SCINOPHARM TAIWAN, LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ScinoPharm Taiwan, Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of ScinoPharm Taiwan, Ltd. (the "Company") as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and 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 Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 Company's parent company only financial statements of 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters for the parent company only financial statements of the current period are stated as follows:

Cutoff of export revenue

Description

Refer to Note 4(28) to the parent company only financial statements for accounting policy on revenue recognition and Note 6(18) to the parent company only financial statements for accounting items on revenue.

The Company's sales revenue mainly arises from the manufacture and sales of Active Pharmaceutical Ingredient ("API"), which primarily consists of export sales. The Company recognises export sales revenue based on the terms and conditions of transactions which vary with different customers. As revenue recognition involves manual processes and is material to the financial statements, we consider the cutoff of export revenue a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Understood and assessed the effectiveness of internal controls over cutoff of sales revenue and tested the effectiveness of internal controls over shipping and billing.
2. Checked the completeness of the export sales details for a certain period around balance sheet date and performed cutoff tests on a random basis, which included checking the terms and conditions of transactions, verifying against supporting documents, and checking whether inventory movements and costs of sales were recognised in the appropriate period.

Inventory valuation

Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2)1 for the uncertainty of accounting estimates and assumptions applied in inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2019, the balances of inventory and allowance for inventory valuation losses were $1,489,137 thousand and $388,442 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of API. As the manufacturing process is relatively complicated and time consuming, materials require longer lead time, the waiting period for product registration is long, and the timing of the product launch may be deferred, there is higher risk of incurring loss on inventory valuation. For inventories sold under normal terms, the Company measures inventories at the lower of cost and net realisable value. For inventories aging over a certain period of time and are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turnover. Since the calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Evaluated the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the historical data of inventory turnover and judgement of obsolete inventory.
2. Verified whether the dates used in the inventory aging reports that the Company applied to value inventories were accurate. Recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm whether the reported information was in line with the Company's policies.
3. Selected samples from inventory items by each sequence number to verify its realisable value and to evaluate the reasonableness of allowance for inventory valuation loss.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 ROC GAAS 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 parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 auditor's report to the related disclosures in the parent company only 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 auditor's 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Yung-Chih

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 20, 2020

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents		$ 3,020,410	26	$ 4,075,456	36
1110	Financial assets at fair value through profit or loss - current	6(2)	2,920	-	409	-
1170	Accounts receivable, net	6(3) and 12	562,856	5	550,740	5
1200	Other receivables		10,118	-	15,657	-
1210	Other receivables - related parties	7	5,697	-	5,625	-
1220	Current income tax assets	6(24)	8,969	-	-	-
130X	Inventories	5(2) and 6(4)	1,100,695	10	1,243,588	11
1410	Prepayments		107,502	1	80,273	1
11XX	**Total current assets**		4,819,167	42	5,971,748	53
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	415,210	4	468,117	4
1550	Investments accounted for under equity method	6(6)	1,763,209	16	745,548	7
1600	Property, plant and equipment	6(7)(9)	3,192,172	28	3,387,960	31
1755	Right-of-use assets	3(1) and 6(8)	602,221	5	-	-
1780	Intangible assets		9,458	-	8,402	-
1840	Deferred income tax assets	5(2) and 6(24)	504,946	4	470,322	4
1915	Prepayments for equipment		80,441	1	92,552	1
1920	Guarantee deposits paid		5,244	-	903	-
1980	Other financial assets - non-current	8	29,270	-	29,270	-
15XX	**Total non-current assets**		6,602,171	58	5,203,074	47
1XXX	**Total assets**		$ 11,421,338	100	$ 11,174,822	100

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SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ -	-	$ 61,694	-
2130	Contract liabilities - current	6(18)	46,789	-	22,541	-
2150	Notes payable		1,353	-	1,148	-
2170	Accounts payable		93,643	1	73,739	1
2180	Accounts payable - related parties	7	45,517	-	39,307	-
2200	Other payables	6(11)	285,292	3	293,946	3
2230	Current income tax liabilities	6(24)	-	-	64,853	1
2280	Lease liabilities - current	3(1)	16,014	-	-	-
21XX	**Total current liabilities**		488,608	4	557,228	5
	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	584	-	81	-
2580	Lease liabilities - non-current	3(1)	590,020	5	-	-
2640	Net defined benefit liabilities	6(12)	82,182	1	76,863	1
2645	Guarantee deposits received		-	-	1,618	-
25XX	**Total non-current liabilities**		672,786	6	78,562	1
2XXX	**Total liabilities**		1,161,394	10	635,790	6
	Equity					
	Share capital					
3110	Share capital - common stock	6(13)	7,907,392	69	7,907,392	71
3200	**Capital surplus**	6(12)(13)(14)(15)	1,294,605	12	1,292,555	11
	Retained earnings	6(5)(16)				
3310	Legal reserve		612,600	6	568,302	5
3320	Special reserve		22,829	-	22,829	-
3350	Unappropriated earnings		490,344	4	708,338	6
3400	**Other equity interest**	6(6)(17)	(67,826)	(1)	39,616	1
3XXX	**Total equity**		10,259,944	90	10,539,032	94
	Significant contingent liabilities and unrecognised contract commitments	7 and 9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 11,421,338	100	$ 11,174,822	100

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
			Year ended December 31			
4000	**Operating revenue**	6(18)	$ 2,813,047	100	$ 3,470,109	100
5000	**Operating costs**	6(4)(12)(22)(23), 7 and 9	(1,677,387)	(59)	(1,808,470)	(52)
5900	**Net operating margin**		1,135,660	41	1,661,639	48
	Operating expenses	6(12)(22)(23), 7, 9 and 12				
6100	Selling expenses		(160,552)	(6)	(151,924)	(4)
6200	General and administrative expenses		(446,039)	(16)	(449,576)	(13)
6300	Research and development expenses		(206,570)	(7)	(295,064)	(9)
6450	Gain on reversal of (expected credit losses)		(202)	-	95	-
6000	**Total operating expenses**		(813,363)	(29)	(896,469)	(26)
6900	**Operating profit**		322,297	12	765,170	22
	Non-operating income and expenses					
7010	Other income	6(19) and 7	94,836	3	48,546	2
7020	Other gains and losses	6(2)(9)(20) and 12	(44,362)	(2)	(35,377)	(1)
7050	Finance costs	6(21)	(8,532)	-	(4,456)	-
7070	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(117,725)	(4)	(306,232)	(9)
7000	**Total non-operating income and expenses**		(75,783)	(3)	(297,519)	(8)
7900	**Profit before income tax**		246,514	9	467,651	14
7950	Income tax expense	6(24)	(29,858)	(1)	(24,673)	(1)
8200	**Profit for the year**		$ 216,656	8	$ 442,978	13
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial losses on defined benefit plans	6(12)	($ 5,936)	-	($ 8,328)	-
8316	Unrealised losses from equity instruments measured at fair value through other comprehensive income	6(5)(17)	(48,718)	(2)	(67,722)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	1,187	-	1,763	-
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(6)(17)	(56,865)	(2)	(21,487)	(1)
8300	**Total other comprehensive loss for the year**		($ 110,332)	(4)	($ 95,774)	(3)
8500	**Total comprehensive income for the year**		$ 106,324	4	$ 347,204	10
	Earnings per share (in dollars)	6(25)				
9750	**Basic**			$ 0.27		$ 0.56
9850	**Diluted**			$ 0.27		$ 0.56

