

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries (the “Group”) as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries and supplementary disclosures in Note 13 were not reviewed by independent auditors. Those statements reflect total assets of \$15,839 thousand and \$778,663 thousand, constituting —% and 6% of the consolidated total assets, and total liabilities of \$763 thousand and \$91,880 thousand, constituting —% and 6% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and total comprehensive income (loss) of \$234 thousand, \$5,541 thousand, \$474 thousand and (\$94,207) thousand, constituting —%, 5%, —% and (22%) of the consolidated total comprehensive income for

the three-month and nine-month periods then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries and supplementary disclosures in Note 13 been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Auditors

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

November 5, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,732,474	33	\$ 4,054,948	34	\$ 3,759,293	31
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	-	-	1,313	-
1136	Financial assets at amortised cost - current	6(3)	43,213	-	-	-	257,105	2
1170	Accounts receivable, net	6(4) and 12	283,564	3	386,508	3	467,657	4
1200	Other receivables		54,804	-	77,456	1	80,220	1
1220	Current income tax assets	6(26)	-	-	8,969	-	8,968	-
130X	Inventories	5 and 6(5)	1,373,178	12	1,245,870	11	1,350,399	11
1410	Prepayments		112,636	1	108,075	1	111,962	1
1476	Other financial assets - current	8 and 9	47,288	-	34,311	-	-	-
11XX	Total current assets		<u>5,647,157</u>	<u>49</u>	<u>5,916,137</u>	<u>50</u>	<u>6,036,917</u>	<u>50</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)	276,474	3	308,115	3	333,537	3
1600	Property, plant and equipment	6(7)(9)	4,065,918	36	4,210,746	36	4,211,297	35
1755	Right-of-use assets	6(8)	618,172	5	629,886	5	629,608	6
1780	Intangible assets		6,544	-	8,900	-	8,072	-
1840	Deferred income tax assets	5 and 6(26)	607,130	5	602,979	5	616,395	5
1915	Prepayments for equipment		193,912	2	133,960	1	128,354	1
1920	Guarantee deposits paid		4,108	-	6,770	-	6,747	-
1980	Other financial assets - non-current	8	29,270	-	29,270	-	29,270	-
15XX	Total non-current assets		<u>5,801,528</u>	<u>51</u>	<u>5,930,626</u>	<u>50</u>	<u>5,963,280</u>	<u>50</u>
1XXX	Total assets		<u>\$ 11,448,685</u>	<u>100</u>	<u>\$ 11,846,763</u>	<u>100</u>	<u>\$ 12,000,197</u>	<u>100</u>

(Continued)

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$ -	-	\$ 9,494	-	\$ 100,179	1
2120	Financial liabilities at fair value	6(2)						
	through profit or loss - current		423	-	2,172	-	-	-
2130	Contract liabilities - current	6(19)	56,097	-	66,846	1	65,048	1
2150	Notes payable		1,490	-	1,173	-	1,523	-
2170	Accounts payable		57,794	1	159,671	1	106,345	1
2200	Other payables	6(11)	317,714	3	362,821	3	371,343	3
2230	Current income tax liabilities	6(26)	51,691	-	67,969	1	78,475	1
2280	Lease liabilities - current		16,504	-	16,500	-	15,144	-
2310	Advance receipts		1,740	-	-	-	-	-
2320	Long-term liabilities, current	6(12) and 9						
	portion		-	-	-	-	143,550	1
21XX	Total current liabilities		<u>503,453</u>	<u>4</u>	<u>686,646</u>	<u>6</u>	<u>881,607</u>	<u>8</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(26)	-	-	-	-	263	-
2580	Lease liabilities - non-current		542,502	5	550,182	4	551,383	4
2640	Net defined benefit liabilities	6(13)	77,571	1	79,232	1	81,761	1
2645	Guarantee deposits received		<u>3,645</u>	-	<u>1,300</u>	-	-	-
25XX	Total non-current liabilities		<u>623,718</u>	<u>6</u>	<u>630,714</u>	<u>5</u>	<u>633,407</u>	<u>5</u>
2XXX	Total liabilities		<u>1,127,171</u>	<u>10</u>	<u>1,317,360</u>	<u>11</u>	<u>1,515,014</u>	<u>13</u>
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(14)	7,907,392	69	7,907,392	67	7,907,392	66
Capital surplus								
3200	Capital surplus	6(15)(16)	1,294,689	12	1,294,689	11	1,295,183	10
Retained earnings								
3310	Legal reserve	6(17)	679,074	6	634,265	5	634,265	5
3320	Special reserve		33,043	-	67,825	1	67,825	1
3350	Unappropriated earnings		469,961	4	658,275	6	631,583	5
3400	Other equity interest	6(18)	(62,645)	(1)	(33,043)	(1)	(51,065)	-
3XXX	Total equity		<u>10,321,514</u>	<u>90</u>	<u>10,529,403</u>	<u>89</u>	<u>10,485,183</u>	<u>87</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 11,448,685</u>	<u>100</u>	<u>\$ 11,846,763</u>	<u>100</u>	<u>\$ 12,000,197</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2021		2020		2021		2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19)	\$ 654,230	100	\$ 758,327	100	\$ 2,043,004	100	\$ 2,208,930	100
5000	Operating costs	6(5)(13)(24)(25)	(411,193)	(63)	(383,238)	(51)	(1,098,085)	(54)	(1,151,347)	(52)
5900	Net operating margin		<u>243,037</u>	<u>37</u>	<u>375,089</u>	<u>49</u>	<u>944,919</u>	<u>46</u>	<u>1,057,583</u>	<u>48</u>
	Operating expenses	6(8)(13)(24)(25), 7 and 12								
6100	Selling expenses		(38,796)	(6)	(42,337)	(6)	(107,265)	(5)	(132,382)	(6)
6200	General and administrative expenses		(128,157)	(19)	(135,655)	(18)	(392,156)	(19)	(382,639)	(17)
6300	Research and development expenses		(70,453)	(11)	(95,141)	(12)	(218,738)	(11)	(188,338)	(9)
6450	Gain on reversal of expected credit losses		23	-	19	-	19	-	176	-
6000	Total operating expenses		(237,383)	(36)	(273,114)	(36)	(718,140)	(35)	(703,183)	(32)
6900	Operating profit		<u>5,654</u>	<u>1</u>	<u>101,975</u>	<u>13</u>	<u>226,779</u>	<u>11</u>	<u>354,400</u>	<u>16</u>
	Non-operating income and expenses									
7100	Interest income	6(3)(20)	4,880	1	6,110	1	15,414	1	20,956	1
7010	Other income	6(21)	1,901	-	4,516	1	9,262	-	8,892	-
7020	Other gains and losses	6(2)(9)(22) and 12	(41)	-	(14,035)	(2)	(11,299)	(1)	(25,176)	(1)
7050	Finance costs	6(8)(23)	(1,679)	(1)	(4,156)	(1)	(4,972)	-	(12,751)	(1)
7000	Total non-operating income and expenses		<u>5,061</u>	<u>-</u>	<u>(7,565)</u>	<u>(1)</u>	<u>8,405</u>	<u>-</u>	<u>(8,079)</u>	<u>(1)</u>
7900	Profit before income tax		<u>10,715</u>	<u>1</u>	<u>94,410</u>	<u>12</u>	<u>235,184</u>	<u>11</u>	<u>346,321</u>	<u>15</u>
7950	Income tax expense	6(26)	(1,883)	-	(17,964)	(2)	(45,415)	(2)	(72,420)	(3)
8200	Profit for the period		<u>\$ 8,832</u>	<u>1</u>	<u>\$ 76,446</u>	<u>10</u>	<u>\$ 189,769</u>	<u>9</u>	<u>\$ 273,901</u>	<u>12</u>
	Other comprehensive income (loss)									
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316	Unrealised (losses) gains from equity instruments measured at fair value through other comprehensive income	6(6)(18)	(\$ 75,329)	(11)	(\$ 10,811)	(1)	\$ 14,315	1	\$ 173,254	8
	Components of other comprehensive loss that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(18)	<u>2,773</u>	<u>-</u>	<u>37,737</u>	<u>5</u>	<u>(16,603)</u>	<u>(1)</u>	<u>(8,994)</u>	<u>-</u>
8300	Total other comprehensive (loss) income for the period		<u>(\$ 72,556)</u>	<u>(11)</u>	<u>\$ 26,926</u>	<u>4</u>	<u>(\$ 2,288)</u>	<u>-</u>	<u>\$ 164,260</u>	<u>8</u>
8500	Total comprehensive (loss) income for the period		<u>(\$ 63,724)</u>	<u>(10)</u>	<u>\$ 103,372</u>	<u>14</u>	<u>\$ 187,481</u>	<u>9</u>	<u>\$ 438,161</u>	<u>20</u>
	Profit attributable to:									
8610	Owners of the parent		<u>\$ 8,832</u>	<u>1</u>	<u>\$ 76,446</u>	<u>10</u>	<u>\$ 189,769</u>	<u>9</u>	<u>\$ 273,901</u>	<u>12</u>
	Comprehensive (loss) income attributable to:									
8710	Owners of the parent		<u>(\$ 63,724)</u>	<u>(10)</u>	<u>\$ 103,372</u>	<u>14</u>	<u>\$ 187,481</u>	<u>9</u>	<u>\$ 438,161</u>	<u>20</u>
	Earnings per share (in dollars)	6(27)								
9750	Basic		<u>\$ 0.01</u>		<u>\$ 0.10</u>		<u>\$ 0.24</u>		<u>\$ 0.35</u>	
9850	Diluted		<u>\$ 0.01</u>		<u>\$ 0.10</u>		<u>\$ 0.24</u>		<u>\$ 0.35</u>	

