Stock Code:4119

SCI PHARMTECH, INC.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of SCI Pharmtech, Inc.("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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(g) and Note 5 of the 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 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 Company estimates the net realizable value of inventory. If there were no objective information regarding the current sales price available for reference, the Company 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 Company’ 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(o) of the financial statements, for the accounting policy of Revenue recognition for operating revenue recognition.

Description of key audit matters:

The Company’ s main products are the manufacture of Active Pharmaceutical Ingredients, and Intermediates, etc. The Company’ 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 Company's operating revenue recognition.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’ 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 Company 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 Company’ s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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 Hsu, Shu-Min.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2024

Notes to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Balance Sheets

December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 935,370	14	149,842	3
1110	Current financial assets at fair value through profit or loss (note 6(b))	88,998	1	97,545	2
1170	Notes and accounts receivable, net (Notes 6(d) and 6(t))	307,369	5	173,565	3
1206	Other receivables (Notes 6(f) and 10)	151	-	31,101	1
1310	Inventories, net (Note 6(e))	529,533	8	513,430	10
1470	Other current assets	85,123	1	60,135	1
		1,946,544	29	1,025,618	20
	Non-current assets:				
1518	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	96,814	2	66,723	1
1550	Investments accounted for using equity method (Note 6(g))	470,106	7	476,237	10
1600	Property, plant and equipment (Notes 6(h), 7 and 8)	3,815,796	56	3,101,947	62
1755	Right-of-use assets (Note 6(i))	84,003	1	77,736	2
1780	Intangible assets	46,147	1	54,582	1
1840	Deferred tax assets (Note 6(p))	153,277	2	167,252	3
1900	Other non-current assets (Notes 6(h) and 7)	156,879	2	66,298	1
		4,823,022	71	4,010,775	80
	Total assets	**$ 6,769,566**	**100**	**5,036,393**	**100**

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2100	Total short-term borrowings (Note 6(j))	$ 175,000	3	112,000	2
2170	Notes and accounts payable	44,251	1	48,636	1
2130	Current contract liabilities (Note 6(t))	38,367	1	31,773	1
2200	Other payables (Note 6(l))	169,346	3	295,916	6
2213	Payables on contractors and equipment	68,840	1	160,591	3
2230	Current tax liabilities	11,536	-	3,862	-
2250	Current provisions (Notes 6(n) and 10)	29,058	-	111,384	2
2280	Current lease liabilities (Notes 6(m) and 7)	3,022	-	1,833	-
2300	Other current liabilities (Note 6(d))	11,351	-	5,224	-
2322	Long-term borrowings, current portion (Note 6(k))	20,000	-	-	-
		570,771	9	771,219	15
	Non-Current liabilities:				
2541	Long-term bank loans (Note 6(k))	842,670	13	432,356	9
2580	Non-current lease liabilities (Notes 6(m) and 7)	81,799	1	76,145	2
2570	Deferred tax liabilities (Note 6(p))	146,000	2	103,811	2
2630	Long-term deferred revenue (Note 6(k))	6,837	-	4,108	-
2640	Provisions for employee benefits, non-current (Note 6(o))	21,536	-	19,530	-
		1,098,842	16	635,950	13
	Total liabilities	1,669,613	25	1,407,169	28
	Equity (Note 6(q))**:**				
3100	Ordinary share	1,195,087	17	953,824	19
3200	Capital surplus	2,233,590	33	1,357,127	27
3310	Legal reserve	462,435	7	431,874	8
3320	Special reserve	54,727	1	48,929	1
3350	Unappropriated retained earnings	1,128,657	17	892,197	18
3400	Other components of equity	25,457	-	(54,727)	(1)
	Total equity	5,099,953	75	3,629,224	72
	Total liabilities and equity	**$ 6,769,566**	**100**	**5,036,393**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars, except for earnings per share)

		2023		2022	
		Amount	**%**	**Amount**	**%**
4110	Sales revenue (Notes 6(t) and 7)	$ 1,204,159	10	899,738	10
5110	Cost of sales (Notes 6(e), 6(o) and 12)	853,836	7	608,559	6
5900	**Gross profit**	350,323	2	291,179	3
	Operating expenses (Notes 6(o), 6(r) and 12)**:**				
6100	Selling expenses	61,736	5	50,404	6
6200	Administrative expenses	80,032	7	82,081	9
6300	Research and development expenses	49,094	4	39,649	4
		190,862	1	172,134	1
6900	**Net operating income**	159,461	1	119,045	1
	Non-operating income and expenses:				
7101	Interest income	3,380	-	888	-
7130	Dividend income	2,720	-	5,494	1
7190	Other income (Notes 6(v), 7 and 10)	213,803	1	264,427	2
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(1,872)	-	(14,074)	(2
7510	Interest expense (Notes 6(m) and 7)	(7,582)	(1	(1,608)	-
7590	Miscellaneous disbursements	(2,044)	-	(1,319)	-
7610	Gains (losses) on disposals of property, plant and equipment	(584)	-	(1,333)	-
7630	Foreign exchange gains (losses)	2,369	-	27,542	3
7775	Share of loss of associates and joint ventures accounted for using equity method, net	(5,461)	-	(11,242)	(1
		204,729	1	268,775	3
7900	**Profit before tax**	364,190	30	387,820	43
7950	Less: Income tax expenses (Note 6(p))	69,469	6	79,040	9
8200	**Profit**	294,721	24	308,780	34
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss：**				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(o))	(3,321)	-	(3,840)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	204,683	17	(5,798)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(p))	(664)	-	(768)	-
8300	**Other comprehensive income, net**	202,026	17	(8,870)	(1)
8500	**Total comprehensive income**	**$ 496,747**	**41**	**299,910**	**33**
	Earnings per share (Note 6(s))**:**				
9750	**Basic earnings per share**	**$**	**2.70**		**2.88**
9850	**Diluted earnings per share**	**$**	**2.69**		**2.87**