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other Equity Interest		
	Notes	Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
For the year ended December 31, 2018									
Balance at January 1, 2018		$ 7,907,392	$ 1,286,872	$ 526,065	$ 22,829	$ 693,832	($ 19,765)	$ -	$ 10,417,225
Effect on retrospective application and restatement	6(17)	-	-	-	-	-	-	148,475	148,475
Balance after restatement on January 1, 2018		7,907,392	1,286,872	526,065	22,829	693,832	(19,765)	148,475	10,565,700
Net income for the year ended December 31, 2018		-	-	-	-	442,978	-	-	442,978
Other comprehensive loss for the year ended December 31, 2018	6(5)(17)	-	-	-	-	(6,565)	(21,487)	(67,722)	(95,774)
Total comprehensive income (loss) for the year ended December 31, 2018		-	-	-	-	436,413	(21,487)	(67,722)	347,204
Distribution of 2017 net income:									
Legal reserve		-	-	42,237	-	(42,237)	-	-	-
Cash dividends	6(16)	-	-	-	-	(379,555)	-	-	(379,555)
Employee stock option compensation cost	6(14)(15)	-	5,683	-	-	-	-	-	5,683
Disposal of equity instruments at fair value through other comprehensive income	6(5)(17)	-	-	-	-	(115)	-	115	-
Balance at December 31, 2018		$ 7,907,392	$ 1,292,555	$ 568,302	$ 22,829	$ 708,338	($ 41,252)	$ 80,868	$ 10,539,032
For the year ended December 31, 2019									
Balance at January 1, 2019		$ 7,907,392	$ 1,292,555	$ 568,302	$ 22,829	$ 708,338	($ 41,252)	$ 80,868	$ 10,539,032
Net income for the year ended December 31, 2019	6(5)(17)	-	-	-	-	216,656	-	-	216,656
Other comprehensive loss for the year ended December 31, 2019		-	-	-	-	(4,749)	(56,865)	(48,718)	(110,332)
Total comprehensive income (loss) for the year ended December 31, 2019		-	-	-	-	211,907	(56,865)	(48,718)	106,324
Distribution of 2018 net income:									
Legal reserve		-	-	44,298	-	(44,298)	-	-	-
Cash dividends	6(16)	-	-	-	-	(387,462)	-	-	(387,462)
Employee stock option compensation cost	6(14)(15)	-	2,050	-	-	-	-	-	2,050
Disposal of equity instruments at fair value through other comprehensive income	6(5)(17)	-	-	-	-	1,859	-	(1,859)	-
Balance at December 31, 2019		$ 7,907,392	$ 1,294,605	$ 612,600	$ 22,829	$ 490,344	($ 98,117)	$ 30,291	$ 10,259,944

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 246,514	$ 467,651
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on valuation of financial assets and liabilities		(2,511)	(409)
(Gain on reversal of) expected credit losses	12(2)	202	(95)
Reversal of allowance for loss on inventory market price decline	6(4)	(2,590)	(40,832)
Provision for obsolescence of supplies		5,972	7,183
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	117,725	306,232
Depreciation of property, plant and equipment	6(7)(22)	272,707	284,363
Depreciation of right-of-use assets	6(8)(22)	15,148	-
Property, plant and equipment transferred to loss	6(7)	22,726	14,349
Gain on disposal of property, plant and equipment	6(20)	-	(78)
(Gain on reversal of) impairment loss	6(7)(9)(20)	707	(2,322)
Amortisation	6(22)	7,693	5,238
Prepayments for equipment transferred to loss		1,967	-
Employee stock option compensation cost	6(14)(15)	2,050	5,683
Interest income	6(19)	(28,541)	(20,677)
Interest expense	6(21)	8,532	4,456
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(12,318)	16,477
Other receivables		5,481	(3,937)
Other receivables - related parties		(72)	(3,028)
Inventories		145,483	297,825
Prepayments		(33,201)	11,988
Changes in operating liabilities			
Contract liabilities - current		24,248	(825)
Notes payable		205	(13)
Accounts payable		19,904	(204)
Accounts payable - related parties		6,210	(14,621)
Other payables		(16,561)	12,918
Net defined benefit liabilities - non-current		(617)	(777)
Cash inflow generated from operations		807,063	1,346,545
Interest received		28,599	21,398
Interest paid		(9,410)	(3,578)
Income tax paid		(136,614)	(123,172)
Net cash flows from operating activities		689,638	1,241,193

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SCINOPHARM TAIWAN, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	$ 4,189	$ 3,733
Acquisition of investments accounted for under the equity method - subsidiary	6(6)	(1,192,251)	(409,150)
Cash paid for acquisition of property, plant and equipment	6(26)	(15,925)	(50,033)
Proceeds from disposal of property, plant and equipment		-	78
Acquisition of intangible assets		(2,249)	(2,888)
Increase in prepayments for equipment		(71,998)	(65,325)
(Increase) decrease in guarantee deposits paid		(4,341)	326
Increase in other financial assets - non-current		-	(439)
Net cash flows used in investing activities		(1,282,575)	(523,698)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(27)	(61,694)	61,694
Repayment of the principal portion of lease liabilities	6(27)	(11,335)	-
Decrease in guarantee deposits received	6(27)	(1,618)	(2)
Payment of cash dividends	6(16)	(387,462)	(379,555)
Net cash flows used in financing activities		(462,109)	(317,863)
Net (decrease) increase in cash and cash equivalents		(1,055,046)	399,632
Cash and cash equivalents at beginning of year	6(1)	4,075,456	3,675,824
Cash and cash equivalents at end of year	6(1)	$ 3,020,410	$ 4,075,456

The accompanying notes are an integral part of these parent company only financial statements.

SCINOPHARM TAIWAN, LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company is primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients (API), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.

(3) Uni-President Enterprises Corp., the Company's ultimate parent company, holds 37.94% equity interest in the Company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 20, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment:

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively referred herein as the "IFRSs") effective in 2019 as endorsed by the FSC. Accordingly, the Company both increased 'right-of-use asset' and 'lease liability' by $900,288 with respect to the lease contracts of lessees as of January 1, 2019.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

ii. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

iii. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.13%.

E. The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	455,868
Add: Adjustments as a result of a different treatment of extension		726,960
Less: Short-term leases	(	2,397)
Low-value assets	(	1,576)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	1,178,855
Incremental borrowing interest rate at the date of initial application		1.13%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	900,288

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Company's financial conditionand and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in NTD, which is the Company's functional and presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

A. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

B. Time deposits and bills under repurchase agreements that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

The standard cost method is applied, and cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realisable value the amount of any write-down of inventories is recognised as cost of sales during the period; and the amaunt of any reversal of inventory write-down is recognised as a reduction in the cost of sales during the period.

(12) Investments accounted for under the equity method - subsidiaries

A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's non-consolidated financial statements.

B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. To meet the consistency of accounting policies of the Company, necessary adjustments are made to the accounting policies of the subsidiaries.

C. After acquisition of subsidiaries, the Company recognises proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognise its share in the subsidiary's loss proportionately.

D. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Estimated useful lives
Buildings and structures	2 ～ 35 years
Machinery and equipment	2 ～ 12 years
Transportation equipment	2 ～ 5 years
Office equipment	2 ～ 9 years
Other equipment	2 ～ 19 years

(14) Intangible assets

Professional skills and computer software, etc. are stated at cost and amortized on a straight-line basis over its estimated useful life of 3 ~ 5 years.

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities (Effective 2019)

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost of under the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Operating leases (lessee) (Prior to 2019)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. The increased carrying amount due to reversal should not exceed the depreciated or amortized historical cost if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Company measures financial guarantee contracts at fair value and subsequently at the higher of amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognised.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations. .

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise, and recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Company calculates the number of shares based on the closing market price at the previous day of the board meeting resolution.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) <u>Share capital</u>

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) <u>Dividends</u>

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) <u>Revenue recognition</u>

A. Sales of goods

(a) The Company manufactures and sells API, intermediates, etc. Sales are recognised when control of the products has transferred, 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, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue is recognised based on the price specified in the contract, net of the sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

(a) The Company provides technology development and consultation services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the service rendered up to the end of the reporting period as a proportion of the total services to be provided. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs (mainly comprised of sales commissions) of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

5. <u>CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY</u>

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) <u>Critical judgments in applying the Company's accounting policies</u>

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

(a) As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgments and estimates. As the manufacturing process is long and complex, causing longer materials lead time, the waiting period for product registration is long, and the timing of customers' product launch may be deferred, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

(b) As of December 31, 2019, the carrying amount of inventories was $1,100,695.

B. Realisability of deferred tax assets

(a) Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(b) As of December 31, 2019, the Company recognised deferred income tax assets amounting to $504,946.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash:		
Cash on hand	$ 30	$ 30
Checking accounts and demand deposits	130,132	161,949
	130,162	161,979
Cash equivalents:		
Time deposits	2,620,500	3,633,833
Bill under repurchase agreements	269,748	279,644
	2,890,248	3,913,477
	$ 3,020,410	$ 4,075,456

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Company's time deposits pledged to others as collateral (listed as 'Other financial assets - non-current') as of December 31, 2019 and 2018 are provided in Note 8.