The accompanying notes are an integral part of these consolidated financial statements.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Equity attributable to owners of the parent						Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity	
		Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Other Equity Interest			
							Financial statements translation differences of foreign operations			
Nine months ended September 30, 2020										
Balance at January 1, 2020		\$ 7,907,392	\$ 1,294,605	\$ 612,600	\$ 22,829	\$ 490,344	(\$ 98,117)	\$ 30,291	\$ 10,259,944	
Net income for the nine-month period ended September 30, 2020		-	-	-	-	273,901	-	-	273,901	
Other comprehensive (loss) income for the nine-month period ended September 30, 2020	6(6)(18)	-	-	-	-	-	(8,994)	173,254	164,260	
Total comprehensive income (loss) for the nine-month period ended September 30, 2020		-	-	-	-	273,901	(8,994)	173,254	438,161	
Distribution of 2019 net income:										
Legal reserve		-	-	21,665	-	(21,665)	-	-	-	
Special reserve		-	-	-	44,996	(44,996)	-	-	-	
Cash dividends	6(17)	-	-	-	-	(213,500)	-	-	(213,500)	
Employee stock option compensation cost	6(15)(16)	-	578	-	-	-	-	-	578	
Disposal of equity instruments at fair value through other comprehensive income	6(6)(18)	-	-	-	-	147,499	-	(147,499)	-	
Balance at September 30, 2020		\$ 7,907,392	\$ 1,295,183	\$ 634,265	\$ 67,825	\$ 631,583	(\$ 107,111)	\$ 56,046	\$ 10,485,183	
Nine months ended September 30, 2021										
Balance at January 1, 2021		\$ 7,907,392	\$ 1,294,689	\$ 634,265	\$ 67,825	\$ 658,275	(\$ 75,611)	\$ 42,568	\$ 10,529,403	
Net income for the nine-month period ended September 30, 2021		-	-	-	-	189,769	-	-	189,769	
Other comprehensive (loss) income for the nine-month period ended September 30, 2021	6(6)(18)	-	-	-	-	-	(16,603)	14,315	(2,288)	
Total comprehensive income (loss) for the nine-month period ended September 30, 2021		-	-	-	-	189,769	(16,603)	14,315	187,481	
Distribution of 2020 net income:										
Legal reserve		-	-	44,809	-	(44,809)	-	-	-	
Cash dividends	6(17)	-	-	-	-	(395,370)	-	-	(395,370)	
Reversal of special reserve		-	-	-	(34,782)	34,782	-	-	-	
Disposal of equity instruments at fair value through other comprehensive income	6(6)(18)	-	-	-	-	27,314	-	(27,314)	-	
Balance at September 30, 2021		\$ 7,907,392	\$ 1,294,689	\$ 679,074	\$ 33,043	\$ 469,961	(\$ 92,214)	\$ 29,569	\$ 10,321,514	

The accompanying notes are an integral part of these consolidated financial statements.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 235,184	\$ 346,321
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss		(1,749)	1,607
Gain on reversal of expected credit losses	12	(19)	(176)
Reversal of allowance for inventory market price decline	6(5)	(29,353)	(22,885)
Provision for obsolescence of supplies		2,215	4,276
Depreciation of property, plant and equipment	6(7)(24)	270,379	277,604
Depreciation of right-of-use assets	6(8)(24)	11,052	10,856
Loss on disposal of property, plant and equipment	6(22)	190	393
Gain on reversal of impairment loss	6(7)(9)(22)	(8)	(29)
Amortisation	6(24)	5,390	7,705
Employee stock option compensation cost	6(15)(16)	-	578
Interest income	6(20)	(15,414)	(20,956)
Interest expense	6(23)	4,972	12,751
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		102,963	122,855
Other receivables		22,378	(11,935)
Inventories		(97,160)	(202,932)
Prepayments		(6,892)	15,264
Changes in operating liabilities			
Contract liabilities - current		(10,749)	9,063
Notes payable		317	170
Accounts payable		(101,877)	5,327
Other payables		(14,814)	54,107
Advance receipts		1,740	-
Net defined benefit liabilities - non-current		(1,661)	(421)
Cash inflow generated from operations		377,084	609,543
Interest received		15,688	23,820
Interest paid		(4,972)	(12,441)
Income tax paid		(56,875)	(4,539)
Net cash flows from operating activities		<u>330,925</u>	<u>616,383</u>

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SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30	
		2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortised cost - current		(\$ 290,515)	(\$ 426,176)
Proceeds from disposal of financial assets at amortised cost - current		247,155	340,941
Increase in other financial assets - current		(12,977)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	45,956	254,927
Cash paid for acquisition of property, plant and equipment	6(28)	(119,924)	(39,305)
Proceeds from disposal of property, plant and equipment		203	135
Acquisition of intangible assets		(3,055)	(1,744)
Increase in prepayments for equipment		(107,565)	(81,922)
Decrease in guarantee deposits paid		2,662	4,254
Net cash flows (used in) from investing activities		(238,060)	51,110
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(29)	(9,494)	11,139
Repayment of the principal portion of lease liabilities	6(29)	(7,683)	(7,227)
Increase in long-term borrowings	6(29)	-	88,854
Decrease in long-term borrowings	6(29)	-	(88,854)
Increase (decrease) in guarantee deposits received	6(29)	2,347	(87)
Payment of cash dividends	6(17)	(395,370)	(213,500)
Net cash flows used in financing activities		(410,200)	(209,675)
Effect of foreign exchange rate changes		(5,139)	(3,503)
Net (decrease) increase in cash and cash equivalents		(322,474)	454,315
Cash and cash equivalents at beginning of period	6(1)	4,054,948	3,304,978
Cash and cash equivalents at end of period	6(1)	\$ 3,732,474	\$ 3,759,293

The accompanying notes are an integral part of these consolidated financial statements.