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

	Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Other equity interest: Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2022	$ 953,824	1,348,339	426,103	29,378	611,916	(48,929)	3,320,631
Profit for the year ended December 31, 2022	-	-	-	-	308,780	-	308,780
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(3,072)	(5,798)	(8,870)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	305,708	(5,798)	299,910
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	5,771	-	(5,771)	-	-
Special reserve appropriated	-	-	-	19,551	(19,551)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	8,788	-	-	(105)	-	8,683
Balance at December 31, 2022	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 share	-	-	-	-	(23,846)	-	(23,846)
Stock dividends of ordinary share	119,228	-	-	-	(119,228)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(670)	-	(670)
Capital increase by cash	120,000	837,600	-	-	-	-	957,600
Share-based payments transaction	-	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**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	$ 364,190	387,820
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	138,442	83,044
Amortization expense	8,435	8,213
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	1,872	14,074
Interest expense	7,582	1,608
Interest income	(3,380)	(888)
Dividend income	(2,720)	(5,494)
Share-based payments transactions	18,720	-
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	5,461	11,242
Losses from disposal of property, plant and equipment	584	1,333
Reversal of major disasters	(373)	(101,202)
Total adjustments to reconcile profit	174,623	11,930
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(133,804)	(90,589)
Increase in inventories	(16,103)	(219,248)
Decrease in other receivables and other current assets	5,923	266,159
(Decrease) increase in notes and accounts payable	(4,385)	14,857
Increase (decrease) in contract liabilities	6,594	(9,991)
(Decrease) increase in other payable	(104,392)	41,865
Decrease in provisions	(81,953)	(110,851)
Increase in other current liabilities	6,127	196
Decrease in provision for employee benefits, non-current	(1,315)	(1,255)
Total changes in operating assets and liabilities	(323,308)	(108,857)
Total adjustments	(148,685)	(96,927)
Cash flow from (used in) operations	215,505	290,893
Dividends received	2,720	5,494
Interest received	3,380	888
Interest paid	(7,582)	(1,608)
Income taxes paid	(4,928)	(110)
Net cash flows from (used in) operating activities	209,095	295,557
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	-	(2,123)
Proceeds from disposal of financial assets at fair value through profit or loss	6,675	250,905
Acquisition of investments accounted for using equity method	-	(77,750)
Acquisition of property, plant and equipment	(873,601)	(1,085,123)
Proceeds from disposal of property, plant and equipment	-	65
(Increase) decrease in refundable deposits	(110)	2,200
Increase in prepayments of property, plant and equipment	(155,759)	(82,461)
Net cash flows from (used in) investing activities	(848,203)	(994,287)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	63,000	112,000
Proceeds from long term borrowings	430,805	435,767
Payment of lease liabilities	(2,923)	(2,061)
Cash dividends paid	(23,846)	-
Proceeds from issuing shares	957,600	-
Net cash flows from (used in) financing activities	1,424,636	545,706
Net decrease in cash and cash equivalents	785,528	(153,024)
Cash and cash equivalents at beginning of period	149,842	302,866
Cash and cash equivalents at end of period	**$ 935,370**	**149,842**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

SCI Pharmtech, Inc. (the “Company”) was incorporated in September 18, 1987 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The major business activities of the Company are the research and development, manufacture and sale of Active Pharmaceutical Ingredients (“API”), Intermediates, specialty chemicals. Mercuries & Associates, Holding Ltd. is the parent company of the Company.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the Board of Directors on March 12, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

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

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

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IAS21 "Lack of Exchangeability"

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the annual 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(q).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The 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.

SCI PHARMTECH, INC.

Notes to the Financial Statements

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Company 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.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

(e) Cash and cash equivalents

Cash comprises cash on 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.

(f) 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 Company 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 Company 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.

(Continued)

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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 on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company 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 Company'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 evaluted on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company 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 Company 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.

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

- 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 trade receivables 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 months 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 Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

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At each reporting date, the Company 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 asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- 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 charged 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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 Company 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.

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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 Company 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.

(Continued)

(g) 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.

(h) Investment in associates

Associates are those entities in which the Company 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.

The parent company only financial statements include the Company’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 Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company 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 Company and an associate are recognized only to the extent of unrelated Company’s interests in the associate.

When the Company’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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company 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 Company’s proportionate interest in the net assets of the associate. The Company 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 Company'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.

(Continued)

(i) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent company only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(j) 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 Company.

(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.

(Continued)

(k) Lease

At inception of a contract, the Company 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 Company 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 Company’s incremental borrowing rate. Generally, the Company 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 Company’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 an extension or termination option; or

5) there is any lease modifications in lease subject, scope of the lease or other terms.

(Continued)

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 Company 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 Company 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 Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company 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 life of computer software is 6~11 years.

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

(Continued)

(m) Impairment of non-financial assets

At each reporting date, the Company 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.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

(Continued)

(i) Sale of goods

The Company 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 Company 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 Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(p) Government grants and government assistance

The Company 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 Company 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 Company 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.

(q) 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 Company's net obligation in respect of defined benefit plans is calculate separately 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 Company, 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.

(Continued)

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 Company 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 Company 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 Company can no longer withdraw the offer of those benefits and when the Company 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 Company 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.

(r) 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.

(s) Income taxes

(Continued)

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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 Company 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 Company 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 IAS12. The Company has applieo 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 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 Company 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 reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. The Company 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:

(Continued)

(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.

(t) Earnings per share

The Company discloses 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.

(u) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent company only financial statements.

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

In preparing the financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The 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 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 Company 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.

(Continued)

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Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2023	December 31, 2022
Cash on hand	$	487	732
Checking accounts and demand deposits		900,427	69,394
Time deposits		34,456	79,716
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**935,370**	**149,842**

(i) The Company 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 Company.

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

		December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$	1,052	1,039
Stocks listed on domestic markets		87,946	96,506
Total	**$**	**88,998**	**97,545**

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

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

		December 31, 2023	December 31, 2022
Financial assets at fair value through other comprehensive income:			
Stocks listed on domestic markets		96,814	-
Emerging stocks		-	66,723
	$	**96,814**	**66,723**

(i) The Company 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 Company intends to hold for long-term for strategic purposes.

(ii) In 2023, the Company had sold all of its shares held in Sunny Pharmtech Inc, which is accounted under equity investments measured at fair value through other comprehensive

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income, with a fair value of $178,573 at the time of disposal, and the cumulated gain on disposal amounted to $124,499. Therefore, the Company has transferred the aforesaid cumulative gain on disposal from other equity to retained earnings. No strategic investments were disposed for the year ended December 31, 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investment.

(iii) Energenesis Biomedical Co., Ltd., was originally an emerging company and became listed in June 2023.

(iv) Please refer to note 6(w) for market risk of the Company.

(v) As of December 31, 2023 and 2022, the Company did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	307,369	173,565
Less: Loss allowance	-	-
	$ 307,369	173,565

The Company 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, 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	69,075	-	-
	$ 307,369		-

SCI PHARMTECH, INC.

Notes to the Financial Statements

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

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

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

	2023	2022
Balance at January 1 (Balance at December 31)	$ -	-

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

(e) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 92,404	195,009
Work in progress	85,692	45,405
Finished goods	351,437	273,016
	$ 529,533	513,430

The details of the cost of sales were as follows:

	2023	2022
Inventory that has been sold	$ 735,302	552,135
Write-down of inventories	19,806	5,593
Loss on disposal of inventories	11,798	2,778
Unallocated production overheads	86,930	48,053
	$ 853,836	608,559

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As of December 31, 2023 and 2022, the Company did not provide any inventories as collaterals for is loans.