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	$ 2,920	$ 409
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$ 4,620	$ 4,620
Valuation adjustment	(4,620)	(4,620)
	$ -	$ -

A. The Company recognised net loss of $2,552 and $18,000 on financial assets at fair value through profit or loss (listed as "Other gains and losses") for the years ended December 31, 2019 and 2018, respectively.

B. The Company entered into contracts relating to derivative financial liabilities which were not accounted for under hedge accounting. The information is listed below (Units in thousands of currencies indicated):

	December 31, 2019	
Items	Contract amount	Contract period
Forward foreign exchange contracts	USD 13,553	10.2019~3.2020

	December 31, 2018	
Items	Contract amount	Contract period
Forward foreign exchange contracts	USD 8,870	11.2018~2.2019

The Company entered into forward foreign contracts to hedge exchange rate risk of operating activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Company has no financial assets at fair value through profit or loss pledged to others as of December 31, 2019 and 2018.

(3) ACCOUNTS RECEIVABLE, NET

	December 31, 2019	December 31, 2018
Accounts receivable	$ 563,092	$ 550,774
Less: Loss allowance	(236)	(34)
	$ 562,856	$ 550,740

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2019	December 31, 2018
Not past due	$ 441,811	$ 516,006
Less than 30 days	73,342	34,197
Between 31 to 90 days	47,939	571
	$ 563,092	$ 550,774

The above ageing analysis is based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable arose from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $567,251.

C. As of December 31, 2019 and 2018, the Company does not hold any collateral as security.

D. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable is the book value.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) INVENTORIES

	December 31, 2019		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 325,013	($ 49,694)	$ 275,319
Supplies	24,771	(2,152)	22,619
Work in process	313,720	(59,425)	254,295
Finished goods	825,633	(277,171)	548,462
	$ 1,489,137	($ 388,442)	$ 1,100,695

	December 31, 2018		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 251,213	($ 51,813)	$ 199,400
Supplies	35,767	(2,731)	33,036
Work in process	595,189	(101,051)	494,138
Finished goods	752,451	(235,437)	517,014
	$ 1,634,620	($ 391,032)	$ 1,243,588

The Company recognised expense and loss of inventories for the year:

	For the years ended December 31,	
	2019	2018
Cost of goods sold	$ 1,426,493	$ 1,694,254
Loss on inventory scrap	19,529	2,337
Loss on physical inventory	3,170	3,902
Under applied manufacturing overhead	195,925	111,222
Reversal of allowance for inventory market price decline (Note)	(2,590)	(40,832)
Revenue from sale of sraps	(8,472)	-
Total cost of goods sold	$ 1,634,055	$ 1,770,883

Note: The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because certain inventory which were previously provided with allowance were again utilised in production.

(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT

Items	December 31, 2019	December 31, 2018
Equity instruments		
Listed stocks	$ 217,246	$ 219,576
Unlisted stocks	167,673	167,673
	384,919	387,249
Valuation adjustment	30,291	80,868
	$ 415,210	$ 468,117

A. The Company has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments is the book value as at December 31, 2019 and 2018.

B. As the change in investment strategies and the underlying share price of investment target is higher than the underwriting price of the over-allotment, the over-allotment shares was fully refunded. The Company sold $4,189 and $3,733 of equity instruments at fair value and resulted in cumulative gain (loss) on disposal of $1,859 and ($115) which was reclassified to retained earnings during the years ended December 31, 2019 and 2018, respectively.

C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Equity instruments at fair value through other comprehensive income	For the years ended December 31, 2019	2018
Fair value change recognised in other comprehensive income	($ 48,718)	($ 67,722)
Cumulative (gains) losses reclassified to retained earnings due to derecognition	($ 1,859)	$ 115

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2019 and 2018.

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	For the years ended December 31,	
	2019	2018
At January 1	$ 745,548	$ 664,118
Addition of investments accounted for using equity method	1,192,251	409,149
Share of profit or loss of investments accounted for using equity method	(117,725)	(306,232)
Changes in other equity items (Note 6(17))	(56,865)	(21,487)
At December 31	$ 1,763,209	$ 745,548

	December 31, 2019	December 31, 2018
Subsidiaries:		
SPT International, Ltd.	$ 1,763,097	$ 745,452
ScinoPharm Singapore Pte Ltd.	112	96
	$ 1,763,209	$ 745,548

A. For information relating to the Company's subsidiaries, please refer to Note 4(3), "Basis of consolidation" of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2019.

B. The share of loss of subsidiaries, associates and joint ventures accounted for under the equity method amounted to ($117,725) and ($306,232) for the years ended December 31, 2019 and 2018, respectively.

C. As of December 31, 2019 and 2018, the Company does not hold any investment accounted for under the equity method as collateral.

(7) PROPERTY, PLANT AND EQUIPMENT

January 1, 2019	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 2,509,751	$ 4,496,132	$ 18,851	$ 161,378	$ 3,956	$ 1,056,179	$ 8,246,247
Accumulated depreciation	(971,249)	(3,721,669)	(17,358)	(137,439)	(1,995)	-	(4,849,710)
Accumulated impairment	-	(8,577)	-	-	-	-	(8,577)
	$ 1,538,502	$ 765,886	$ 1,493	$ 23,939	$ 1,961	$ 1,056,179	$ 3,387,960
For the year ended December 31, 2019							
At January 1	$ 1,538,502	$ 765,886	$ 1,493	$ 23,939	$ 1,961	$ 1,056,179	$ 3,387,960
Additions	-	3,029	-	-	-	21,681	24,710
Reclassified from prepayments for equipment	-	-	-	-	-	82,142	82,142
Reclassified upon completion	7,990	87,598	-	21,962	-	(117,550)	-
Transferred to intangible assets	-	-	-	-	-	(6,500)	(6,500)
Transfered to loss (Note)	-	-	-	-	-	(22,726)	(22,726)
Depreciation charge	(106,779)	(152,577)	(1,065)	(12,112)	(174)	-	(272,707)
Disposals－Cost	-	(44,398)	-	(12,293)	-	-	(56,691)
－Accumulated depreciation	-	44,398	-	12,293	-	-	56,691
Impairment loss	-	(707)	-	-	-	-	(707)
At December 31	$ 1,439,713	$ 703,229	$ 428	$ 33,789	$ 1,787	$ 1,013,226	$ 3,192,172
December 31, 2019							
Cost	$ 2,517,741	$ 4,542,361	$ 18,851	$ 171,047	$ 3,956	$ 1,013,226	$ 8,267,182
Accumulated depreciation	(1,078,028)	(3,829,848)	(18,423)	(137,258)	(2,169)	-	(5,065,726)
Accumulated impairment	-	(9,284)	-	-	-	-	(9,284)
	$ 1,439,713	$ 703,229	$ 428	$ 33,789	$ 1,787	$ 1,013,226	$ 3,192,172

January 1, 2018	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 2,502,973	$ 4,449,039	$ 19,177	$ 155,359	$ 3,956	$ 1,059,214	$ 8,189,718
Accumulated depreciation	(863,970)	(3,563,217)	(16,728)	(123,526)	(1,789)	-	(4,569,230)
Accumulated impairment	-	(10,899)	-	-	-	-	(10,899)
	$ 1,639,003	$ 874,923	$ 2,449	$ 31,833	$ 2,167	$ 1,059,214	$ 3,609,589
For the year ended December 31, 2018							
At January 1	$ 1,639,003	$ 874,923	$ 2,449	$ 31,833	$ 2,167	$ 1,059,214	$ 3,609,589
Additions	-	6,287	-	-	-	29,889	36,176
Reclassified from prepayments for equipment	-	-	-	-	-	38,585	38,585
Reclassified upon completion	6,778	43,357	733	6,292	-	(57,160)	-
Transfered to loss (Note)	-	-	-	-	-	(14,349)	(14,349)
Depreciation charge	(107,279)	(161,003)	(1,689)	(14,186)	(206)	-	(284,363)
Disposals－Cost	-	(2,551)	(1,059)	(273)	-	-	(3,883)
－Accumulated depreciation	-	2,551	1,059	273	-	-	3,883
Reversal of impairment loss	-	2,322	-	-	-	-	2,322
At December 31	$ 1,538,502	$ 765,886	$ 1,493	$ 23,939	$ 1,961	$ 1,056,179	$ 3,387,960
December 31, 2018							
Cost	$ 2,509,751	$ 4,496,132	$ 18,851	$ 161,378	$ 3,956	$ 1,056,179	$ 8,246,247
Accumulated depreciation	(971,249)	(3,721,669)	(17,358)	(137,439)	(1,995)	-	(4,849,710)
Accumulated impairment	-	(8,577)	-	-	-	-	(8,577)
	$ 1,538,502	$ 765,886	$ 1,493	$ 23,939	$ 1,961	$ 1,056,179	$ 3,387,960

Note：The Company did not accept the customized equipment ordered from the vendor as its format and efficiency did not meet expectations. In April 2019, both parties reached a consensus. The vendor refunded and terminated the purchase of equipment and the Company transfered the balance of the related construction in progress and equipment before acceptance inspection to loss.