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

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

(Reviewed, not audited)

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 and its subsidiaries (collectively referred herein as the “Group”) are 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 CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on November 5, 2021.

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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standard Board (IASB)
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19 - related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group'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 IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, these consolidated 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture.

Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investors	Name of Subsidiaries	Business activities	Percentage owned by the Company			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	100.00	(Note 1)
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	100.00	(Note 2)
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drugs, sale of self-produced products, etc.	100.00	100.00	100.00	(Note 1)
SPT International, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	100.00	(Note 2)

Note 1: The financial statements of the entity as of and for the nine-month period ended September 30, 2020 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: The financial statements of the entity as of and for the nine-month periods ended September 30, 2021 and 2020 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

The financial statements of certain insignificant subsidiaries were consolidated based on their unreviewed financial statements as of and for the nine-month periods ended September 30, 2021 and 2020. Total assets of these subsidiaries amounted to \$15,839 and \$778,663, representing —% and 6% of the related consolidated totals, and total liabilities amounted to \$763 and \$91,880, representing —% and 6% of the related consolidated totals, as of September 30, 2021 and 2020, respectively. Total comprehensive income (loss) of these subsidiaries amounted to \$234, \$5,541, \$474 and (\$94,207), constituting —%, 5%, —% and (22%) of the related consolidated totals for

the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (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 other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange

differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) 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.

(6) 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.

(7) 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 Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established,

future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) 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 Group 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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's structured deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial. Time deposits pledged to others as collateral conform to financial assets at amortised cost definition, and were classified as other financial assets.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group 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 Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Inventories

The standard cost method is applied, and cost is determined using the weighted-average cost 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 realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period and the amount of any reversal of inventory write-down is recognised as a reduction in the cost sales during the period.

(14) 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 Group 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. Except for land, other 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 financial year-end 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:

<u>Assets</u>	<u>Estimated useful lives</u>
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

(15) Intangible assets

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

(16) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- 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 liabilities 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 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.
- D. For lease modifications that decrease the scope of the lease, the lessee shall remeasure the lease liability by decreasing the carrying amount of right-of use assets to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(17) Impairment of non-financial assets

The Group 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 recognising 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 be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and 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) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) 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.

(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 expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses 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 plans

- 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 Group 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.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, 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 Group 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 Group 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 financial 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 Group 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.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(26) Share capital

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) Dividends

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) Revenue recognition

A. Sales of goods

- (a) The Group 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 Group 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 Group 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 Group 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 Group'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 Group 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.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 amounts of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

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 Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. 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 product launch may be deferred, the Group 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. Since the calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, there might be material changes to the evaluation.

(b) As of September 30, 2021, the carrying amount of inventories was \$1,373,178.

B. Realisability of deferred income 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 utilized. Assessment of the realisability of deferred income 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 September 30, 2021, the Group recognised deferred income tax assets amounting to \$607,130.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash:			
Cash on hand	\$ 140	\$ 149	\$ 131
Checking accounts and demand deposits	<u>246,971</u>	<u>231,402</u>	<u>210,902</u>
	<u>247,111</u>	<u>231,551</u>	<u>211,033</u>
Cash equivalents:			
Time deposits	3,275,500	3,593,500	3,243,500
Bills under repurchase agreements	<u>209,863</u>	<u>229,897</u>	<u>304,760</u>
	<u>3,485,363</u>	<u>3,823,397</u>	<u>3,548,260</u>
	<u>\$ 3,732,474</u>	<u>\$ 4,054,948</u>	<u>\$ 3,759,293</u>

- A. The Group 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. Part of the Group's bank deposits (listed as "Other Financial Assets - Current") are subject to provisional attachment due to the contract disputes. Please refer to Notes 8 and 9 for details.
- C. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets - non-current") as of September 30, 2021, December 31, 2020 and September 30, 2020 are provided in Note 8.

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

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivatives	(\$ <u>423</u>)	(\$ <u>2,172</u>)	\$ <u>1,313</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	\$ 4,620	\$ 4,620	\$ 4,620
Valuation adjustment	(<u>4,620</u>)	(<u>4,620</u>)	(<u>4,620</u>)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The Group recognised net gain (loss) of \$895, \$2,171, (\$799) and \$826 on financial assets and liabilities at fair value through profit or loss (listed as “Other gains and losses”) for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.
- B. The Group 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):

<u>Items</u>	<u>September 30, 2021</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 11,920	7.2021~12.2021
<u>Items</u>	<u>December 31, 2020</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 11,545	11.2020~4.2021
<u>Items</u>	<u>September 30, 2020</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 12,170	7.2020~12.2020

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

- C. The Group has no financial assets at fair value through profit or loss pledged to others as of September 30, 2021, December 31, 2020 and September 30, 2020.

(3) FINANCIAL ASSETS AT AMORTISED COST - CURRENT

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Structured deposits	\$ <u>43,213</u>	\$ <u>-</u>	\$ <u>257,105</u>

- A. The Group entered into structured deposits, which are guaranteed yield financial products, with financial institutions.
- B. The Group recognised interest income of \$352, \$419, \$1,420 and \$1,763 from financial assets at amortised cost for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.
- C. The Group has no financial assets at amortised cost pledged to others as of September 30, 2021, December 31, 2020 and September 30, 2020.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) ACCOUNTS RECEIVABLE, NET

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	\$ 283,584	\$ 386,547	\$ 467,739
Less: Loss allowance	(20)	(39)	(82)
	<u>\$ 283,564</u>	<u>\$ 386,508</u>	<u>\$ 467,657</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Not past due	\$ 259,369	\$ 348,817	\$ 359,424
Less than 30 days	20,291	29,608	102,957
Between 31 to 90 days	<u>3,924</u>	<u>8,122</u>	<u>5,358</u>
	<u>\$ 283,584</u>	<u>\$ 386,547</u>	<u>\$ 467,739</u>

The above ageing analysis is based on past due date.

- B. As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable arose from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$590,594.
- C. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group does not hold any collateral as security.
- D. As of September 30, 2021, December 31, 2020 and September 30, 2020, 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 Group's accounts receivable is the book value.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) INVENTORIES

	September 30, 2021		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 380,625	(\$ 68,690)	\$ 311,935
Supplies	39,050	(2,272)	36,778
Work in process	390,365	(77,044)	313,321
Finished goods	930,529	(219,385)	711,144
	<u>\$ 1,740,569</u>	<u>(\$ 367,391)</u>	<u>\$ 1,373,178</u>

	December 31, 2020		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 409,019	(\$ 60,492)	\$ 348,527
Supplies	33,636	(3,740)	29,896
Work in process	422,813	(94,898)	327,915
Finished goods	777,941	(238,409)	539,532
	<u>\$ 1,643,409</u>	<u>(\$ 397,539)</u>	<u>\$ 1,245,870</u>

	September 30, 2020		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 443,064	(\$ 66,434)	\$ 376,630
Supplies	29,851	(3,538)	26,313
Work in process	466,612	(82,212)	384,400
Finished goods	858,855	(295,799)	563,056
	<u>\$ 1,798,382</u>	<u>(\$ 447,983)</u>	<u>\$ 1,350,399</u>

The Group recognised expense and loss of inventories for the period:

	For the three-month periods ended September 30,	
	2021	2020
Cost of goods sold	\$ 314,109	\$ 350,084
Loss on physical inventory	295	620
Under applied manufacturing overhead	86,382	55,261
Reversal of allowance for inventory market price decline (Note)	(1,659)	(34,096)
Revenue from sale of scraps	(648)	(478)
Total cost of goods sold	<u>\$ 398,479</u>	<u>\$ 371,391</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 909,700	\$ 951,028
Loss on physical inventory	545	507
Loss on scrap inventory	33	310
Under applied manufacturing overhead	194,212	191,534
Reversal of allowance for inventory market price decline (Note)	(29,353)	(22,885)
Revenue from sale of scraps	(6,070)	(1,312)
Total cost of goods sold	<u>\$ 1,069,067</u>	<u>\$ 1,119,182</u>

Note: The Group 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 sold for the three-month period ended September 30, 2021 and again utilised in the research and development project or in production for the three-month period ended September 30, 2020 and nine-month periods ended September 30, 2021 and 2020.