(f) Other receivables

		December 31, 2023	December 31, 2022
Insurance claim receivable	$	-	30,950
Others		151	151
	$	151	31,101

(g) Investments accounted for using equity method

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

		December 31, 2023	December 31, 2022
Subsidiaries	$	353,291	349,354
Associates		116,815	126,883
	$	470,106	476,237

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023.

(ii) Associates

1) In November 2022, the Company subscribed to the newly issued shares of Framosa Co., Ltd. (Framosa) amounting to $77,750, at a percentage disproportionate from its existing ownership percentage, resulting in the ownership of the Company to decrease from 40% to 25%, and the capital surplus to increase by $8,788.

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

		December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	$	116,815	126,883

		2023	2022
Attributable to the Company:			
Profit (loss)	$	(10,068)	(12,102)
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)	$	(10,068)	(12,102)

(Continued)

SCI PHARMTECH, INC.

Notes to the Financial Statements

(iii) Pledge to secure

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

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, were as follows:

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Cost:							
Balance on January 1, 2023	$ 599,729	700,232	1,116,895	55,466	12,968	1,320,022	3,805,312
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	$ 599,729	707,002	1,714,324	58,337	12,968	1,561,482	4,653,842
Balance on January 1, 2022	$ 509,514	684,472	543,143	33,939	12,968	630,253	2,414,289
Additions	-	1,881	209,583	4,957	-	928,967	1,145,388
Disposal and derecognitions	-	(1,879)	(12,014)	(403)	-	-	(14,296)
Transferred in (out)	90,215	15,758	376,183	16,973	-	(239,198)	259,931
Balance on December 31, 2022	$ 599,729	700,232	1,116,895	55,466	12,968	1,320,022	3,805,312
Depreciation and impairments loss:							
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	$ -	311,735	489,788	28,553	7,970	-	838,046
Balance on January 1, 2022	$ -	264,840	345,081	19,688	5,892	-	635,501
Depreciation	-	24,123	51,250	4,350	1,039	-	80,762
Disposals and derecognitions	-	(1,879)	(10,616)	(403)	-	-	(12,898)
Balance on December 31, 2022	$ -	287,084	385,715	23,635	6,931	-	703,365
Carrying amounts:							
Balance on December 31, 2023	$ 599,729	395,267	1,224,536	29,784	4,998	1,561,482	3,815,796
Balance on January 1, 2022	$ 509,514	419,632	198,062	14,251	7,076	630,253	1,778,788
Balance on December 31, 2022	$ 599,729	413,148	731,180	31,831	6,037	1,320,022	3,101,947

(i) In May 2013, the Company 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

(Continued)

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.

(ii) As of December 31, 2023 and 2022, the Company's prepayments for equipment purchases amounted to $155,759 and $65,288, respectively, which were recorded as other non-current assets.

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

(i) Right-of-use assets

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

		Land	Others	Total
Cost:				
Balance on January 1, 2023	$	77,368	4,922	82,290
Additions		7,657	2,109	9,766
Reductions		-	(4,405)	(4,405)
Balance on December 31, 2023	**$**	**85,025**	**2,626**	**87,651**
Balance on January 1, 2022	$	-	4,406	4,406
Additions		77,368	516	77,884
Balance on December 31, 2022	**$**	**77,368**	**4,922**	**82,290**
Accumulated depreciation:				
Balance on January 1, 2023	$	645	3,909	4,554
Depreciation		2,058	1,441	3,499
Reductions		-	(4,405)	(4,405)
Balance on December 31, 2023	**$**	**2,703**	**945**	**3,648**
Balance on January 1, 2022	$	-	2,272	4,544
Depreciation		645	1,637	2,282
Balance on December 31, 2022	**$**	**645**	**3,909**	**4,554**
Carrying amount:				
Balance on December 31, 2023	**$**	**82,322**	**1,681**	**84,003**
Balance on January 1, 2022	**$**	**-**	**2,134**	**2,134**
Balance on December 31, 2022	**$**	**76,723**	**1,013**	**77,736**

In August 2022, the Company leases a piece of land in Guanyin, Taoyuan from subsidiary for the construction of plants and the lease term is fifty years.

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Notes to the Financial Statements

(j) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2023	December 31, 2022
Secured bank loans	$ 50,000	-
Unsecured bank loans	125,000	112,000
Total	$ 175,000	112,000
Unused credit line for short-term borrowings	$ 695,000	658,000
Range of interest rates	1.7%~2.1%	1.48%~1.58%

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

(ii) For the information on the Company's exposure to the interest rate risk and liquidity risk, please refer to note 6(w).

(k) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured bank loans－Maturity year 2025.3~2027.2	$ 686,572	322,767
Unsecured bank loans－Maturity year 2025.11 and 2026.9	180,000	113,000
Less: current portion	(20,000)	-
Less: deferred income	(3,902)	(3,411)
	$ 842,670	432,356
Unused credit lines	$ 363,428	714,233
Range of interest rates	1.05%~1.925%	0.8%~1.8%

(i) For the year ended December 31, 2023 and 2022, the Company had the additional long-term borrowings amounting to $430,805 and $435,767, respectively, and the repayment amounted to $0.

(ii) The Company's application for a low-interest loan for the construction of plants, purchasing equipment, and support medium-term working capital, had been approved by the National Development Fund, Executive Yuan in 2022, with Mega International Commercial Bank providing the non-revolving loan of $1,000,000, which was recognized and measured by using the market rates, with the margin interests calculated by using the rates between the actual rates and the market rates, recognized as deferred income, based on the Government grants. As of December 31, 2023, the Company had used the credit amount of $686,572.

(iii) For the collateral of the Company's assets for Long-term borrowings, please refer to note 8

SCI PHARMTECH, INC.

Notes to the Financial Statements

(l) Other payables

		December 31, 2023	December 31, 2022
Salaries payable	$	81,664	85,129
Indemnities payable		-	125,403
Others		87,682	85,384
	$	169,346	295,916

(m) Lease liabilities

The carrying amount of lease liabilities was as follows:

		December 31, 2023	December 31, 2022
Current	$	3,022	1,833
Non-current	$	81,799	76,145

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

		2023	2022
The amounts recognized in profit or loss were as follows:			
Interest on lease liabilities	$	1,386	562
Expenses relating to short-term leases	$	693	19,817
Variable lease payments not included in the measurement of lease liabilities	$	11	38
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$	691	591

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

		2023	2022
Total cash outflow for leases	$	5,704	23,069

(i) Lease of right-of-use assets

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

The Company leases land from subsidiary: The leases typically run for a period of fifty years.