A. The Company has not capitalised any interest for the years ended December 31, 2019 and 2018.

B. The Company's property, plant and equipment were owner-occupied for the years ended December 31, 2019 and 2018.

C. Information about reversal of impairment loss and impairment loss on property, plant and equipment is provided in Note 6(9).

D. As of December 31, 2019 and 2018, no property, plant and equipment were pledged to others as collateral.

(8) Leasing arrangements－lessee (Effective 2019)

A. The Company leases land. Rental contracts are typically made for periods of 50 years (including option to extend the leases). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less pertain to office premises and low-value assets pertain to computers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 602,221	$ 15,148

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 8,510
Expense on short-term lease contracts	2,487
Expense on leases of low-value assets	877

F. For the year ended December 31, 2019, the Company's total cash outflow for leases were $23,209.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Company recognised impairment loss for the years ended December 31, 2019 and 2018 in the amount of $707 and $－, respectively, and reversed the impairment loss amounting to $－ and $2,322 for the years ended December 31, 2019 and 2018, respectively (listed as 'Other gains and losses') as some of the idle machineries were again utilised in production. For details of accumulated impairment, please refer to Note 6(7).

B. The (gain on reversal of) impairment loss reported by operating segments are as follows:

	For the years ended December 31,			
	2019		2018	
Department	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
ScinoPharm Taiwan	$ 707	$ -	($ 2,322)	$ -

(10) SHORT-TERM BORROWINGS

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 61,694	3.17%～3.31%	None

A. December 31, 2019: None.

B. Please refer to Note 6(21) for interest expense recognised in profit or loss for the years ended December 31, 2019 and 2018.

(11) OTHER PAYABLES

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	$ 61,630	$ 63,026
Accrued employees' compensation and directors' remuneration	28,493	54,605
Payables on equipment	28,117	19,332
Others	167,052	156,983
	$ 285,292	$ 293,946

(12) PENSIONS

A. The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees’ service years prior to the enforcement of the Labor Pension Act (the “Act”) on July 1, 2005 and service years thereafter of employees who chose to continue to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement). The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. According to the provisions, employees who retired due to their duties shall get additional 20%. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned methods to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by the end of March next year.

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 127,729	$ 121,105
Fair value of plan assets	(45,547)	(44,242)
Net defined benefit liability	$ 82,182	$ 76,863

(b) Movements in net defined liabilities are as follows:

For the year ended December 31, 2019	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 121,105	($ 44,242)	$ 76,863
Current service cost	1,579	-	1,579
Interest expense (income)	1,211	(442)	769
	123,895	(44,684)	79,211
Remeasurements:			
Return on plan assets	-	(1,976)	(1,976)
Change in financial assumptions	3,927	-	3,927
Experience adjustments	3,985	-	3,985
	7,912	(1,976)	5,936
Pension fund contribution	-	(2,965)	(2,965)
Paid pension	(4,078)	4,078	-
At December 31	$ 127,729	($ 45,547)	$ 82,182

For the year ended December 31, 2018	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 119,272	($ 49,960)	$ 69,312
Current service cost	1,425	-	1,425
Interest expense (income)	1,431	(600)	831
	122,128	(50,560)	71,568
Remeasurements:			
Return on plan assets	-	(1,417)	(1,417)
Change in financial assumptions	2,606	-	2,606
Experience adjustments	7,139	-	7,139
	9,745	(1,417)	8,328
Pension fund contribution	-	(3,033)	(3,033)
Paid pension	(10,768)	10,768	-
At December 31	$ 121,105	($ 44,242)	$ 76,863

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%	1.00%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2019 and 2018.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 3,284)	$ 3,403	$ 3,000	($ 2,916)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 3,246)	$ 3,367	$ 2,991	($ 2,905)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(e) Expected contributions to the defined benefit pension plan of the Company for 2020 amounted to $2,890.

(f) As of December 31, 2019, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 3,902
2～5 years	22,017
Over 6 years	119,194
	$ 145,113

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The net pension costs recognised under the defined contribution plan were $24,621 and $23,798 for the years ended December 31, 2019 and 2018, respectively.

(13) SHARE CAPITAL

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2019	2018
At January 1 and December 31	790,739	790,739

B. As of December 31, 2019, the Company's authorised capital was $10,000,000 and the paid-in capital was $7,907,392 (790,739 thousand shares) with a par value of $10 (in dollars) per share.

All proceeds from shares issued have been collected.

(14) CAPITAL RESERVE

A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Movements in the Company’s capital reserve are as follows:

	For the year ended December 31, 2019		
	Share premium	Stock options	Total
At January 1	$ 1,237,787	$ 54,768	$ 1,292,555
Employee stock options compensation cost			
－Company	-	2,050	2,050
Employee stock options forfeited			
－Company	7,686	(7,686)	-
－Subsidiaries	209	(209)	-
At December 31	$ 1,245,682	$ 48,923	$ 1,294,605

	For the year ended December 31, 2018		
	Share premium	Stock options	Total
At January 1	$ 1,235,148	$ 51,724	$ 1,286,872
Employee stock options compensation cost			
－Company	-	5,683	5,683
Employee stock options forfeited			
－Company	2,249	(2,249)	-
－Subsidiaries	390	(390)	-
At December 31	$ 1,237,787	$ 54,768	$ 1,292,555

(15) SHARE-BASED PAYMENT

A. The Company issued 1 million units, 1.5 million units and 1.5 million units of employee stock options on December 3, 2013, November 6, 2015 and October 14, 2016, respectively (the Grant Date). The exercise prices of the options were set at $91.70 (in dollars), $41.65 dollars (in dollars) and $40.55 (in dollars), respectively, which were based on the closing market price of the Company’s common shares on the Grant Date. Each option was granted the right to purchase one share of the Company’s common stocks. The exercise price is subject to further adjustments when there is change in share numbers of the Company’s common stocks after the Grant Date. As of December 31, 2019, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to $74.5 (in dollars) per share, $37.2 (in dollars) per share and $37.7 (in dollars) per share, respectively. Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Company recognised compensation cost relating to the employee stock options plan of $2,050 and $5,683 for the years ended December 31, 2019 and 2018, respectively.

B. Details of the share-based payment arrangement are as follows:

	For the year ended December 31, 2019	
	Number of options (unit in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,725	$ 46.08
Options forfeited	(520)	46.89
Options outstanding at end of the year	2,205	45.05
Options exercisable at end of the year	1,967	45.93

	For the year ended December 31, 2018	
	Number of options (unit in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,075	$ 46.53
Options forfeited	(350)	44.56
Options outstanding at end of the year	2,725	46.08
Options exercisable at end of the year	1,908	54.00

C. The expiry date and exercise prices of the employee stock options outstanding at balance sheet date is as follows:

		December 31, 2019		December 31, 2018	
Grant date	Expiry date	No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	451	$ 74.50	572	$ 75.90
11.6.2015	11.5.2025	802	37.20	1,037	37.90
10.14.2016	10.13.2026	952	37.70	1,116	38.40

D. The fair value of the Company's employee stock option on Grant Date was evaluated using the combination of Hull & White and the Ritchken trinomial option valuation model. Related information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Option life	Expected dividends	Interest rate	Fair value per unit (in dollars)
Employee stock options	12.3.2013	$ 91.70	$ 91.70	28.50% (Note)	10 years	1.5%	1.7145%	$ 26.045
Employee stock options	11.6.2015	41.65	41.65	37.63% (Note)	10 years	1.5%	1.2936%	13.799
Employee stock options	10.14.2016	40.55	40.55	37.20% (Note)	10 years	1.5%	0.9223%	13.171

Note: According to daily returns of the Company's stock for the previous year, the annualised volatility is 28.50%, 37.63% and 37.20%, respectively.