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

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Equity instruments			
Listed stocks	\$ 79,232	\$ 97,874	\$ 109,818
Unlisted stocks	<u>167,673</u>	<u>167,673</u>	<u>167,673</u>
	246,905	265,547	277,491
Valuation adjustment	<u>29,569</u>	<u>42,568</u>	<u>56,046</u>
	<u>\$ 276,474</u>	<u>\$ 308,115</u>	<u>\$ 333,537</u>

- A. The Group 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 of September 30, 2021, December 31, 2020 and September 30, 2020.
- B. Due to the change in investment strategies, the Group sold \$45,956 and \$254,927 of equity instruments at fair value resulting in cumulative gain on disposal of \$27,314 and \$147,499 which was reclassified to retained earnings during the nine-month periods ended September 30, 2021 and 2020.
- 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 three-month periods ended September 30,	
	2021	2020
Fair value change recognised in other comprehensive income	(\$ 75,329)	(\$ 10,811)
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ 136,347
Equity instruments at fair value through other comprehensive income	For the nine-month periods ended September 30,	
	2021	2020
Fair value change recognised in other comprehensive income	\$ 14,315	\$ 173,254
Cumulative gains reclassified to retained earnings due to derecognition	\$ 27,314	\$ 147,499

D. The Group has no financial assets at fair value through other comprehensive income pledged to others as of September 30, 2021, December 31, 2020 and September 30, 2020.

(7) PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2021</u>							
Cost	\$ 3,517,543	\$ 5,205,877	\$ 24,323	\$ 223,747	\$ 149,523	\$ 1,051,651	\$ 10,172,664
Accumulated depreciation	(1,389,502)	(4,233,361)	(23,235)	(183,951)	(126,838)	-	(5,956,887)
Accumulated impairment	-	(5,031)	-	-	-	-	(5,031)
	<u>\$ 2,128,041</u>	<u>\$ 967,485</u>	<u>\$ 1,088</u>	<u>\$ 39,796</u>	<u>\$ 22,685</u>	<u>\$ 1,051,651</u>	<u>\$ 4,210,746</u>
<u>For the nine-month period ended</u>							
<u>September 30, 2021</u>							
At January 1	\$ 2,128,041	\$ 967,485	\$ 1,088	\$ 39,796	\$ 22,685	\$ 1,051,651	\$ 4,210,746
Additions	-	2,701	1,080	220	469	85,161	89,631
Reclassified from prepayments for equipment	-	-	-	-	-	47,252	47,252
Reclassified upon completion	15,967	53,709	470	5,716	384	(76,246)	-
Depreciation charge	(105,841)	(150,673)	(285)	(9,940)	(3,640)	-	(270,379)
Disposals – Cost	-	(19,044)	(1,702)	(13,849)	(928)	-	(35,523)
– Accumulated depreciation	-	19,044	1,532	13,719	835	-	35,130
Reversal of impairment loss	-	8	-	-	-	-	8
Net currency exchange differences	(7,499)	(3,151)	(11)	(90)	(192)	(4)	(10,947)
At September 30	<u>\$ 2,030,668</u>	<u>\$ 870,079</u>	<u>\$ 2,172</u>	<u>\$ 35,572</u>	<u>\$ 19,613</u>	<u>\$ 1,107,814</u>	<u>\$ 4,065,918</u>
<u>September 30, 2021</u>							
Cost	\$ 3,523,929	\$ 5,237,077	\$ 24,107	\$ 215,248	\$ 148,049	\$ 1,107,814	\$ 10,256,224
Accumulated depreciation	(1,493,261)	(4,361,975)	(21,935)	(179,676)	(128,436)	-	(6,185,283)
Accumulated impairment	-	(5,023)	-	-	-	-	(5,023)
	<u>\$ 2,030,668</u>	<u>\$ 870,079</u>	<u>\$ 2,172</u>	<u>\$ 35,572</u>	<u>\$ 19,613</u>	<u>\$ 1,107,814</u>	<u>\$ 4,065,918</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2020</u>							
Cost	\$ 3,495,743	\$ 5,186,449	\$ 25,505	\$ 229,037	\$ 147,692	\$ 1,013,708	\$ 10,098,134
Accumulated depreciation	(1,243,381)	(4,080,498)	(24,412)	(186,532)	(120,138)	-	(5,654,961)
Accumulated impairment	-	(9,284)	-	(15)	(14)	-	(9,313)
	<u>\$ 2,252,362</u>	<u>\$ 1,096,667</u>	<u>\$ 1,093</u>	<u>\$ 42,490</u>	<u>\$ 27,540</u>	<u>\$ 1,013,708</u>	<u>\$ 4,433,860</u>
<u>For the nine-month period ended</u>							
<u>September 30, 2020</u>							
At January 1	\$ 2,252,362	\$ 1,096,667	\$ 1,093	\$ 42,490	\$ 27,540	\$ 1,013,708	\$ 4,433,860
Additions	-	2,890	-	141	-	19,824	22,855
Reclassified from prepayments for equipment	-	-	-	-	-	38,982	38,982
Reclassified upon completion	4,920	37,174	-	9,136	262	(51,492)	-
Depreciation charge	(107,725)	(153,449)	(159)	(12,169)	(4,102)	-	(277,604)
Disposals – Cost	(733)	(29,052)	-	(18,506)	(101)	-	(48,392)
– Accumulated depreciation	250	29,052	-	18,471	91	-	47,864
Reversal of impairment loss	-	-	-	15	14	-	29
Net currency exchange differences	(4,008)	(2,094)	(3)	(43)	(144)	(5)	(6,297)
At September 30	<u>\$ 2,145,066</u>	<u>\$ 981,188</u>	<u>\$ 931</u>	<u>\$ 39,535</u>	<u>\$ 23,560</u>	<u>\$ 1,021,017</u>	<u>\$ 4,211,297</u>
<u>September 30, 2020</u>							
Cost	\$ 3,495,292	\$ 5,194,475	\$ 25,474	\$ 219,538	\$ 147,172	\$ 1,021,017	\$ 10,102,968
Accumulated depreciation	(1,350,226)	(4,204,003)	(24,543)	(180,003)	(123,612)	-	(5,882,387)
Accumulated impairment	-	(9,284)	-	-	-	-	(9,284)
	<u>\$ 2,145,066</u>	<u>\$ 981,188</u>	<u>\$ 931</u>	<u>\$ 39,535</u>	<u>\$ 23,560</u>	<u>\$ 1,021,017</u>	<u>\$ 4,211,297</u>

- A. The Group has not capitalised borrowing costs as part of property, plant and equipment for the three-month and nine-month periods ended September 30, 2021 and 2020.
- B. The Group's property, plant and equipment were owner-occupied for the nine-month periods ended September 30, 2021 and 2020.
- C. Information about impairment loss and reversal of impairment on property, plant and equipment is provided in Note 6(9).
- D. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group has not pledged any property, plant and equipment as collateral.