(ii) Other lease

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

SCI PHARMTECH, INC.

Notes to the Financial Statements

(n) Provisions

	Environmental protection costs	Fire disaster indemnity	Total
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	**$ 29,058**	**-**	**29,058**
Balance on January 1, 2022	$ 43,946	374,894	418,840
Provisions made (reversed) during the year	11,287	(101,202)	(89,915)
Provisions used during the year	(12,008)	(205,533)	(217,541)
Balance on December 31, 2022	**$ 43,225**	**68,159**	**111,384**

(i) In 2023 and 2022, the provisions were recognized for the treatment of liquid waste in accordance with the Standards of Environmental Protection Administration; the amount of provisions were estimated at quantity and cost of the treatment of liquid waste. The Companyconsiders to write off and recognize the above provisions in the following year.

(ii) For the years ended December 31, 2023 and 2022, the Company reversed the fire indemnity amounting to $373 and $101,202, respectively, due to the fire spreading to the nearby factories. Please refer to note 6(v) for the details.

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	$ (80,320)	(79,356)
Fair value of plan assets	58,784	59,826
Net defined benefit liabilities	**$ (21,536)**	**(19,530)**

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.

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SCI PHARMTECH, INC.

Notes to the Financial Statements

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $58,590 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:

	2023	2022
Defined benefit obligation at January 1	$ (79,356)	(75,744)
Current service costs and interest	(1,578)	(1,106)
Remeasurement in net defined benefit liability (assets)	(3,858)	(8,519)
Benefits paid	4,472	6,013
Defined benefit obligation at December 31	**$ (80,320)**	**(79,356)**

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:

	2023	2022
Fair value of plan assets at January 1	$ 59,826	58,799
Contributions made	2,145	1,979
Interest income	748	382
Remeasurement in net defined benefit liability (assets)	537	4,679
Benefits paid	(4,472)	(6,013)
Fair value of plan assets at December 31	**$ 58,784**	**59,826**

4) Movements of the effect of the asset ceiling

In 2023 and 2022, there were no movements on the effect of the Company's defined benefit plans asset ceiling.

5) Expenses recognized in profit or loss

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

	2023	2022
Service cost	$ 600	621
Net interest of net liabilities for defined benefit obligations	230	103

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SCI PHARMTECH, INC.

Notes to the Financial Statements

	$	**830**	**724**
Operating cost	$	571	497
Operating expenses		259	227
	$	**830**	**724**

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

The Company's remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2023 and 2022, were as follows:

		2023	**2022**
Cumulative amount at January 1	$	9,096	5,256
Recognized during the year		3,321	3,840
Cumulative amount at December 31	**$**	**12,417**	**9,096**

7) Actuarial assumptions

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

	December 31, 2023	**December 31, 2022**
Discount rate as of December 31	1.15%	1.25%
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 $2,516.

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

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	
		Increased 0.25%	**Decreased 0.25%**
As of December 31, 2023			
Discount rate	$	(1,360)	1,401
Future salary increasing rate		1,372	(1,339)
As of December 31, 2022			
Discount rate		(1,426)	1,470

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Notes to the Financial Statements

Future salary increasing rate	1,441	(1,405)

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 2023 and 2022.

(ii) Defined contribution plans

The Company 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 Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to $7,501 and $6,770 for the years ended December 31, 2023 and 2022, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income taxes

(i) Income tax expenses

The amount of income tax for the years ended December 31, 2023 and 2022, was as follows:

	2023	2022
Current income tax expense		
Recognized during the year	$ 16,953	5,637
Tax incentives	(5,086)	(1,691)
Income tax estimate under	774	26
	12,641	3,972
Deferred income tax expense		
Recognition and reversal of temporary differences	56,828	75,757
Income tax underestimate (overestimate) for prior years	-	(689)
	56,828	75,068
Income tax expense	**$ 69,469**	**79,040**

The amount of income tax recognized in other comprehensive income for 2023 and 2022 was as follows:

	2023	2022
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement in defined benefit plan	**$ (664)**	**(768)**

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Notes to the Financial Statements

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	2023	2022
Profit excluding income tax	$ 364,190	387,820
Income tax using the Company's domestic tax rate	72,838	77,564
Tax incentives	(5,086)	(1,691)
Net gains or losses on domestic investments accounted for using equity method	1,092	2,248
Tax-exempt income	(544)	(965)
Over provision in prior periods	774	(663)
Other	395	2,547
	$ 69,469	**79,040**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities: None.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	Loss for market price decline and obsolete inventories	Losses due to major disasters	Provision	Tax Losses	Others	Total
Deferred tax assets:						
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	**$ 29,780**	**110,989**	**2,843**	**-**	**9,665**	**153,277**
Balance on January 1, 2022	$ 24,701	110,989	83,208	20,669	1,985	241,552
Recognized in profit or loss	1,118	-	(63,748)	(20,669)	8,231	(75,068)
Recognized in other comprehensive income	-	-	-	-	768	768
Balance on December 31, 2022	**$ 25,819**	**110,989**	**19,460**	**-**	**10,984**	**167,252**

	Insurance claim compensation
Deferred tax liabilities:	
Balance on January 1, 2023	$ 103,811
Recognized in profit or loss	42,189
Recognized in other comprehensive income	-
Balance on December 31, 2023	**$ 146,000**

(Continued)

SCI PHARMTECH, INC.

Notes to the Financial Statements

Balance on January 1, 2022	$	103,811
Recognized in profit or loss		-
Recognized in other comprehensive income		-
Balance on December 31, 2022	$	103,811

(iii) Examination and approval

The ROC tax authorities have examined the Company's income tax returns through 2021.

(q) Capital and other equity

As of December 31, 2023 and 2022, the authorized common stocks were both $1,200,000, with a par value of 10 New Taiwan dollars per share, of which 8,000 thousand shares were reserved for the issuance of employee stock options, and of which 119,509 and 95,382 thousand shares were issued, respectively. All issued shares were paid up upon issuance.

(i) Ordinary shares

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

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

Based on the resolution of the Board of Directors held on August 10, 2023, the Company decided to issue 12,000 thousand new shares with par value of NTD10 per share and an issue price of NTD80 per share, as cash capital increase amounting to $960,000, among them 10% of the total number of shares issued for employees' subscription, with September 25, 2023, as the base date of the capital increase, and the 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, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	$ 2,127,990	1,270,247
Cash capital increase reserved for employees' subscriptions	18,720	-
Gain on disposal of assets	980	980
Stock options	71,530	71,530

(Continued)

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Notes to the Financial Statements

Changes in equity of associates and joint ventures accounted for using equity method	8,788	8,788
Employee stock options	5,582	5,582
	$ 2,233,590	1,357,127

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.

