, that accounted for 75% and 76%, 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.

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

3) Receivables and debt securities

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, 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>
December 31, 2024					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 100	(100)	(100)	-	-
Notes and accounts payable	58,437	(58,437)	(58,437)	-	-
Lease liabilities (including current and non-current)	8,839	(8,940)	(2,629)	(2,095)	(4,216)
Other payables	193,349	(193,349)	(193,349)	-	-
Payables on equipment and construction	155,325	(155,325)	(155,325)	-	-
Long-term borrowings (including current portion)	981,448	(1,006,400)	(418,262)	(366,958)	(221,180)
Guarantee deposits received	<u>1,228</u>	<u>(1,228)</u>	<u>-</u>	<u>-</u>	<u>(1,228)</u>
	<u>\$ 1,398,726</u>	<u>(1,423,779)</u>	<u>(828,102)</u>	<u>(369,053)</u>	<u>(226,624)</u>
December 31, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 175,000	(175,404)	(175,404)	-	-
Notes and accounts payable	44,251	(44,251)	(44,251)	-	-
Lease liabilities (including current and non-current)	4,804	(4,971)	(2,026)	(1,193)	(1,752)
Other payables	169,538	(169,538)	(169,538)	-	-
Payables on equipment and construction	68,840	(68,840)	(68,840)	-	-
Long-term borrowings (including current portion)	862,670	(898,412)	(32,789)	(409,607)	(456,016)
Guarantee deposits received	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
	<u>\$ 1,326,103</u>	<u>(1,362,416)</u>	<u>(492,848)</u>	<u>(410,800)</u>	<u>(458,768)</u>

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

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

Foreign currency: in thousands of dollars

	December 31, 2024				December 31, 2023		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD
Financial assets							
Monetary items							
USD	\$	12,677	32.735	414,982	11,322	30.655	347,076
EUR		1,054	33.94	35,773	303	33.78	10,235
Financial liabilities							
Monetary items							
USD		631	32.735	20,656	633	30.655	19,405

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 years ended December 31, 2024 and 2023, would have affected the net profit before tax increased or decreased \$4,301 and \$3,379, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$22,602 and \$2,369, respectively.

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

For the details of financial assets and liabilities exposed to interest rate risk, please refer to financial risk management.

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

	Carrying amount	
	December 31, 2024	December 31, 2023
Variable rate instruments:		
Financial assets	\$ 133,338	906,746
Financial liabilities	982,208	1,041,572

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 or increased by \$2,122 and \$337, respectively, for the years ended December 31, 2024 and 2023, with all other variable factors remaining constant. This is mainly due to the Group's bank savings and borrowings with variable interest rates.

(v) Other market price risks

For the years ended December 31, 2024 and 2023, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for both analysis, and assuming that the other variables were unchanged, the effects on the comprehensive income were as follows:

	2024		2023	
	Other comprehensive income after tax	Profit or loss before tax	Other comprehensive income after tax	Profit or loss before tax
Price of securities at the reporting date				
Increasing 5%	\$ <u>4,071</u>	<u>5,519</u>	<u>4,841</u>	<u>4,450</u>
Decreasing 5%	\$ <u>(4,071)</u>	<u>(5,519)</u>	<u>(4,841)</u>	<u>(4,450)</u>

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

(vi) 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:

	December 31, 2024				
	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	\$ <u>110,374</u>	110,374	-	-	110,374
Financial assets at fair value through other comprehensive income					
Listed stocks	<u>81,427</u>	81,427	-	-	81,427
Financial assets measured at amortized cost					
Cash and cash equivalents	582,382	-	-	-	-
Notes and accounts receivable	289,514	-	-	-	-
Refundable deposits (recognized as other non-current assets)	<u>1,217</u>	-	-	-	-
Subtotal	<u>873,113</u>				
Total	<u><u>\$ 1,064,914</u></u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 100	-	-	-	-
Notes and accounts payable	58,437	-	-	-	-
Lease liabilities (including current and non-current)	8,839	-	-	-	-
Other payables	193,349	-	-	-	-
Payables on equipment and construction	155,325	-	-	-	-
Long-term borrowings (including current portion)	981,448	-	-	-	-
Guarantee deposits received (recognized as other non-current liabilities)	<u>1,228</u>	-	-	-	-
Total	<u><u>\$ 1,398,726</u></u>				