(16) RETAINED EARNINGS

A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company’s Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders’ dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.

C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners amounting to $387,462 ($0.49 (in dollars) per share) and $379,555 ($0.48 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. On March 20, 2020, the Board of Directors proposed for the distribution of cash dividends of $213,500 ($0.27 (in dollars) per share) from 2019 earnings.

(17) OTHER EQUITY ITEMS

	For the year ended December 31, 2019		
	Currency translation	Unrealised gain (loss) on valuation	Total
At January 1	($ 41,252)	$ 80,868	$ 39,616
Revaluation	-	(48,718)	(48,718)
Revaluation transferred to retained earnings	-	(1,859)	(1,859)
Currency translation differences - Group	(56,865)	-	(56,865)
At December 31	($ 98,117)	$ 30,291	($ 67,826)

	For the year ended December 31, 2018		
	Currency translation	Unrealised gain (loss) on valuation	Total
At January 1	($ 19,765)	$ -	($ 19,765)
Effect on retrospective application and restatement	-	148,475	148,475
Balance after restatement on January 1	(19,765)	148,475	128,710
Revaluation	-	(67,722)	(67,722)
Revaluation transferred to retained earnings	-	115	115
Currency translation differences - Group	(21,487)	-	(21,487)
At December 31	($ 41,252)	$ 80,868	$ 39,616

(18) OPERATING REVENUE

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

For the year ended December 31, 2019	API Revenue	Injection Product Revenue	Technical Servical Revenue	Other Operating Revenue	Total
Timing of revenue recognition:					
At a point in time	$ 2,543,599	$ 138,202	$ -	$ -	$ 2,681,801
Over time	-	-	86,642	44,604	131,246
	$ 2,543,599	$ 138,202	$ 86,642	$ 44,604	$ 2,813,047

For the year ended December 31, 2018	API Revenue	Technical Servical Revenue	Other Operating Revenue	Total
Timing of revenue recognition:				
At a point in time	$ 3,328,551	$ -	$ -	$ 3,328,551
Over time	-	101,888	39,670	141,558
	$ 3,328,551	$ 101,888	$ 39,670	$ 3,470,109

B. The Company has recognised contract liabilities related to the contract revenue from advance customer payment of $46,789, $22,541 and $23,366 on December 31, 2019, December 31, 2018 and January 1, 2018, respectively.

C. The revenue recognised that was included in the contract liability balance at the beginning of the year amounted to $21,908 and $7,900 for the years ended December 31, 2019 and 2018, respectively.

(19) OTHER INCOME

	For the years ended December 31, 2019	2018
Interest income from bank deposits	$ 28,541	$ 20,677
Management service revenue	13,699	9,773
Joint loan guarantee revenue	2,095	3,346
Compensation revenue	37,999	9,051
Government subsidy revenue	8,963	-
Others	3,539	5,699
	$ 94,836	$ 48,546

(20) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2019	2018
Net loss on financial assets/liabilities at fair value through profit or loss	($ 2,552)	($ 18,000)
Gain on disposal of property, plant and equipment	-	78
Gain on reversal of (impairment loss)	(707)	2,322
Net currency exchange (loss) gain	(2,409)	6,399
Miscellaneous	(38,694)	(26,176)
	($ 44,362)	($ 35,377)

(21) FINANCE COSTS

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank loans	$ 22	$ 4,456
Interest on lease liabilities	8,510	-
	$ 8,532	$ 4,456

(22) EXPENSES BY NATURE

	For the year ended December 31, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 359,190	$ 297,196	$ 656,386
Depreciation of property, plant and equipment	181,967	90,740	272,707
Depreciation of right-of-use assets	-	15,148	15,148
Amortisation	2,407	5,286	7,693
	$ 543,564	$ 408,370	$ 951,934

	For the year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 358,801	$ 316,459	$ 675,260
Depreciation of property, plant and equipment	185,726	98,637	284,363
Amortisation	2,175	3,063	5,238
	$ 546,702	$ 418,159	$ 964,861

(23) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2019		
	Operating costs	Operating expenses	Total
Salaries and wages	$ 302,591	$ 237,642	$ 540,233
Labor and health insurance expenses	28,587	18,800	47,387
Pension costs	16,188	10,781	26,969
Directors' compensation	-	14,547	14,547
Other personnel expenses	11,824	15,426	27,250
	$ 359,190	$ 297,196	$ 656,386

	For the year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Salaries and wages	$ 305,110	$ 254,576	$ 559,686
Labor and health insurance expenses	26,876	18,672	45,548
Pension costs	15,544	10,510	26,054
Directors' compensation	-	18,902	18,902
Other personnel expenses	11,271	13,799	25,070
	$ 358,801	$ 316,459	$ 675,260

A. As of December 31, 2019 and 2018, the Company had 638 and 630 employees, respectively, both including 13 directors who were non-employee directors.

B. For the years ended December 31, 2019 and 2018, the average employee benefit expense were $1,027 and $1,064, respectively; while the average wages and salaries were $864 and $907, respectively. For the year ended December 31, 2019, the average employee benefit expense decreased by 4.74%

C. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.

D. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $24,651 and $46,765, respectively; while directors' remuneration was accrued at $3,842 and $7,840, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On March 20, 2020, the Board of Directors resolved to distribute employees' compensation and directors' remuneration of $24,651 and $2,942, respectively, and the employees' compensation will be distributed in the form of cash.

The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2018 was the same as the estimated amount recognised in the 2018 financial statements. Information about the appropriation of employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current income tax:		
Income tax in the current year	$ 63,001	$ 138,947
Tax on unappropriated retained earnings	227	84
Over provision of prior year's income tax	(436)	(1,256)
Total current tax	62,792	137,775
Deferred income tax:		
Origination and reversal of temporary differences	(32,934)	(50,485)
Impact of change in tax rate	-	(62,617)
Total deferred tax	(32,934)	(113,102)
Income tax expense	$ 29,858	$ 24,673

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	($ 1,187)	($ 1,667)
Impact of change in tax rate	-	(96)
	($ 1,187)	($ 1,763)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2019	2018
Income tax at statutory tax rate	$ 49,303	$ 93,530
Effect of items disallowed by tax regulation	(17,458)	(1,856)
Impact of change in tax rate	-	(62,617)
Effect of investment tax credits	(1,778)	(3,212)
Tax on unappropriated retained earnings	227	84
Over provision of prior year's income tax	(436)	(1,256)
Income tax expense	$ 29,858	$ 24,673

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Unrealised loss on inventory market value decline	$ 78,206	($ 518)	$ -	$ 77,688
Unrealised loss on components and spare parts market value decline	-	16,203	-	16,203
Investment loss	354,208	23,545	-	377,753
Technology know-how	12,326	(4,350)	-	7,976
Pensions	15,373	(124)	1,187	16,436
Employee benefits - unused compensated absences	4,812	(153)	-	4,659
Impairment of assets	1,716	141	-	1,857
Unrealised exchange loss	811	613	-	1,424
Unrealised loss	2,870	(2,683)	-	187
Rent expense	-	763	-	763
	$ 470,322	$ 33,437	$ 1,187	$ 504,946
Deferred tax liabilities:				
Temporary differences				
Unrealised gain on financial instruments	($ 81)	($ 503)	$ -	($ 584)
	$ 470,241	$ 32,934	$ 1,187	$ 504,362

	For the year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Unrealised loss on inventory market value decline	$ 73,417	$ 4,789	$ -	$ 78,206
Investment loss	249,018	105,190	-	354,208
Technology know-how	14,174	(1,848)	-	12,326
Pensions	11,783	1,827	1,763	15,373
Employee benefits - unused compensated absences	3,996	816	-	4,812
Impairment of assets	1,853	(137)	-	1,716
Unrealised exchange loss	1,135	(324)	-	811
Unrealised equipment loss	-	2,870	-	2,870
	$ 355,376	$ 113,183	$ 1,763	$ 470,322
Deferred tax liabilities:				
Temporary differences				
Unrealised gain on financial instruments	$ -	($ 81)	$ -	($ 81)
	$ 355,376	$ 113,102	$ 1,763	$ 470,241

D. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of March 20, 2020.

E. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate and recognised in profit or loss or other comprehensive income based on the nature of temporary differences.

(25) EARNINGS PER SHARE ("EPS")

	For the year ended December 31, 2019			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)	
Basic earnings per share				
Profit attributable to ordinary stockholders	$ 216,656	790,739	$ 0.27	
Diluted earnings per share				
Profit attributable to ordinary stockholders	$ 216,656	790,739		
Assumed conversion of all dilutive potential ordinary shares				
Employees' stock option	-	-		
Employees' compensation	-	1,336		
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	$ 216,656	792,075	$ 0.27	

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary stockholders	$ 442,978	790,739	$ 0.56
Diluted earnings per share			
Profit attributable to ordinary stockholders	$ 442,978	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock option	-	-	
Employees' compensation	-	2,343	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	$ 442,978	793,082	$ 0.56

For the years ended December 31, 2019 and 2018, some abovementioned stock options issued are anti-dilutive, therefore they were not included in the EPS calculation.

(26) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments

	For the years ended December 31, 2019	For the years ended December 31, 2018
Purchase of property, plant and equipment	$ 24,710	$ 36,176
Add: Beginning balance of payable on equipment	19,332	33,189
Less: Ending balance of payable on equipment	(28,117)	(19,332)
Cash paid for acquisition of property, plant and equipment	$ 15,925	$ 50,033

B. Investing activities with no cash flow effects:

	For the years ended December 31, 2019	For the years ended December 31, 2018
(a) Prepayments for equipment reclassified to property, plant and equipment	$ 82,142	$ 38,585
(b) Property, plant and equipment reclassified to intangible assets	$ 6,500	$ -

(27) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2019	$ 61,694	$ -	$ 1,618	$ 63,312
Effect on retrospective application and restatement	-	900,288	-	900,288
Changes in cash flow from financing activities	(61,694)	(11,335)	(1,618)	(74,647)
Changes in other non-cash items	-	(282,919)	-	(282,919)
At December 31, 2019	$ -	$ 606,034	$ -	$ 606,034

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	$ -	$ -	$ 1,620	$ 1,620
Changes in cash flow from financing activities	61,694	-	(2)	61,692
At December 31, 2018	$ 61,694	$ -	$ 1,618	$ 63,312

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent and ultimate controlling party of the Company is Uni-President Enterprises Corp.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Uni-President Enterprises Corp.	Ultimate parent company
SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidary
ScinoPharm Singapore Pte Ltd.	Subsidary
SciAnda Shanghai Biochemical Technology, Ltd.	Subsidary
SciAnda (Kunshan) Biochemical Technology Co., Ltd.	Subsidary
President Securities Corp.	Associate of ultimate parent company

(3) Significant transactions and balances with related parties

A. Purchases

	For the years ended December 31,	
	2019	2018
SciAnda (Changshu) Pharmaceuticals, Ltd.	$ 335,838	$ 193,686
Subsidiaries	9,873	17,380
	$ 345,711	$ 211,066

The terms of purchases and payment of the Company from related parties were the same with third parties. Payments are made in 90 days after receipt of goods.

B. Other expenses

	For the years ended December 31,	
	2019	2018
Management service fees:		
－Subsidiaries	$ 8,864	$ 9,479
－Ultimate parent company	6,935	5,138
－Associates of ultimate parent company	2,091	2,115
	$ 17,890	$ 16,732

C. Other revenue

	For the years ended December 31,	
	2019	2018
Management consultancy revenue:		
—Subsidiaries	$ 13,699	$ 9,773
Joint loan guarantee revenue:		
—Subsidiaries	$ 2,095	$ 3,346

D. Other receivables

	December 31, 2019	December 31, 2018
Subsidiaries	$ 5,697	$ 5,625

E. Accounts payable

	December 31, 2019	December 31, 2018
SciAnda (Changshu) Pharmaceuticals, Ltd.	$ 43,725	$ 28,821
Subsidiaries	1,792	10,486
	$ 45,517	$ 39,307

F. Endorsements and guarantees provided to related parties

Details of endorsement and guarantees:

	Nature of suretyship	December 31, 2019	December 31, 2018
SciAnda (Changshu) Pharmaceuticals, Ltd.	Financial gurantee	$ 2,063,467	$ 2,499,643

As of December 31, 2019 and 2018, the actual drawn amounts, which are guaranteed by the Company to the subsidiaries, were $144,234 and $1,178,503, respectively.

(4) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 42,905	$ 47,693
Share-based payments	542	2,794
Post-employment benefits	692	581
Termination benetfits	1,470	1,746
	$ 45,609	$ 52,814

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8. PLEDGED ASSETS

Details of the Company’s assets pledged as collateral are as follows:

Assets	December 31, 2019	December 31, 2018	Purpose of collateral
Time deposits (Note)	$ 29,270	$ 29,270	Customs duty and performance guarantee

Note: Listed as ‘Other financial assets - non-current’

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2019 and 2018, the Company’s unused letters of credit amounted to $7,707 and $3,571, respectively.

(2) As of December 31, 2019 and 2018, the Company’s remaining balance due for construction in progress and prepayments for equipment was $18,500 and $73,655, respectively.

(3) The Company entered into a non-cancellable operating lease agreement for the period from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park, and the new lease agreement has been signed in March covering the period from March 1, 2018 to February 28, 2038. The lease period of the lease agreement cannot be over 20 years and is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. In addition, the Company entered into operating lease agreement for the office equipment and personal computers for a period of 1~4 years. The rent expense of $35,385 (listed as ‘operating cost’ and ‘operating expense’) was recognised in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Within one year	$ 26,834
Later than one year but not exceeding five years	95,025
Later than five years	334,009
	$ 455,868

(4) Information about endorsement and guarantee to others is provided in Note 7(3) F.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

In order to integrate the Group’s resources and improve management efficiency, on November 1, 2019, the Company’s Board of Directors has resolved to conduct an the organisational restructuring through the short form merger of SciAnda (Changshu) Pharmaceuticals, Ltd. and SciAnda (Kunshan) Biochemical Technology, Ltd., with SciAnda (Changshu) Pharmaceuticals, Ltd. as the surviving company, and SciAnda (Kunshan) Biochemical Technology, Ltd. as the dissolved company. The scheduled completion date is subject to approval by the competent authority.

12. OTHERS

(1) Capital management

The Company’s objectives on managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders, to maintain an optimal capital structure, to reduce the cost of capital and to maintain an adequate capital structure to enable the expansion and enhancement of equipment. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return of capital to shareholders, and issue new shares or sell assets to reduce debts.

(2) Financial instruments

A. Financial instruments

For details of the Company’s financial instruments by category, please refer to Notes 6.

B. Risk management policies

(a)The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

(b)The Company’s treasury identifies, evaluates and hedges financial risks closely with the Company’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as use of derivative financial instruments and investment of excess liquidity.

(c)Information about derivative financial instruments that are used to hedge financial risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

(i) The Company operates internationally and is exposed to foreign exchange risk arising from the transations of the Company used in various functional currency, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

(ii) To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

(iii)The Company’s businesses involve some non-functional currency operations (the Company’s and certain subsidiaries’ functional currency: NTD; other subsidiaries’ functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 21,606	29.98	$ 647,748
EUR:NTD	32	33.59	1,075
CNY:NTD	85	4.305	366
Financial liabilities			
Monetary items			
USD:NTD	2,227	29.98	66,765
EUR:NTD	447	33.59	15,015
CNY:NTD	479	4.305	2,062

	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 26,499	30.715	$ 813,917
EUR:NTD	50	35.20	1,760
CNY:NTD	102	4.465	455
Financial liabilities			
Monetary items			
USD:NTD	3,760	30.715	115,488
CNY:NTD	505	4.465	2,255

(iv)As of December 31, 2019 and 2018, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the effect on the Company’s net profit after tax for the years ended December 31, 2019 and 2018 would increase/decrease by $23,239 and $27,937, respectively. If the NTD:EUR and NTD:CNY exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the effect on the Company’s net profit after tax for the years ended December 31, 2019 and 2018 is immaterial.

(v)Total exchange gain (loss) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to ($2,409) and $6,399, respectively.

II. Price risk

The Company’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio and set stop-loss amounts for these instruments. The Company expects no significant market risk.