(iii) Retained Earning

The Company's article of incorporation stipulates that Company’s net earnings should first be used to offset the prior years' deficits, if any, before 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.

3) Earnings distribution

(Continued)

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

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

On March 12, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriate as follows:

	2023		
		Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:			
Cash	$	1.25	149,386

(iv) Other equity (net of tax)

		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2023	$	(54,727)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		204,683
Dispose of equity instruments at fair value through other comprehensive imcome		(124,499)
Balance at December 31, 2023	$	25,457
Balance at January 1, 2022	$	(48,929)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(5,798)
Balance at December 31, 2022	$	(54,727)

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SCI PHARMTECH, INC.

Notes to the Financial Statements

(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	9.25.2023
Quantity granted	1,200 thousand shares
Recipients	Employees' of the Company
Vesting conditions	Immediately vested

(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:

	9.25.2023
	Cash capital increase reserved for employees' subscription
Fair value at the grant date	15.6
Stock price at the grant date	95.6
Exercise price	80.0
Expected option life (years)	Immediately vested

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

(s) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2023 and 2022 were as follows:

	2023	**2022**
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 294,721	308,780
Weighted-average number of ordinary shares (thousand shares)	109,309	107,305
	$ 2.70	2.88
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 294,721	308,780
Weighted-average number of ordinary shares (thousand shares)	109,309	107,305

(Continued)

Effect of potentially dilutive ordinary shares:		
Effect of employee compensation	300	288
Weighted-average number of ordinary shares (thousand shares) (diluted)	**109,609**	**107,593**
	$ 2.69	**2.87**

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Primary geographical markets		
Italy	$ 313,713	204,824
United States	127,474	93,269
Japan	116,547	110,243
Germany	116,080	130,457
Taiwan	96,234	109,319
Switzerland	71,380	54,458
China	61,833	54,911
Others	300,898	142,257
	$ 1,204,159	**899,738**
Major products		
Active Pharmaceutical Ingredients	$ 718,312	450,223
Intermediates	471,644	433,362
Specialty Chemical	14,203	16,153
	$ 1,204,159	**899,738**

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	$ 307,369	173,565	82,976
Less: allowance for impairment	-	-	-
Total	**$ 307,369**	**173,565**	**82,976**
Contract liabilities (sales received in advance)	**$ 38,367**	**31,773**	**41,764**

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

(Continued)

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were $323 and $10,314, respectively.

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

(u) Remuneration to employees and directors

In accordance with the Articles of incorporation, the Company should contribute no less than 3% of the profit as employee remuneration and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employees' compensation will be distributed in shares or cash. The recipients may include the employees of the subordinate of the Company who meet certain specific requirements.

For the years ended December 31, 2023 and 2022, the remunerations to employees amounted to $24,407 and $26,091, respectively, and the remunerations to directors amounted to $3,936 and $4,250, 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 2023 and 2022 financial statements. The remunerations to employees in 2022 amounting to $22,178, are calculated with the closing market price of ordinary shares on the day before the resolution of the board of directors to distribute the remunerations to employees on March 14, 2023, and 203 thousand shares were distributed. Related information would be available at the Market Observation Post System Website.

(v) Other income

	2023	2022
Provisions reversal of fire indemnity	$ 373	101,202
Insurance claim income, net	210,943	158,275
Rental income and others	2,487	4,950
	$ 213,803	264,427

(w) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

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2) Concentration of credit risk

As of December 31, 2023 and 2022, there were both five major customers, that accounted for 76.25% and 72.58%, respectively, of notes and accounts receivable. Thus, credit risk is significantly centralized. In order to minimize credit risk, the Company periodically evaluates the major clients' financial positions and the possibility of collecting notes and accounts receivables to ensure the uncollectible amount is recognized appropriately as loss allowance.

3) Receivables and debt securities

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

b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Company 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, excluding estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
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)	84,821	(121,967)	(4,434)	(3,601)	(113,932)
Other payables	169,346	(169,346)	(169,346)	-	-
Payables on contractors and equipment	68,840	(68,840)	(68,840)	-	-
Long-term borrowings (including current portion)	862,670	(898,412)	(32,789)	(409,607)	(456,016)
	$ 1,404,928	**(1,478,220)**	**(495,064)**	**(413,208)**	**(569,948)**
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 112,000	(112,177)	(112,177)	-	-
Notes and accounts payable	48,636	(48,636)	(48,636)	-	-
Lease liabilities (including current and non-current)	77,978	(114,367)	(3,122)	(2,483)	

(Continued)

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					(108,762)
Other payables	295,916	(295,916)	(295,916)	-	-
Payables on contractors and equipment	160,591	(160,591)	(160,591)	-	-
Long-term borrowings	432,356	(455,385)	(5,608)	(5,624)	(444,153)
	$ 1,127,477	(1,187,072)	(626,050)	(8,107)	(552,915)

The Company 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 Company’s significant exposure to foreign currency risk was as follow:

Foreign currency: in thousands of dollars

	December 31, 2023			December 31, 2022		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD to TWD	$ 11,320	30.655	347,015	8,284	30.66	253,987
EUR to TWD	303	33.78	10,235	493	32.52	16,032
Financial liabilities						
Monetary items						
USD to TWD	633	30.655	19,405	1,028	30.66	31,518

2) Sensitivity analysis

The Company’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 as of December 31, 2023 and 2022 would have affected the net profit before tax increased or decreased $3,378 and $2,385, respectively, for the years ended December 31, 2023 and 2022. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted

SCI PHARMTECH, INC.

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to $2,369 and $27,542, respectively.

(iv) Interest rate analysis

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

	Carrying amount	
	December 31, 2023	**December 31, 2022**
Financial assets	$ 900,104	69,101
Financial liabilities	1,041,572	547,767

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and 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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Company's net profit before tax would have increased (decreased) by $354 and $1,197, respectively, for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Company's bank savings and borrowings with variable interest rates.