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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	December 31, 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	\$ 88,998	88,998	-	-	88,998
Financial assets at fair value through other comprehensive income					
Listed stocks	96,814	96,814	-	-	96,814
Financial assets measured at amortized cost					
Cash and cash equivalents	942,057	-	-	-	-
Notes and accounts receivable	307,369	-	-	-	-
Other receivables	151	-	-	-	-
Refundable deposits (recognized as other non-current assets)	920	-	-	-	-
Subtotal	1,250,497				
Total	<u>\$ 1,436,309</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 175,000	-	-	-	-
Notes and accounts payable	44,251	-	-	-	-
Lease liabilities (including current and non-current)	4,804	-	-	-	-
Other payables	169,538	-	-	-	-
Payables on equipment and construction	68,840	-	-	-	-
Long-term borrowings (including current portion)	862,670	-	-	-	-
Guarantee deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	<u>\$ 1,326,103</u>				

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

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

a) Financial assets and liabilities measured at amortized cost

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

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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.

Listed stocks are financial assets traded on the active market, and their fair value is determined by market quotations.

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 price-book ratio multiple or earnings multiple of comparable 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 \$81,427 and \$96,814 as of December 31, 2024 and 2023, 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, and had been fully disposed in the second half of 2023. For the year ended December 31, 2024, the Group did not have any transfer between levels of fair value.

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

5) Reconciliation of Level 3 fair values

For the year ended December 31, 2024, the Group has no financial assets and liabilities of Level 3 fair values. The movements for the year ended December 31, 2023 as follows:

	<u>Fair value through other comprehensive income</u> <u>Unquoted equity instruments</u>
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)
December 31, 2023	<u>\$ -</u>

(x) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group operations are affected by a variety of financial risks, the risks including market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's financial risk management focus on uncertainty in the financial market to avoid hidden difficulty at the financial statement and financial performance of the Group. The Group's finance department carried out risk management according to the dealer's authority approved by Board of Directors. The Group's financial department maintain close communication with operation department in charge of identifying, evaluating, avoiding financial risk.

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's credit limits are offered. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department, and are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's customers are mainly from the pharmaceutical industry. In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer profile, operating and financial status, payment records and the degree of cooperation. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the finance department more strictly, and the transactions are made on a more cautious way.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees to the entities listed in the policy. The guarantees provided by the Group, please refer to note 7 and note 13 (a).

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

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Please refer to note 6(j) and 6(k) for unused short-term and long-term bank facilities as of December 31, 2024 and 2023.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD and USD.

The Group pays attention to changes in exchange rates and uses forward exchange contracts to hedge its currency risk. The Group's risk management policy avoids currency risk by fair value hedge.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Group did not borrow funds with variable interest rates, therefore there is no risk of cash flows.

(y) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liability.

The Group use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

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

The Group's capital management strategy is to maintain a debt-to-equity ratio of less than 30% in December 31, 2024 and 2023. The ratio of debt to capital in December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
Total loan	\$ 982,208	1,041,572
Less: cash and cash equivalent	582,382	942,057
Net debt	<u>\$ 399,826</u>	<u>99,515</u>
Total equity	<u>\$ 5,476,932</u>	<u>5,099,953</u>
Debt-to-equity ratio	7 %	2 %

(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 years ended December 31, 2024 and 2023, were as follows:

- (i) For the acquisition of right-of-use assets by lease for the years ended December 31, 2024 and 2023, please refer to note 6(h).
- (ii) Reconciliation of liabilities arising from financing activities for the years ended December 31, 2024 and 2023, were as follows:

	January 1, 2024	Cash flows	Non-cash changes		December 31, 2024
			Acquisition	Others	
Short-term borrowings	\$ 175,000	(174,900)	-	-	100
Long-term borrowings (including current portion)	862,670	115,536	-	3,242	981,448
Lease liabilities	4,804	(2,317)	6,591	(239)	8,839
Guarantee deposits received	1,000	228	-	-	1,228
	<u>\$ 1,043,474</u>	<u>(61,453)</u>	<u>6,591</u>	<u>3,003</u>	<u>991,615</u>

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Acquisition	Others	
Short-term borrowings	\$ 112,000	63,000	-	-	175,000
Long-term borrowings	432,356	430,805	-	(491)	862,670
Lease liabilities	1,023	(1,894)	5,675	-	4,804
Guarantee deposits received	1,000	-	-	-	1,000
	<u>\$ 546,379</u>	<u>491,911</u>	<u>5,675</u>	<u>(491)</u>	<u>1,043,474</u>

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Mercuries & Associates Holding Ltd. (Mercuries) is both the parent company of the consolidated entity and the ultimate controlling party of the Company, holding 29.78% of the Company's outstanding shares. It has issued the consolidated financial statements available for public use.

(b) 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
HoneyBear Biosciences, Inc. (HoneyBear)	"

(c) Significant transaction with related parties:

(i) Sales

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

	<u>2024</u>	<u>2023</u>
Associates	\$ <u>-</u>	<u>10,000</u>

There were no comparative sales prices between the related parties and other customers, and the payment term was 30 days. There no significant differences in the payment term between the related parties and other customers. As of December 31, 2024, all the above transaction price 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:

	<u>Rental income (recorded as other income)</u>		<u>Other receivables from related parties</u>	
	<u>2024</u>	<u>2023</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Associates-Framosa	\$ <u>6,860</u>	<u>6,347</u>	<u>-</u>	<u>-</u>
			<u>Guarantee deposits received (recorded as other non-current liabilities)</u>	
			<u>December 31, 2024</u>	<u>December 31, 2023</u>
Associates-Framosa			\$ <u>1,228</u>	<u>1,000</u>

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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(iii) Property transactions

The Group entrusted Framosa with the construction of its wastewater treatment equipment with the total contract price is \$248,818 (before tax). As of December 31, 2024 and 2023, the amounts recognized in construction in progress were \$101,021 and \$90,238, respectively, was recorded as construction in progress. As of December 31, 2024, the above transaction price of construction in progress has been paid.

(iv) Guarantee

	December 31, 2024	December 31, 2023
Associate-Framosa	\$ <u>400,000</u>	<u>400,000</u>

Please refer to note 13(a)(ii) for the details.

(v) 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 years ended December 31, 2024 and 2023. Please refer to note 6(g).

(d) Key management personnel compensation

	2024	2023
Salary and short-term employee benefits	\$ 23,387	21,768
Share-based payment	<u>-</u>	<u>1,326</u>
	<u>\$ 23,387</u>	<u>23,094</u>

Please refer to note 6(r) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2024	December 31, 2023
Land	Pledged as collaterals	\$ 42,736	42,736
Building	"	<u>2,056</u>	<u>2,315</u>
		<u>\$ 44,792</u>	<u>45,051</u>

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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(9) Commitments and contingencies:

- (a) As of December 31, 2024 and 2023, the unused balance of the Group's outstanding standby letters of credit amounted to \$19,154 and \$35,813, respectively.
- (b) The significant outstanding purchase commitments for property, plant and equipment were as follows:

	December 31, 2024	December 31, 2023
Acquisitions of property, plant and equipment	\$ 425,423	614,765

(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 negotiating with the above-mentioned damaged companies for fire indemnity payments. For the indemnity payment, please refer to note 6(n) for the details. As of December 31, 2023, the indemnity payment had been fully completed.