III. Cash flow and fair value interest rate risk

(i) The Company’s main interest rate risk arises from short-term borrowings with variable rates and exposes the Company to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Company’s borrowings at variable rate were denominated in USD.

(ii) The Company’s borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(iii) If the borrowing interest rates had increased/decreased by 10% with all other variables held constant, the effect on post-tax profit for the years ended December 31, 2019 and 2018 are immaterial.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. The Company manages their credit risk taking into consideration the entire Company’s concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company’s credit policy, in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

III. The Company adopts the following assumption under IFRS 9: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

IV. The Company manages its credit risk, whereby if the contract payments are past due over 180 days based on the terms, there has been impairment.

V. The Company classifies customers' accounts receivable in accordance with credit rating of customer and credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss, and use the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2019	2018
At January 1	$ 34	$ 129
(Gain on reversal of) expected credit losses	202	(95)
At December 31	$ 236	$ 34

(c) Liquidity risk

I. Cash flow forecasting is performed by the Company's treasury department which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. The Company has undrawn borrowing facilities amounting to $3,058,960 and $3,581,206 as of December 31, 2019 and 2018, respectively.

III. The following table comprises the Company's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are analysed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analysed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	$ 1,353	$ -	$ -	$ -
Accounts payable	93,643	-	-	-
Accounts payable－related parties	45,517	-	-	-
Other payables	285,292	-	-	-
Lease liabilities	16,112	16,112	48,337	708,937

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 61,696	$ -	$ -	$ -
Notes payable	1,148	-	-	-
Accounts payable	73,739	-	-	-
Accounts payable－related parties	39,307	-	-	-
Other payables	293,946	-	-	-
Guarantee deposits	-	1,618	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables (including related parties), guarantee deposits paid, other financial assets - non-current, short-term borrowings, notes payable, accounts payable (including related parties), other payables, guarantee deposits received are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Derivative instruments	$ -	$ 2,920	$ -	$ 2,920
Financial assets at fair value through other comprehensive income				
Equity securities	$ 271,752	$ -	$ 143,458	$ 415,210

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Derivative instruments	$ -	$ 409	$ -	$ 409
Financial assets at fair value through other comprehensive income				
Equity securities	$ 268,071	$ -	$ 200,046	$ 468,117

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as its fair values (that is, Level 1) is listed below by characteristics:

	Listed shares
Market quoted price	Closing price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) Forward foreign exchange contracts are usually valued based on the current forward exchange rate.

E. Foresee Pharmaceuticals Co., Ltd. has been listed on the Taipei Exchange from June, 2018, therefore, the Company transferred the fair value from Level 2 to Level 1 at the end of the month when the event occurred. For the year ended December 31, 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
	Equity instrument	Equity instrument
At January 1	$ 200,046	$ -
Effect on retrospective application and restatement	-	242,355
Balance after restatement on January 1	200,046	242,355
Loss recognised in other comprehensive income	(56,588)	(42,309)
At December 31	$ 143,458	$ 200,046

G. The Company's valuation procedures for fair value measurements is categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently assess to make any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 143,458	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 200,046	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. If the net assets value increased or decreased by 1% for Level 3, however, the effect on other comprehensive income for the years ended December 31, 2019 and 2018 is immaterial.

13. SUPPLEMENTARY DISCLOSURES

According to current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2019.

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. General information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 2 and 5.

14. SEGMENT INFORMATION

Not applicable.

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash:		
Cash on hand－New Taiwan dollar		$ 30
Checking accounts		731
Demand deposits－New Taiwan dollar		40,305
－Foreign Currency	Including USD$2,891 thousand @29.98	86,680
	Other foreign currency deposits	2,416
		130,162
Cash Equivalents:		
Time deposits－New Taiwan dollar	Due date from January 2, 2020 to December 2, 2020, interest rates at 0.565%~1.065%.	2,620,500
Bill under repurchase agreements	Expired by January 3, 2020, interest rate at 0.42%	269,748
		2,890,248
		$ 3,020,410

SCINOPHARM TAIWAN, LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Footnote
Client A	Accounts receivable	$ 146,650	—
Client B	〃	71,234	—
Client C	〃	64,709	—
Client D	〃	57,136	—
Client E	〃	45,060	—
Others (individually less than 5%)	〃	178,303	—
		563,092	
Less: Loss allowance		(236)	
		$ 562,856	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount				Footnote
	Cost		Net realisable value		
Raw materials	$	325,013	$	351,985	(Note)
Supplies		24,771		24,461	〃
Work in process		313,720		494,155	〃
Finished goods		825,633		1,221,039	〃
		1,489,137	$	2,091,640	
Less: Allowance for market price decline	(	388,442)			
	$	1,100,695			

Note: The method of net realisable value is provided in Note 4(11).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Footnote
Maintenance stocks	$ 127,024	—
Prepaid expenses	35,308	—
Downpayment for materials	26,089	—
Others (individual less than 5%)	98	—
	188,519	
Less: Allowance for maintenance stocks	(81,017)	—
	$ 107,502	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Additions		Disposals		Ending balance				
Name	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Ownership	Amount	Collateral	Footnote
Tanvex Biologics, Inc.	28,800,000	$ 200,046	-	$ -	-	($ 56,588)	28,800,000	16.84%	$ 143,458	None	—
Foresee Pharmaceuticals Co., Ltd.	4,711,269	268,071	-	6,011	(50,000)	(2,330)	4,661,269	4.65%	271,752	〃	—
	33,511,269	$ 468,117	-	$ 6,011	(50,000)	($ 58,918)	33,461,269		415,210		

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Additions		Disposals		Ending balance			Market value or net assets value		
Investees	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Ownership	Amount	Unit Price (in dollars)	Total amount	Collateral
SPT International, Ltd.	80,525	$ 745,452	38,000	$ 1,192,251	-	($ 174,606)	118,525	100.00%	$ 1,763,097	$ 15.39	$ 1,823,825	None
ScinoPharm Singapore Pte Ltd.	-	96	-	16	-	-	-	100.00%	112	56,261	112	〃
	80,525	$ 745,548	38,000	$ 1,192,267	-	($ 174,606)	118,525		$ 1,763,209		$ 1,823,937	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - COST
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(7).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(7), the depreciation methods and useful lives are provided in Note 4(13).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS - COST
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Beginning balance	Additions	Decreases	Ending balance	Footnote
Land	$ 900,288	$ -	($ 282,919)	$ 617,369	(Note)

Note: The beginning balance is the effect on retrospective application and restatement of IFRS 16, and the decreases pertain to the remeasurement due to the decrease in rent expense.

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS - ACCUMULATED DEPRECIAITION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Beginning balance	Additions	Decreases	Ending balance	Footnote
Land	$ -	$ 15,148	$ -	$ 15,148	—

SCINOPHARM TAIWAN, LTD.
STATEMENT OF CHANGES IN DEFERRED INCOME TAX ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(24).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Vendor A	Accounts payable	$ 13,230
Vendor B	〃	13,142
Vendor C	〃	8,845
TRANS CHIEF CHEMICAL INDUSTRY CO., LTD.	〃	8,716
Others (individually less than 5%)	〃	49,710
		$ 93,643

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(11).