(i) Others market price risks

For the years ended December 31, 2023 and 2022, 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:

	2023		2022	
Price of securities at the reporting date	**Other comprehensive income after tax**	**Profit or loss before tax**	**Other comprehensive income after tax**	**Profit or loss before tax**
Increasing 5%	$ 4,841	4,450	3,336	4,877
Decreasing 5%	$ (4,841)	(4,450)	(3,336)	(4,877)

(v) Fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Company'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

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value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2023				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non-derivative financial assets Mandatorily measured at fair value through profit or loss	$ 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	935,370	-	-	-	-
Notes and accounts receivable	307,369	-	-	-	-
Other receivables	151	-	-	-	-
Refunded deposits (recognized as other non-current assets)	1,120	-	-	-	-
Subtotal	1,244,010				
Total	$ 1,429,822				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 175,000	-	-	-	-
Notes and accounts payable	44,251	-	-	-	-
Lease liabilities (including current and non-current)	84,821	-	-	-	-
Others payables	169,346	-	-	-	-
Payables on contractors and equipment	68,840	-	-	-	-
Long-term borrowings (including current portion)	862,670	-	-	-	-
Total	$ 1,404,928				

	December 31, 2022				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non-derivative financial assets Mandatorily measured at fair value through profit or loss	$ 97,545	97,545	-	-	97,545
Financial assets at fair value through other comprehensive income					
Emerging stocks	66,723	-	-	66,723	66,723
Financial assets measured at amortized cost					
Cash and cash equivalents	149,842	-	-	-	-
Notes and accounts receivable	173,565	-	-	-	-
Other receivables	31,101	-	-	-	-
Refunded deposits (recognized as other	1,010	-	-	-	-

(Continued)

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non-current assets)					
Subtotal	355,518				
Total	$ 519,786				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 112,000	-	-	-	-
Notes and accounts payable	48,636	-	-	-	-
Lease liabilities (including current and non-current)	77,978	-	-	-	-
Other payables	295,916	-	-	-	-
Payables on contractors and equipment	160,591	-	-	-	-
Long-term borrowings	432,356	-	-	-	-
Total	$ 1,127,477				

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

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

a) Financial assets and liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

The measurement of fair value of a non-active market financial instruments held by

(Continued)

the Company which do not have quoted market prices are based on the comparable

market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

4) Transfers between Levels

The Company holds investment in equity shares, which are classified as financial assets at fair value through other comprehensive income, with the fair value of $96,814 and $66,723 as of December 31, 2023 and 2022, respectively.

In June 30, 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 heirarchy as of June 30, 2023, and had been fully disposed in the second half of 2023.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income Unquoted equity instruments
January 1, 2023	$ 66,723
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	241,563
Reclassification	(241,377)
Diposal	(66,909)
December 31, 2023	**$ -**
January 1, 2022	$ 72,521
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	(5,798)
December 31, 2022	**$ 66,723**

For the years ended December 31, 2023 and 2022, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

		2023	2022
Total gains and losses recognized:			
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	$	-	(5,798)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through other comprehensive income － debt investments”. Financial assets at fair value through other comprehensive income － equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial assets at fair value through other comprehensive income － equity investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through other comprehensive income － equity investments without an active market	Price-Book ratio method	• The multiplier of Price-Book Ratio (As of December 31, 2022, was 1.42~2.89)	The higher the fair value is, the higher the multiplier will be.
〃	〃	• Lack-of-Marketability discount rate (As of December 31, 2022 was 23%)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions that may lead to various results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

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

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(x) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

The Company 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 Company’s financial risk management focus on uncertainty in the financial market to avoid hidden difficulty at the financial statement and financial performance of the Company. The Company’s finance department carried out risk management according to the dealer’s authority approved by Board of Directors. The Company’s financial department maintain close communication with operation department in charge of identifying, evaluating, avoiding financial risk.

(iii) Credit risk

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

1) Accounting receivable and other receivables

The Company's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company'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 Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company's customers are mainly from the pharmaceutical industry. In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company 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 Company 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 Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

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The Company's policy is to provide financial guarantees to the entities listed in the policy. As of December 31, 2022, no guarantees were outstanding, and as of December 31, 2023, the guarantees provided by the Group, please refer to note 7 and note 13(a).

(iv) Liquidity risk

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

Please refer to note 6(j) and note 6(k) for unused short-term and long-term bank facilities as of December 31, 2023 and 2022.

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

The Company pays attention to changes in exchange rates and uses forward exchange contracts to hedge its currency risk. The Company'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 Company 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 Company evaluates the changes in market interest rates at any time, and establishes relationships with financial institutions to strive for the most suitable interest rate in a timely manner, and use it with short-term and long-term financing lines to reduce interest expenses.

(y) Capital management

The Company'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 Company 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.

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The Company 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.

The Company's capital management strategy is to maintain a debt-to-equity ratio of less than 30% in December 31, 2023 and 2022. The ratio of debt to capital in December 31, 2023 and 2022, is as follows:

	December 31, 2023	December 31, 2022
Total loan	$ 1,041,572	547,767
less: cash and cash equivalents	935,370	149,842
Net debt	$ 106,202	397,925
Total equity	$ 5,099,953	3,629,224
Debt-to-equity ratio	2%	11%

(z) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2023 and 2022, were as follows:

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

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

			Non-cash changes		
	January 1, 2021	Cash flows	Acquisition	Other	December 31, 2023
Short-term borrowings	$ 112,000	63,000	-	-	175,000
Long-term borrowings (including current portion)	432,356	430,805	-	(491)	862,670
Lease liabilities	77,978	(2,923)	9,766	-	84,821
	$ 622,334	490,882	9,766	(491)	1,122,491

			Non-cash changes		
	January 1, 2022	Cash flows	Acquisition	Other	December 31, 2022
Short-term borrowings	$ -	112,000	-	-	112,000
Long-term borrowings	-	435,767	-	(3,411)	432,356
Lease liabilities	2,155	(2,061)	77,884	-	77,978
	$ 2,155	545,706	77,884	(3,411)	622,334

(7) Related-party transactions:

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(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:

Name of related party	Relationship with the Company
Yushan Pharmaceuticals, Inc. (Yushan)	Subsidiary company
Framosa Co., Ltd. (Framosa)	The associate of the Company
HoneyBear Biosciences, Inc. (HoneyBear)	The investee under the equity method of Yushan Pharmaceuticals
Weichyun Wong	The chairman of the Company

(c) Significant transaction with related parties

(i) Sales

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

	2023	2022
Associate	$ 10,000	-

The were no comparative sales prices between the related parties and other customers, and the payment term was 30 days. The payment terms have no significant differences between the related parties and other customers. As of December 31, 2023, all the above transaction amount have been received.

(ii) Lease

1) Lessee

The Company rented lands from its subsidiary, the total value of the contract after remeasured was $80,461. The rental fee is determined based on nearly and rental rates. The details of the above lease transactions were as follows:

	Lease liabilities		Interest expense	
	December 31, 2023	December 31, 2022	2023	2022
Subsidiary	$ 80,017	76,954	1,310	539

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	Guarantee deposits received (recorded as other non-current liability)	
	December 31, 2023	**December 31, 2022**
Subsidiary	$ 200	200

2) Lessor

The Company rented out office for related party. The details of the above lease transactions are as follows:

	Rental income (recorded as other income)		Other receivables	
	2023	**2022**	**December 31, 2023**	**December 31, 2022**
Associate	$ 400	167	-	-

(iii) Property transactions

The Company entrusted Framosa with the construction of its wastewater treatment equipment, the total contract price is $248,818 (before tax), as of December 31, 2023 and 2022, the amount of $90,238 and $0, respectively. As of December 31, 2023, all the above transaction price have been paid.