(8) LEASING ARRANGEMENTS – LESSEE

- A. The Group leases land and buildings and structures. Rental contracts are typically made for periods of 50 (including the option to extend the leases) and 2 years. 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:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 616,818	\$ 627,523	\$ 629,608
Buildings and structures	1,354	2,363	-
	<u>\$ 618,172</u>	<u>\$ 629,886</u>	<u>\$ 629,608</u>

For the three-month periods ended September 30,

	<u>2021</u>	<u>2020</u>
	Depreciation charge	Depreciation charge
Land	\$ 3,342	\$ 3,458
Buildings and structures	339	-
	<u>\$ 3,681</u>	<u>\$ 3,458</u>

For the nine-month periods ended September 30,

	<u>2021</u>	<u>2020</u>
	Depreciation charge	Depreciation charge
Land	\$ 10,036	\$ 10,856
Buildings and structures	1,016	-
	<u>\$ 11,052</u>	<u>\$ 10,856</u>

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the three-month periods ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,583	\$ 1,671
Expense on short-term lease contracts	276	466
Expense on leases of low-value assets	540	105
	For the nine-month periods ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,769	\$ 5,296
Expense on short-term lease contracts	741	1,483
Expense on leases of low-value assets	1,492	705

E. For the nine-month periods ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$14,685 and \$14,711, respectively.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Group recognised the reversal of impairment loss amounting to \$8, \$—, \$8 and \$29 for the three-month and nine-month periods ended September 30, 2021 and 2020, 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 reversal of impairment loss reported by operating segments is as follows:

	For the three-month periods ended September 30,			
	2021		2020	
	Recognised in	Recognised in other	Recognised in	Recognised in other
<u>Segments</u>	<u>profit or loss</u>	<u>comprehensive income</u>	<u>profit or loss</u>	<u>comprehensive income</u>
ScinoPharm Taiwan	\$ 8	\$ -	\$ -	\$ -
	For the nine-month periods ended September 30,			
	2021		2020	
	Recognised in	Recognised in other	Recognised in	Recognised in other
<u>Segments</u>	<u>profit or loss</u>	<u>comprehensive income</u>	<u>profit or loss</u>	<u>comprehensive income</u>
ScinoPharm Taiwan	\$ 8	\$ -	\$ -	\$ -
SciAnda (Changshu)	-	-	29	-
	\$ 8	\$ -	\$ 29	\$ -

(10) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>9,494</u>	0.79%	None

<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>100,179</u>	0.69% ~ 3.80%	None

The Group has no short-term borrowings as of September 30, 2021.

Please refer to Note 6(23) for interest expense recognised in profit or loss for the three-month and nine-month periods ended September 30, 2021 and 2020.

(11) OTHER PAYABLES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accrued salaries and bonuses	\$ 91,024	\$ 82,764	\$ 86,367
Accrued employees' compensation and directors' remuneration	26,933	43,210	39,557
Payables on equipment	29,414	59,707	31,698
Others	170,343	177,140	213,721
	<u>\$ 317,714</u>	<u>\$ 362,821</u>	<u>\$ 371,343</u>

(12) LONG-TERM BORROWINGS

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>September 30, 2020</u>	<u>Interest rate</u>	<u>Collateral</u>
Long-term bank loans				
Secured bank loans	CNY 33,500 thousand 9.30.2019~ 10.29.2020	\$ 143,550	3.85%	Guaranteed by the Company
Less: Current portion		(<u>143,550</u>)		
		<u>\$ -</u>		

The Group has no long-term borrowings as of September 30, 2021 and December 31, 2020.

Please refer to Note 6(23) for interest expense recognised in profit or loss for the three-month and nine-month periods ended September 30, 2021 and 2020.

(13) 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 method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by end of March next year.
- (a) The pension costs under the aforementioned defined benefit pension plan of the Company for the three-month and nine-month periods ended September 30, 2021 and 2020 were \$199, \$568, \$599 and \$1,703, respectively.
- (b) As of September 30, 2021, the Company's expected contributions to the pension plan for the next annual reporting period amounted to \$2,966.
- B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China (SciAnda (Changshu) Pharmaceuticals, Ltd. and SciAnda Shanghai Biochemical Technology, Ltd.) are subject to a government sponsored defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the

government. Other than the monthly contributions, these subsidiaries do not have further obligations. The other subsidiaries, SPT International, Ltd. and ScinoPharm Singapore Pte Ltd., had no employees. For the three-month and nine-month periods ended September 30, 2021 and 2020, the pension costs recognised under the aforementioned defined contribution pension plans were \$9,045, \$6,388, \$25,995 and \$19,392, respectively.

(14) SHARE CAPITAL

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

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
At January 1 and September 30	<u>790,739</u>	<u>790,739</u>

B. As of September 30, 2021, 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.

(15) CAPITAL RESERVES

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 stocks 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 on the Company's capital reserve are as follows:

	<u>For the nine-month period ended September 30, 2021</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1 and September 30	<u>\$ 1,246,972</u>	<u>\$ 47,717</u>	<u>\$ 1,294,689</u>
	<u>For the nine-month period ended September 30, 2020</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1,245,682	\$ 48,923	\$ 1,294,605
Employee stock options compensation cost			
- Company	<u>-</u>	<u>578</u>	<u>578</u>
At September 30	<u>\$ 1,245,682</u>	<u>\$ 49,501</u>	<u>\$ 1,295,183</u>

(16) SHARE-BASED PAYMENT – EMPLOYEES' COMPENSATION

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 price of the options was set at \$91.70 (in dollars), \$41.65 (in dollars) and \$40.55 (in dollars), respectively, which was based on the closing market price of the Company's

common shares on the Grant Dates. Each option gives the holder the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is a change in the number of shares of the Company's common stocks, the cash dividend of the common stocks is more than 1.5% of the current price per share or there is a decrease in common stocks caused by capital reduction not due to the retirement of treasury share after the Grant Date. (As of September 30, 2021, 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 \$73.00 (in dollars) per share, \$36.50 (in dollars) per share and \$37.00 (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 Group recognised compensation costs relating to the employee stock options plan of \$—, \$195, \$— and \$578 for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

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

	<u>For the nine-month period ended September 30, 2021</u>	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	2,129	\$ 44.90
Options forfeited	(457)	43.77
Options outstanding at end of the period	<u>1,672</u>	44.34
Options exercisable at end of the period	<u>1,672</u>	44.34
	<u>For the nine-month period ended September 30, 2020</u>	
	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	2,205	\$ 45.05
Options forfeited	(19)	53.19
Options outstanding at end of the period	<u>2,186</u>	44.97
Options exercisable at end of the period	<u>2,002</u>	45.64

C. The expiry date, exercisable shares and exercise prices of the employee stock options at balance sheet date are as follows:

<u>Grant date</u>	<u>Expiry date</u>	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
		<u>No. of stocks (unit in thousands)</u>	<u>Exercise price (in dollars)</u>	<u>No. of stocks (unit in thousands)</u>	<u>Exercise price (in dollars)</u>
12.3.2013	12.2.2023	349	\$ 73.00	427	\$ 74.50
11.6.2015	11.5.2025	586	36.50	776	37.20
10.14.2016	10.13.2026	737	37.00	926	37.70
<u>Grant date</u>	<u>Expiry date</u>	<u>September 30, 2020</u>			
		<u>No. of stocks (unit in thousands)</u>	<u>Exercise price (in dollars)</u>		
12.3.2013	12.2.2023	443	\$ 74.50		
11.6.2015	11.5.2025	802	37.20		
10.14.2016	10.13.2026	757	37.70		

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

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Price volatility</u>	<u>Option life</u>	<u>Expected dividends</u>	<u>Interest rate</u>	<u>Fair value per unit (in dollars)</u>
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 annualized volatility is 28.50%, 37.63% and 37.20%, respectively.