SCINOPHARM TAIWAN, LTD.
STATEMENT OF LEASE LIABILITIES - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Description	Lease period	Discount rate	Amount
Land	—	Due date from March, 2018 to December, 2068	1.13%	$ 606,034
			Less: Current portion	(16,014)
				$ 590,020

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Quantity	Amount	Footnote
API	28,244 KG	$ 2,559,467	—
Injection product	95,924 package	138,202	—
Less: Sales returns and discounts		(15,868)	—
		2,681,801	
Technical services		86,642	—
Other operating revenue		44,604	—
Operating revenue		$ 2,813,047	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Raw materials, beginning of year	$ 251,213
Add: Raw materials purchased	568,786
Less: Losses on scrap inventory	(537)
Losses on physical inventory	(99)
Transferred to expenses	(14,261)
Sale of raw materials	(548)
Raw materials, end of year	(325,013)
Raw materials used during the year	479,541
Supplies, beginning of year	35,767
Add: Supplies purchased	12,324
Less: Losses on physical inventory	(2)
Transferred to expenses	(13,105)
Supplies, end of year	(24,771)
Supplies used during the year	10,213
Direct labor	157,601
Manufacturing expenses	564,363
Under applied manufacturing overhead	(195,925)
Manufacturing cost	1,015,793
Work in process, beginning of year	595,189
Add: Work in process purchased	28,385
Less: Losses on inventory scrap	(6,000)
Losses on physical inventory	(2,561)
Transferred to expenses	(6,182)
Sale of work in process	(94,264)
Work in process, end of year	(313,720)
Cost of finished goods	1,216,640

SCINOPHARM TAIWAN, LTD.
STATEMENT OF OPERATING COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Finished goods, beginning of year	$ 752,451
Add: Finished goods purchased	242,325
Less: Losses on scrap inventory	(12,992)
Losses on physical inventory	(508)
Transferred to expenses	(40,602)
Finished goods, end of year	(825,633)
Cost of goods manufactured and sold	1,331,681
Sale of raw materials	548
Sale of work in process	94,264
Cost of goods sold	1,426,493
Losses on scrap inventory	19,529
Losses on physical inventory	3,170
Under applied manufacturing overhead	195,925
Reversal of allowance for inventory market price decline	(2,590)
Cost of sales	1,642,527
Revenue from sale of scraps	(8,472)
Technical service cost	43,332
Operating cost	$ 1,677,387

SCINOPHARM TAIWAN, LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount		Footnote
Salaries and wages	$	148,604	—
Repair and maintenance expense		47,981	—
Utilities expense		76,588	—
Depreciation		176,999	—
Others (individually less than 5%)		114,191	—
	$	564,363	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF TECHNICAL SERVICE COST
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Footnote
Salaries and wages	$ 12,574	—
Withdrawing inventories and outsourcing research expense	7,893	—
Depreciation	4,968	—
Research chemicals	4,497	—
Repair and maintenance expense	2,204	—
Others (individually less than 5%)	11,196	—
	$ 43,332	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Footnote
Salaries and wages	$ 48,234	–
Freight	12,894	–
Advertising expense	9,389	–
Commission	25,905	–
Royalty	16,001	–
Outsourcing service fee	19,571	–
Others (individually less than 5%)	28,558	–
	$ 160,552	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount		Footnote
Salaries and wages	$	140,646	—
Insurance expense		23,193	—
Repair and maintenance expense		27,752	—
Depreciation		80,840	—
Professional service fee		28,104	—
Others (individually less than 5%)		145,504	—
	$	446,039	

SCINOPHARM TAIWAN, LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Footnote
Salaries and wages	$ 63,385	—
Repair and maintenance expense	10,841	—
Depreciation	25,048	—
Research expense	73,408	—
Others (individually less than 5%)	33,888	—
	$ 206,570	

SCINOPHARM TAIWAN, LTD.

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(22) and 6(23).

ScinoPharm Taiwan, Ltd.

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity (Note 1)	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged		Loan limit per entity (Note 2)	Maximum amount available for loan (Note 2)	Footnote
													Item	Value			
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Other receivables	Y	$ 275,242	$ 86,110	$ 86,110	3.0%	2	$ -	Additional operating capital and loan repayment	$ -	—	$ -	$ 420,121	$ 420,121	—

Note 1: The code represents the nature of financing activities as follows:

1.Trading partner.

2.Short-term financing.

Note 2: (1) For trading partner: the maximum amount for individual trading partner shall not exceed the higher of purchase or sales amount of the most recent year or the current year, the maximum amount for total loan is 20% of its net worth.(2) For short-term financing: the maximum amount for individual is 20% of its net worth, the maximum amount for total loan is 40% of its net worth. If the Company loans to foreign subsidiaries, which the Company holds 100% ownership directly or indirectly, the maximum amount for the subsidiary is 100% of the Company's net worth.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (CNY:NTD 1:4.305).

ScinoPharm Taiwan, Ltd.

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

		Party being endorsed/guaranteed												
Number	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor （Note 1）	Limit on endorsements/ guarantees provided for a single party （Note 2）	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided （Note 2）	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	$ 10,259,944	$ 5,489,008	$ 2,063,467	$ 144,234	$ -	20.11%	$ 10,259,944	Y	N	Y	—

Note 1: The following code represents the relationship with the Company:

1.A company in which the Company directly and indirectly holds 100% of the voting shares.

Note 2: 1.The limit of total amount of endorsement is 50% of the Company's net worth, for 100% directly or indirectly owned subsidiaries, the maximum amount is 100% of its net worth.

The limit of total amount of the Group's endorsement and guarantee is 100% of the Group's net worth.

2. For any endorsement or guarantee provided by the Company due to business dealings, the amount of endorsement or guarantees shall be limited to the business dealing amount of the most recent year or the current year.

The business dealing amount is product purchase or sale amount between the entities, whichever is higher.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (CNY:NTD 1:4.305 ；USD:NTD 1:29.98).

ScinoPharm Taiwan, Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
	Stocks:							
ScinoPharm Taiwan, Ltd.	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets at fair value through other comprehensive income - non-current	28,800,000	$ 143,458	16.84%	$ 143,458	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4,661,269	271,752	4.65%	271,752	—
	SYNGEN, INC.	—	Financial assets at fair value through profit or loss - non-current	245,000	-	7.40%	-	—
	Structured Products:							
SciAnda (Kunshan) Biochemical Technology, Ltd.	Fubon Bank (China) Co., Ltd. Structured Products	—	Financial assets at amortised cost - current	-	172,220	-	-	—

ScinoPharm Taiwan, Ltd.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in-capital

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

					Beginning balance		Addition		Disposal				Other increase (decrease)		Ending balance	
Investor	Type of securities	General ledger account	Name of the counterparty	Relationship	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
	Stocks:															
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	80,525	$ 745,452	38,000	$ 1,139,240	-	$ -	$ -	$ -	-	($ 121,595)	118,525	$ 1,763,097
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Investment accounted for under the equity method	Cash capital increase	—	-	363,468	-	1,139,240	-	-	-	-	-	(118,495)	-	1,384,213
	Structured Products:															
SciAnda (Kunshan) Biochemical Technology, Ltd.	Fubon Bank (China) Co., Ltd. Structured Products	Financial assets at amortised cost - current	—	—	-	178,615	-	710,890	-	723,754	(717,940)	5,814	-	655	-	172,220

ScinoPharm Taiwan, Ltd.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
ScinoPharmTaiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidary	Purchases	$ 335,838	39%	Closes its accounts 90 days from the end of each month	$ -	—	($ 43,725)	(31%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(335,838)	(80%)	Closes its accounts 90 days from the end of each month	-	—	43,725	61%	—

ScinoPharm Taiwan, Ltd.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

				Transactions			
Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Purchases	$ 335,838	Closes its accounts 90 days from the end of each month	12%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	43,725	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	2,063,467	—	18%
1	SciAnda (Kunshan) Biochemical Technology, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	3	Other receivables	86,189	—	1%

Note 1: Significant inter-company transactions during the reporting periods are not disclosed since these were corresponding transactions. Only transactions over NT$10 million are material.

Note 2: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 3: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 5: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (CNY:NTD 1:4.305 ； USD:NTD 1:29.98).

ScinoPharm Taiwan, Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	$ 3,553,369	$ 2,414,129	118,524,644	100.00	$ 1,763,097	($ 118,523)	($ 117,741)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	112	16	16	Subsidiary

Note :Initial investment amount in the table that involves foreign currencies are expressed in New Taiwan Dollars according to exchange rate posted on the date of financial statements (USD: NTD 1:29.98).

ScinoPharm Taiwan, Ltd.

Information on investments in Mainland China－Basic information

For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 — Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 （Note 2）	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
SciAnda (Kunshan) Biochemical Technology, Ltd.	Research, development, and manufacture of API and new drugs, etc.	$ 119,920	（Note 1）	$ 111,658	$ -	$ -	$ 111,658	$ 13,374	100%	$ 13,374	$ 420,169	$ -	Subsidary
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	3,372,750	（Note 1）	2,233,510	1,139,240	-	3,372,750	(130,862)	100%	(130,862)	1,384,213	-	Subsidary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	35,976	（Note 1）	35,976	-	-	35,976	(755)	100%	(755)	15,956	-	Subsidary

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	$ 3,557,082	$ 3,557,082	$ 6,155,967

Note 1: Indirect investment in Mainland China through company set up in a third region, SPT International, Ltd.
Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2019 was based on audited financial statements of investee companies as of and for the year ended December 31, 2019.
Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.
Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:29.98).