(iv) Guarantee

	December 31, 2023	December 31, 2022
Associate- Framosa	$ 400,000	-

Please refer to note 13(a)ii for 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, 2023 and 2022. Please refer to note 6(h).

(d) Key management personnel compensation

	2023	2022
Salary and Short-term employee benefits	$ 21,768	19,557
Share-based payment	1,326	-
	$ 23,094	19,557

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

SCI PHARMTECH, INC.

Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2023	December 31, 2022
Land	Pledged as collaterals	$ 42,736	42,736
Building	〃	2,315	2,884
		$ 45,051	45,620

(9) Commitments and contingencies:

(a) As of December 31, 2023 and 2022, the unused balance of the Company's outstanding standby letters of credit amounted to $35,813 and $5,535, respectively.

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

	December 31, 2023	December 31, 2022
Acquisitions of property, plant and equipment	$ 614,765	712,862

(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. As of December 31, 2023 and 2022, the outstanding provisions for fire indemnity were $0 and $68,159, respectively, which were recorded under provisions. 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. As of December 31, 2023 and 2022, the Company recognized the claim receivables for $0 and $30,000, respectively, which were recorded under other receivables.

For the years ended December 31, 2023 and 2022, the Company received net incremental compensation amounting to $210,943 and $158,275, respectively, which was recorded under other income.

As of December 31, 2023, the above-mentioned insurance claim has not been settled yet. The Company expects to complete the application in 2024.

(11) Subsequent Events: none

SCI PHARMTECH, INC.

Notes to the Financial Statements

(12) Other:

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

By function / By item	2023 Cost of sales	2023 Operating expenses	2023 Total	2022 Cost of sales	2022 Operating expenses	2022 Total
Employee benefits						
Salary	159,953	86,181	246,134	120,816	80,896	201,712
Labor and health insurance	13,784	4,814	18,598	11,925	4,509	16,434
Pension	6,122	2,209	8,331	5,448	2,046	7,494
Remuneration of directors	-	3,936	3,936	-	4,250	4,250
Others	3,574	7,687	11,261	3,023	5,222	8,245
Depreciation	110,090	28,352	138,442	56,073	26,971	83,044
Amortization	4,157	4,278	8,435	4,154	4,059	8,213

For the years ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	2023	2022
Number of employees	233	207
Number of directors (non-employees)	5	5
Average employee benefit expenses	$ 1,247	1,158
Average salaries expenses	$ 1,080	999
Average employee salary expense adjustment	8.11%	
Remuneration for supervisors	$ -	-

The Company’ s salary and remuneration policy (including directors, managers and employees) is as follows:

(a) Directors: the remuneration of the directors is based on the policy of the Company’ s Articles of Incorporation.

The directors’ remuneration is less than 2% of the profit in according to the Articles of Incorporation. The reasonable remuneration is determined after considering the Company's operating results, and each director’ s contribution. In addition, considering that independent directors are also the members of the audit and remuneration committees, the workload is more heavy, therefore, the independent directors have higher director remuneration than other members of the Board of Director.

(b) Managers and employees:

(i) The Company’ s salary and remuneration policy is to provide a competitive salary level, to recruit and retain key managers and employees that are required for the Company's operations,

SCI PHARMTECH, INC.

Notes to the Financial Statements

and to achieve the Company's steady growth and sustainable development.

(ii) Employee remuneration includes monthly salary, performance bonus, year-end bonus and remuneration based on the profit status of the current year.

(iii) The remuneration of managers shall be handled in accordance with the "policies, systems, standards and structure of manager's performance goals and salary remuneration".

(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 Company for the year ended December 31, 2023:

(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	The associate of the Company	509,995	400,000	400,000	77,098	-	7.84%	2,039,981	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, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Current Financial asset at fair value through profit or loss	61	1,052	-	1,052	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	672	40,051	-	40,051	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	0.023	1	-	1	-
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	528	31,363	-	31,363	-
〃	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	〃	577	16,531	-	16,531	-
〃	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair va through other comprehensive income	1,603	96,814	2.10 %	96,814	-

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

SCI PHARMTECH, INC.

Notes to the Financial Statements

(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: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The Company	Buildings	2021.10.19	$ 630,000	$ 472,500	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

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

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

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2023	Original investment amount: December 31, 2022	Ending balance: Shares (thousands)	Ending balance: Percentage of ownership	Ending balance: Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API		351,761	35,190	100%	353,291	3,820	4,607	
〃	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	143,750	143,750	14,375	25%	116,815	(31,791)	(10,068)	
Yushan Pharmaceuticals Inc.	HoneyBear Biosciences, Inc.	R.O.C	Biotechnology services	33,000	15,000	3,300	11.54%	27,993	(33,961)	(3,771)	

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

(d) Major shareholders:

Unit: shares

Shareholding / Shareholders' Name	Shares	Percentage
Mercuries & Associates Holding Ltd.	35,590,777	29.78%
Zhan Liwei	7,426,269	6.21%

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2023.

SCI PHARMTECH, INC.

STATEMENT OF CASH AN EQUIVALENTS

December 31, 2023

(Expressed in thousands of New Taiwan Dollars and Foreign Currency)

Item	Description	Amount
Cash on hand		$ 487
Checking accounts		323
Demand deposits	TWD	841,477
	Foreign currency (USD1,123, JPY33,760, EUR483, and others)	58,627
Time deposits	Foreign currency (USD 1,124)	34,456
Total		**$ 935,370**

Note: The exchange rate at balance sheet date was as follows:

USD: 30.655

EUR: 33.78

JPY: 0.2152

SCI PHARMTECH, INC.

STAEMENTS OF NOTES AND ACCC RECEIVABLE

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Accounts Receivable:		
Corden Pharma Bergamo S.p.A.	Third parties operating income	$ 132,201
Siegfried USA, LLC	〃	30,330
Taiwan Biotech Co., Ltd.	〃	28,021
Chemische Fabrik Berg GmbH	〃	22,072
AZAD Pharma AG	〃	21,759
Others (Note)	〃	72,986
Subtotal		307,369
Less: allowance for uncollectible accounts		-
Notes and accounts receivable, net		**$ 307,369**

Note: The amount of individual client included in others does not exceed 5% of the account balance.