(17) RETAINED EARNINGS

- A. Pursuant to the amended Articles of Incorporation, 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 exceeds 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 Order No. Financial-Supervisory-Securities-Corporate-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 \$213,500 (\$0.27 (in dollars) per share) for the year ended December 31, 2020. On July 21, 2021, the Company's stockholders approved the distribution of cash dividends of \$395,370 (\$0.5 (in dollars) per share) for the year 2020.

(18) OTHER EQUITY ITEMS

	<u>For the nine-month period ended September 30, 2021</u>		
	Unrealised gain (loss)		
	<u>Currency translation</u>	<u>on valuation</u>	<u>Total</u>
At January 1	(\$ 75,611)	\$ 42,568	(\$ 33,043)
Revaluation	-	14,315	14,315
Disposal of equity instruments at fair value through other comprehensive income	-	(27,314)	(27,314)
Currency translation differences - Group	(16,603)	-	(16,603)
At September 30	<u>(\$ 92,214)</u>	<u>\$ 29,569</u>	<u>(\$ 62,645)</u>
	<u>For the nine-month period ended September 30, 2020</u>		
	Unrealised gain (loss)		
	<u>Currency translation</u>	<u>on valuation</u>	<u>Total</u>
At January 1	(\$ 98,117)	\$ 30,291	(\$ 67,826)
Revaluation	-	173,254	173,254
Revaluation transferred to retained earnings	-	(147,499)	(147,499)
Currency translation differences - Group	(8,994)	-	(8,994)
At September 30	<u>(\$ 107,111)</u>	<u>\$ 56,046</u>	<u>(\$ 51,065)</u>

(19) OPERATING REVENUE

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended September 30, 2021	<u>API Income</u>	<u>Injection Product Income</u>	<u>Technical Servical Income</u>	<u>Other Operating Income</u>	<u>Total</u>
Timing of revenue recognition:					
At a point in time	\$ 587,664	\$ 14,039	\$ -	\$ -	\$ 601,703
Over time	-	-	30,472	22,055	52,527
	<u>\$ 587,664</u>	<u>\$ 14,039</u>	<u>\$ 30,472</u>	<u>\$ 22,055</u>	<u>\$ 654,230</u>
For the three-month period ended September 30, 2020	<u>API Income</u>	<u>Injection Product Income</u>	<u>Technical Servical Income</u>	<u>Other Operating Income</u>	<u>Total</u>
Timing of revenue recognition:					
At a point in time	\$ 669,121	\$ 53,618	\$ -	\$ -	\$ 722,739
Over time	-	-	24,267	11,321	35,588
	<u>\$ 669,121</u>	<u>\$ 53,618</u>	<u>\$ 24,267</u>	<u>\$ 11,321</u>	<u>\$ 758,327</u>
For the nine-month period ended September 30, 2021	<u>API Income</u>	<u>Injection Product Income</u>	<u>Technical Servical Income</u>	<u>Other Operating Income</u>	<u>Total</u>
Timing of revenue recognition:					
At a point in time	\$ 1,902,946	\$ 34,233	\$ -	\$ -	\$ 1,937,179
Over time	-	-	72,495	33,330	105,825
	<u>\$ 1,902,946</u>	<u>\$ 34,233</u>	<u>\$ 72,495</u>	<u>\$ 33,330</u>	<u>\$ 2,043,004</u>
For the nine-month period ended September 30, 2020	<u>API Income</u>	<u>Injection Product Income</u>	<u>Technical Servical Income</u>	<u>Other Operating Income</u>	<u>Total</u>
Timing of revenue recognition:					
At a point in time	\$ 2,061,697	\$ 53,618	\$ -	\$ -	\$ 2,115,315
Over time	-	-	69,257	24,358	93,615
	<u>\$ 2,061,697</u>	<u>\$ 53,618</u>	<u>\$ 69,257</u>	<u>\$ 24,358</u>	<u>\$ 2,208,930</u>

B. The Group has recognised contract liabilities related to the contract revenue from advance customer payment of \$56,097, \$66,846, \$65,048 and \$55,985 as of September 30, 2021,

December 31, 2020, September 30, 2020 and January 1, 2020, respectively.

- C. The revenue recognised that was included in the contract liability balance at the beginning of the period amounted to \$21,716, \$753, \$54,159 and \$35,882 for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

(20) INTEREST INCOME

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 4,528	\$ 5,691
Interest income from financial assets measured at amortised cost	352	419
	<u>\$ 4,880</u>	<u>\$ 6,110</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 13,994	\$ 19,193
Interest income from financial assets measured at amortised cost	1,420	1,763
	<u>\$ 15,414</u>	<u>\$ 20,956</u>

(21) OTHER INCOME

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Production capacity subsidy income	\$ 1,469	\$ 2,306
Others	432	2,210
	<u>\$ 1,901</u>	<u>\$ 4,516</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Production capacity subsidy income	\$ 4,425	\$ 5,550
Gains on write-off of past due payable	2,513	273
Others	2,324	3,069
	<u>\$ 9,262</u>	<u>\$ 8,892</u>

(22) OTHER GAINS AND LOSSES

	For the three-month periods ended September 30,	
	<u>2021</u>	<u>2020</u>
Net gain on financial assets/liabilities at fair value through profit or loss	\$ 895	\$ 2,171
Loss on disposal of property, plant and equipment	(77)	(516)
Net currency exchange gain (loss)	1,438	(13,198)
Gain on reversal of impairment loss	8	-
Others	(2,305)	(2,492)
	<u>(\$ 41)</u>	<u>(\$ 14,035)</u>

	For the nine-month periods ended September 30,	
	<u>2021</u>	<u>2020</u>
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(\$ 799)	\$ 826
Loss on disposal of property, plant and equipment	(190)	(393)
Net currency exchange loss	(5,268)	(18,957)
Gain on reversal of impairment loss	8	29
Others	(5,050)	(6,681)
	<u>(\$ 11,299)</u>	<u>(\$ 25,176)</u>

(23) FINANCE COSTS

	For the three-month periods ended September 30,	
	<u>2021</u>	<u>2020</u>
Interest expense:		
Bank loans	\$ 96	\$ 2,485
Interest on lease liabilities	<u>1,583</u>	<u>1,671</u>
	<u>\$ 1,679</u>	<u>\$ 4,156</u>

	For the nine-month periods ended September 30,	
	<u>2021</u>	<u>2020</u>
Interest expense:		
Bank loans	\$ 203	\$ 7,455
Interest on lease liabilities	<u>4,769</u>	<u>5,296</u>
	<u>\$ 4,972</u>	<u>\$ 12,751</u>

(24) EXPENSES BY NATURE

	<u>For the three-month period ended September 30, 2021</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 112,886	\$ 90,811	\$ 203,697
Depreciation of property, plant and equipment	61,446	27,735	89,181
Depreciation of right-of-use assets	-	3,681	3,681
Amortisation	416	1,186	1,602
	<u>\$ 174,748</u>	<u>\$ 123,413</u>	<u>\$ 298,161</u>
	<u>For the three-month period ended September 30, 2020</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 108,458	\$ 90,642	\$ 199,100
Depreciation of property, plant and equipment	63,652	28,560	92,212
Depreciation of right-of-use assets	-	3,458	3,458
Amortisation	705	1,683	2,388
	<u>\$ 172,815</u>	<u>\$ 124,343</u>	<u>\$ 297,158</u>
	<u>For the nine-month period ended September 30, 2021</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 353,480	\$ 287,721	\$ 641,201
Depreciation of property, plant and equipment	186,644	83,735	270,379
Depreciation of right-of-use assets	-	11,052	11,052
Amortisation	1,217	4,173	5,390
	<u>\$ 541,341</u>	<u>\$ 386,681</u>	<u>\$ 928,022</u>
	<u>For the nine-month period ended September 30, 2020</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 333,696	\$ 254,787	\$ 588,483
Depreciation of property, plant and equipment	195,982	81,622	277,604
Depreciation of right-of-use assets	-	10,856	10,856
Amortisation	2,766	4,939	7,705
	<u>\$ 532,444</u>	<u>\$ 352,204</u>	<u>\$ 884,648</u>