The Company has already entered into related property insurance and public liability insurance contracts, wherein it received insurance claims progressively from 2021. For the years ended December 31, 2024 and 2023, the Company received insurance claim income amounting to \$431,455 and \$210,943, respectively, which was recorded under other income, please refer to note 6(v). The above-mentioned insurance claims have all been received.

(11) Subsequent events: None.

(12) Other:

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

By function By item	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	187,550	84,146	271,696	159,953	86,181	246,134
Labor and health insurance	17,304	5,229	22,533	13,784	4,814	18,598
Pension	7,864	2,577	10,441	6,122	2,209	8,331
Remuneration of directors	-	5,500	5,500	-	3,936	3,936
Others	4,339	9,359	13,698	3,574	7,687	11,261
Depreciation	199,372	26,038	225,410	110,090	26,769	136,859
Amortization	4,138	4,244	8,382	4,157	4,278	8,435

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

(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 year ended December 31, 2024:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Framosa Co., Ltd	The associate of the Company	547,693	400,000	400,000	196,158	-	7.30 %	2,190,772	N	N	N

Note 1: The total amount of endorsements and guarantees provided by the Company to third parties shall not exceed 40% of the latest net worth as reported in the financial statements. The maximum limit for endorsements and guarantees provided to a single enterprise shall not exceed 10% of the Company's net worth. In addition the total amount of endorsements and guarantees provided by the Company and subsidiaries to third parties shall not exceed 40% of the latest net worth as reported in the financial statements. The maximum limit for endorsements and guarantees provided to a single enterprise shall not exceed 10% of the Company's net worth.

(iii) Securities held as of December 31, 2024 (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				Highest balance during the year		Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units	Percentage of ownership (%)	
The Company	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Current financial asset at fair value through profit or loss	2,367	41,170	-	41,170	2,367	- %	-
"	Stock (Fubon S&P Preferred Shares A)	-	"	2,363	40,094	-	40,094	2,363	- %	-
"	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	"	50	3,050	-	3,050	672	- %	-
"	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	"	333	20,813	-	20,813	528	- %	-
"	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	"	148	5,247	-	5,247	577	- %	-
"	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	81,427	2.10 %	81,427	1,603	2.10 %	-

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

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SCI PHARMTECH, INC. AND SUBSIDIARIES
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- (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	\$ 623,700	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 year ended December 31, 2024 (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			Highest		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value	Shares	Percentage of ownership			
The Company	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API	351,761	351,761	35,190	100 %	366,304	35,190	100 %	(1,432)	(868)	Note 1
"	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	143,750	143,750	14,375	25 %	100,915	14,375	25 %	(51,451)	(15,900)	
"	HoneyBear Biosciences, Inc.	R.O.C.	Biotechnology services	35,000	-	1,750	4.04 %	19,112	1,750	4.97 %	(57,519)	(1,486)	
Yushan Pharmaceuticals Inc.	HoneyBear Biosciences, Inc.	R.O.C.	Biotechnology services	33,000	33,000	3,300	7.61 %	36,070	3,300	11.54 %	(57,519)	(6,346)	

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.		35,590,777	29.78 %

(14) Segment information:

(a) General Information

The major business activities of the Group are the manufacture and sale of API, Intermediates, and specialty chemicals by a single department. The Group's financial information of operating department is the same as the consolidated financial statement. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income for related information.

(b) Product information

Please refer to note 6(t) for the details.

(c) Geographic information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers: please refer to note 6(t) for the details.

(ii) Non-current assets:

<u>Country</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-current asset:		
Taiwan	<u><u>\$ 5,159,053</u></u>	<u><u>4,342,603</u></u>

Non-current assets include plant, property, and equipment, intangible assets, and other assets, excluding financial instruments, deferred tax assets and investments accounted for using equity method.

(d) Major customers

The sales revenue from clients with account for more than 10% revenue in the consolidated statements of comprehensive income as follows:

	<u>2024</u>	<u>2023</u>
Company G	<u><u>\$ 274,726</u></u>	<u><u>305,762</u></u>