SCI PHARMTECH, INC.

STATEMENTS OF INVENTORY

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value
Finished goods	$ 351,437	722,248
Work in progress	85,692	85,692
Raw materials	92,404	103,688
Total	**$ 529,533**	**911,628**

STATEMENTS OF FINANCIAL ASSETS AT FAIR

Please refer to note 13(a)(iii).

SCI PHARMTECH, INC.

CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VAI
THROUGH OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars; thousands of share)

	Beginning Balance		Transferred In		Increase		Decrease		Ending Balance		
Investee Company	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Collaterals or Pledged Assets
Sunny Pharmtech Inc.	4,497	$ 50,093	-	-	142	3,981	(4,639)	54,074	-	-	None
Energenesis Biomedical Co., Ltd.	1,603	71,357	-	-	-	-	-	-	1,603	71,357	〃
Less: valuation adjustment	-	(54,727)	-	-	-	204,683	-	124,499	-	25,457	〃
Total		$ 66,723		-		208,664		178,573		96,814	

SCI PHARMTECH, INC.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars; thousands of shares)

	Beginning Balance		Increase			Changes in equity of associates and joint ventures	Ending Balance				
Investee Company	Number of shares	Amount	Number of shares	Amount	Share of profit recognized	accounted for using equity method	Number of shares	Amount	Percentage of ownership	Net value	Collaterals or Pledged Assets
Yushan Pharmaceuticals Inc.	35,190	$ 349,354	-	-	4,607	(670)	35,190	353,291	100%	352,504	None
Framosa Co., Ltd.	14,375	126,883	-	-	(10,068)	-	14,375	116,815	25%	118,891	None
		$ 476,237		**-**	**(5,461)**	**(670)**		**470,106**			

SCI PHARMTECH, INC.

CHANGES IN PROPERTY, PLAN
EQUIPMENT

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h).

STATEMENT OF SHORT-TERM LOANS

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Ending Balance	Contract Period	Interest Rate	Loan Commitments	Collaterals or Pledged Assets	Note
E. SUN Bank	Credit loans	$ 30,000	2023.8.1~ 2024.8.1	1.73%	100,000	None	
Taishin Bank	〃	-	2023.6.1~ 2024.5.31		200,000	〃	
KGI Bank	〃	-	2023.8.31~ 2024.8.30		150,000	〃	
Taiwan Business Bank	〃	10,000	2023.1.11~ 2024.1.11	2.1%	100,000	〃	
Tapei Fubon Bank	〃	20,000	2022.9.26~ 2024.1.12	1.92%	100,000	〃	
CTBC Bank	〃	65,000	2023.6.28~ 2024.6.27	1.7%~1.75%	100,000	〃	
Mega Bank	Secured loans	50,000	2023.1.25~ 2024.1.24	1.7%	120,000	Land and Buildings	
		$ 175,000			**870,000**		

SCI Pharmtech, Inc.

STATEMENT OF LONG-TERM LOANS

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Loan Commitments	Contract Period	Interest Rate	Collaterals Pledged Assets	Amount: Loan within than 1 year	Amount: Loan more than 1 year
Mega Bank	$ 1,000,000	2022.2.25~ 2027.2.15	1.05%	Property plant, and equipment	-	686,572
Shanghai Commercial and Savings Bank	130,000	2022.11.25~ 2025.11.24	1.925%	None	20,000	110,000
E.SUN Bank	50,000	2023.9.28~ 2026.9.28	1.8%	None	-	50,000
	1,180,000				20,000	846,572
Less: deferred income	-				-	(3,902)
	$ 1,180,000				20,000	842,670

SCI PHARMTECH, INC.

STATEMENT OF NOTES AND ACCOU
PAYABLE

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount	
Notes Payable:			
MSIG Mingtai Insurance	Third parties operating cost	$	130
Others (Note)	〃		581
			711
Accounts Payable:			
Trans Chief Chemical Industry Co., Ltd.	Third parties operating cost		11,163
Nantong Kaixin Pharma Chemical Co., Ltd.	〃		12,737
Air Products San Fu Corporation	〃		4,727
All-In-Line Chemicals Enterprise Co., Ltd.	〃		5,044
Others (Note)	〃		9,869
			43,540
		$	**44,251**

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

SCI PHARMTECH, INC.

STATEMENT OF OTHER PAYABLES

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payables and year-end bonuses payable	Payroll expenses for December 2023, estimated 2023 year-end bonuses, and employees and directors' remuneration	$ 81,664
Estimated expenses payable	Groundwater pollution remediation fee	27,420
Others (Note)	Utilities expense and freight	60,262
Total		**$ 169,346**

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT OF NET REVENUE

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity (thousand kilograms)	Amount
API	252	$ 718,312
Intermediates	122	471,644
Specialty Chemical	125	14,203
		$ 1,204,159

SCI PHARMTECH, INC.

OPERATING COSTS

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of year	$ 222,998
Add: Purchases	326,038
Less: Raw materials, end of year (including raw materials in transit)	(128,920)
Transferred to manufacturing expenses	(29,172)
Transferred to operating expenses	(1,744)
Material consumption	389,200
Direct labor	69,330
Manufacturing expenses	416,813
Total Manufacturing costs	875,343
Add: Work in process, beginning of year	74,565
Finished good transferred-in	522,452
Less: Work in process, end of year	(100,571)
Work in process used	(1,365)
Write-downs	(733)
Cost of finished goods	1,369,691
Add: Finished goods, beginning of year	351,389
Purchases	407
Less: Finished goods, end of year (including inventory in transit)	(448,941)
Remanufacture	(522,452)
Transferred to operating expenses	(202)
Finished good used	(4,369)
Write-downs	(11,065)
Costs of goods sold	734,458
Add: Allowance for inventory obsolescence (reversals)	19,806
The write-down of inventories	11,798
Unallocated production overhead	86,930
Others	844
Cost of sales	**$ 853,836**

SCI PHARMTECH, INC.

STATEMENT OF OPERATING EXPENSES

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item		Selling expenses	Administrative expenses	Research and development expenses
Payroll expenses	$	10,622	60,818	20,886
Professional service fees		402	7,754	2,990
Depreciation		741	18,756	8,855
Freight		13,731	-	-
Consumables		139	2,087	3,813
Amortization		-	4,278	-
Repair and maintenance		5	6,983	3,081
Import expenses		-	4,526	-
Comission expenses		7,118	-	-
Miscellaneous purchase		38	5,062	133
Others (Note)		28,940	(30,232)	9,336
Total	**$**	**61,736**	**80,032**	**49,094**

Note: The amount of each item in others does not exceed 5% of the account balance.