(25) EMPLOYEE BENEFIT EXPENSES

	For the three-month period ended September 30, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 94,173	\$ 76,218	\$ 170,391
Labor and health insurance expenses	8,458	5,991	14,449
Pension costs	5,718	3,526	9,244
Other personnel expenses	4,537	5,076	9,613
	<u>\$ 112,886</u>	<u>\$ 90,811</u>	<u>\$ 203,697</u>
	For the three-month period ended September 30, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 93,260	\$ 77,678	\$ 170,938
Labor and health insurance expenses	7,262	5,459	12,721
Pension costs	3,745	3,211	6,956
Other personnel expenses	4,191	4,294	8,485
	<u>\$ 108,458</u>	<u>\$ 90,642</u>	<u>\$ 199,100</u>
	For the nine-month period ended September 30, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 298,614	\$ 242,737	\$ 541,351
Labor and health insurance expenses	25,494	19,007	44,501
Pension costs	16,131	10,463	26,594
Other personnel expenses	13,241	15,514	28,755
	<u>\$ 353,480</u>	<u>\$ 287,721</u>	<u>\$ 641,201</u>
	For the nine-month period ended September 30, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 287,065	\$ 217,912	\$ 504,977
Labor and health insurance expenses	22,431	15,535	37,966
Pension costs	12,157	8,938	21,095
Other personnel expenses	12,043	12,402	24,445
	<u>\$ 333,696</u>	<u>\$ 254,787</u>	<u>\$ 588,483</u>

- A. 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.
- B. For the three-month and nine-month periods ended September 30, 2021 and 2020, the employees' compensation was accrued at \$1,016, \$9,555, \$23,517 and \$34,627, respectively, while the directors' remuneration was accrued at \$159, \$1,376, \$3,416 and \$4,930, 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. The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2020 totalled to \$43,210,

which is the same as the amount estimated in the 2020 financial statements. The employees' compensation was distributed in the form of cash for 2020. Information about the appropriation of employees' compensation and directors' remuneration by 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.

(26) INCOME TAX

A. Income tax expense

Components of income tax expense:

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax for the period	\$ 8,312	\$ 19,278
Over provision of prior year's income tax	(269)	(1)
Total current tax	<u>8,043</u>	<u>19,277</u>
Deferred income tax:		
Origination and reversal of temporary differences	(6,160)	(1,313)
Income tax expense	<u>\$ 1,883</u>	<u>\$ 17,964</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax for the period	\$ 49,903	\$ 78,610
(Over) under provision of prior year's income tax	(337)	4,403
Total current tax	<u>49,566</u>	<u>83,013</u>
Deferred income tax:		
Origination and reversal of temporary differences	(4,151)	(10,593)
Income tax expense	<u>\$ 45,415</u>	<u>\$ 72,420</u>

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of November 5, 2021.

(27) EARNINGS PER SHARE (“EPS”)

	<u>For the three-month period ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	<u>\$ 8,832</u>	<u>790,739</u>	<u>\$ 0.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 8,832	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	<u>-</u>	<u>968</u>	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 8,832</u>	<u>791,707</u>	<u>\$ 0.01</u>
	<u>For the three-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	<u>\$ 76,446</u>	<u>790,739</u>	<u>\$ 0.10</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 76,446	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	<u>-</u>	<u>1,179</u>	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 76,446</u>	<u>791,918</u>	<u>\$ 0.10</u>

<u>For the nine-month period ended September 30, 2021</u>			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 189,769	790,739	\$ 0.24
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 189,769	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	1,362	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 189,769</u>	<u>792,101</u>	<u>\$ 0.24</u>
<u>For the nine-month period ended September 30, 2020</u>			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 273,901	790,739	\$ 0.35
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 273,901	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	1,482	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 273,901</u>	<u>792,221</u>	<u>\$ 0.35</u>

For the three-month and nine-month periods ended September 30, 2021 and 2020, some abovementioned stock options issued are anti-dilutive; therefore they were not included in the diluted EPS calculation.

(28) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments:

	For the nine-month periods ended September 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 89,631	\$ 22,855
Add: Beginning balance of payable on equipment (listed as "Other payables")	59,707	48,148
Less: Ending balance of payable on equipment (listed as "Other payables")	(29,414)	(31,698)
Cash paid for acquisition of property, plant and equipment	<u>\$ 119,924</u>	<u>\$ 39,305</u>

B. Investing activities with no cash flow effects:

	For the nine-month periods ended September 30,	
	2021	2020
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 47,252</u>	<u>\$ 38,982</u>

(29) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ 9,494	\$ 566,682	\$ 1,300	\$ 577,476
Changes in cash flow from financing activities	(9,494)	(7,683)	2,347	(14,830)
Impact of changes in foreign exchange rate	-	-	(2)	(2)
Changes in other non-cash items	-	7	-	7
At September 30, 2021	<u>\$ -</u>	<u>\$ 559,006</u>	<u>\$ 3,645</u>	<u>\$ 562,651</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 89,766	\$606,034	\$ 144,234	\$ 87	\$ 840,121
Changes in cash flow from financing activities	11,139	(7,227)	-	(87)	3,825
Impact of changes in foreign exchange rate	(726)	-	(684)	-	(1,410)
Changes in other non-cash items	-	(32,280)	-	-	(32,280)
At September 30, 2020	<u>\$ 100,179</u>	<u>\$566,527</u>	<u>\$ 143,550</u>	<u>\$ -</u>	<u>\$ 810,256</u>

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Uni-President Enterprises Corp.	Ultimate parent company
President Securities Corp.	Associate of ultimate parent company
President Transnet Corp.	Associate of ultimate parent company
President Tokyo Corp.	Associate of ultimate parent company
Mech-President Co., Ltd	Associate of ultimate parent company
President Chain Store Corp.	Associate of ultimate parent company
President Chain Store Tokyo Marketing Corp.	Associate of ultimate parent company
President Information Corp.	Associate of ultimate parent company
Duskin Serve Taiwan Co., Ltd	Associate of ultimate parent company
Uni-President Enterprises (China) Investment Corp.	Associate of ultimate parent company

(3) Significant transactions and balances with related parties

Other expenses

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Management service fees:		
— Ultimate parent company	\$ 470	\$ 1,077
— Associate of ultimate parent company	631	1,029
	<u>\$ 1,101</u>	<u>\$ 2,106</u>
Other expenses:		
— Associate of ultimate parent company	<u>\$ 999</u>	<u>\$ 1,672</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Management service fees:		
— Ultimate parent company	\$ 4,731	\$ 3,515
— Associate of ultimate parent company	2,427	2,419
	<u>\$ 7,158</u>	<u>\$ 5,934</u>
Other expenses:		
— Associate of ultimate parent company	<u>\$ 3,006</u>	<u>\$ 3,255</u>

(4) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 11,465	\$ 12,730
Share-based payments	-	60
Post-employment benefits	158	182
Termination benefits	222	367
	<u>\$ 11,845</u>	<u>\$ 13,339</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 35,602	\$ 37,998
Share-based payments	-	138
Post-employment benefits	463	542
Termination benefits	957	1,102
	<u>\$ 37,022</u>	<u>\$ 39,780</u>

8. PLEGDED ASSETS

Details of the Group's assets pledged as collateral are as follows:

<u>Assets</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>Purpose of collateral</u>
Restricted deposits (Note 1)	\$ 47,288	\$ 34,311	\$ -	Construction payment dispute (Note 1)
Time deposits (Note 2)	29,270	29,270	29,270	Customs duty and performance guarantee
	<u>\$ 76,558</u>	<u>\$ 63,581</u>	<u>\$ 29,270</u>	

Note 1: Listed as "Other financial assets - current", and please refer to Note 9.

Note 2: Listed as "Other financial assets - non-current".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's unused letters of credit amounted to \$2,705, \$7,536 and \$7,349, respectively.

(2) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's remaining balance due for construction in progress and prepayments for equipment was \$85,555, \$69,181 and \$72,267, respectively.

(3) The amounts of endorsements and guarantees for subsidiaries were as follows:

	Nature	September 30, 2021	December 31, 2020	September 30, 2020
SciAnda (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount	\$ 432,131	\$ 1,005,928	\$ 1,010,508

As of September 30, 2021, December 31, 2020 and September 30, 2020, the actual amount drawn down for endorsements and guarantees to subsidiaries was \$—, \$— and \$143,550, respectively.

(4) In December 2020, SciAnda (Changshu) Pharmaceuticals, Ltd., a subsidiary of the Group, has been drawn into a construction payment dispute with Jiangsu Qian Construction Group Co., Ltd. The latter has filed for a provisional attachment of part of the Group's bank deposits with the district court until December 18, 2021. As of September 30, 2021, bank deposits totaling \$47,288 (CNY 10,943 thousand) has been frozen, and listed as "Other financial assets - current". The People's Court of Changshu City in Jiangsu Province has denied the accusation of Jiangsu Qian Construction Group Co., Ltd. in the first instance.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: None.

12. OTHERS

(1) Capital management

The Group's objectives on managing capital are to safeguard the Group'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 Group 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 Group's financial instruments by category, please refer to Note 6.

B. Risk management policies

(a) The Group'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 Group's treasury identifies, evaluates and hedges financial risks closely with the Group'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 Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- (ii) To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group are required to hedge their foreign exchange risk exposure using forward foreign exchange contracts. However, the Group 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 Group'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:

	September 30, 2021		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,048	27.85	\$ 391,237
EUR:NTD	265	32.32	8,565
CNY:NTD	61	4.321	264
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	964	27.85	26,847
JPY:NTD	1,601	0.249	399

December 31, 2020				
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	14,237	28.48	\$ 405,470
USD:CNY		1,116	6.527	7,284
CNY:NTD		61	4.363	266
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		959	28.48	27,312
EUR:NTD		207	35.02	7,249
September 30, 2020				
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	18,880	29.10	\$ 549,408
USD:CNY		1,940	7.065	13,706
EUR:NTD		98	34.15	3,347
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		3,751	29.10	109,154
EUR:NTD		16	34.15	546

- (iv) As of September 30, 2021 and 2020, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's net profit after tax for the nine-month periods ended September 30, 2021 and 2020 would increase/decrease by \$14,575 and \$17,610, respectively. If the exchange rate of NTD and CNY to other currencies had appreciated/depreciated by 5% with all other factors remaining constant, the effect on the Group's net profit after tax for the nine-month periods ended September 30, 2021 and 2020 is immaterial.
- (v) Total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2021 and 2020 amounted to \$1,438, (\$13,198), (\$5,268) and (\$18,957), respectively.

II. Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and set stop-loss amounts for these instruments.

The Group expects no significant market risk.

III. Cash flow and fair value interest rate risk

(i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates and exposes the Group to cash flow interest rate risk. During the nine-month periods ended September 30, 2021 and 2020, the Group's borrowings at variable rate were denominated in USD and CNY.

(ii) The Group'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 nine-month periods ended September 30, 2021 and 2020 is immaterial.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group 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 Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group 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 Group 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 Group 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 Group classifies customers' accounts receivable in accordance with the credit rating of the customer and credit risk on trade. The Group applies the simplified approach using the 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 Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the nine-month periods ended September 30,	
	2021	2020
At January 1	\$ 39	\$ 258
Gain on reversal of expected credit losses	(19)	(176)
At September 30	<u>\$ 20</u>	<u>\$ 82</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed by the Group's treasury department which monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. The Group has undrawn borrowing facilities amounting to \$4,970,483, \$5,512,050 and \$5,314,497 as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- III. The following table comprises the Group'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.

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 1,490	\$ -	\$ -	\$ -
Accounts payable	57,794	-	-	-
Other payables	317,714	-	-	-
Lease liabilities	16,603	15,237	45,712	643,772
Guarantee deposits received	-	3,645	-	-
Derivative financial liabilities:				
Forward exchange	423	-	-	-

December 31, 2020	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	\$ 9,500	\$ -	\$ -	\$ -
Notes payable	1,173	-	-	-
Accounts payable	159,671	-	-	-
Other payables	362,821	-	-	-
Lease liabilities	16,599	16,259	45,712	655,200
Guarantee deposits received	-	1,300	-	-
Derivative financial liabilities:				
Forward exchange	2,172	-	-	-
September 30, 2020	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	\$ 101,038	\$ -	\$ -	\$ -
Notes payable	1,523	-	-	-
Accounts payable	106,345	-	-	-
Other payables	371,343	-	-	-
Long-term borrowings	143,980	-	-	-
Lease liabilities	15,237	15,237	45,712	659,010

(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 Group'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 Group'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 Group'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, financial assets at amortised cost - current, accounts receivable, other receivables, other financial assets - current, guarantee deposits paid, other financial assets - non-current, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are

approximate to their fair values.

- C. The related information on 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:

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 131,070</u>	<u>\$ -</u>	<u>\$ 145,404</u>	<u>\$ 276,474</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 423</u>	<u>\$ -</u>	<u>\$ 423</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 188,160</u>	<u>\$ -</u>	<u>\$ 119,955</u>	<u>\$ 308,115</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 2,172</u>	<u>\$ -</u>	<u>\$ 2,172</u>
<u>September 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,313</u>	<u>\$ -</u>	<u>\$ 1,313</u>
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 205,231</u>	<u>\$ -</u>	<u>\$ 128,306</u>	<u>\$ 333,537</u>

- D. The methods and assumptions the Group used to measure fair value are as follows:
- (a) The instruments the Group used market quoted prices as its fair values (that is, Level 1) is listed below by characteristics:

Market quoted price	<u>Listed shares</u> 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 Group 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. For the nine-month periods ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2021 and 2020:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 119,955	\$ 143,458
Gain (loss) recognised in other comprehensive income	<u>25,449</u>	<u>(15,152)</u>
At September 30	<u>\$ 145,404</u>	<u>\$ 128,306</u>

- G. For the nine-month periods ended September 30, 2021 and 2020, there was no transfer in (out) Level 3.
- H. The Group'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.
- I. 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 <u>September 30, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument: Unlisted shares	\$ 145,404	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

	Fair value at <u>December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument: Unlisted shares	\$ 119,955	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

	Fair value at <u>September 30, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument: Unlisted shares	\$ 128,306	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

J. The Group 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 nine-month periods ended September 30, 2021 and 2020 is immaterial.

(4) Others

In response to the impact of the COVID-19 pandemic and the government's multiple pandemic prevention programs, the Group has implemented measures related to work place sanitation management, continued to manage related matters and implemented a staggered work schedule to operate all its plants and management units in cooperation with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)". There were no significant adverse effects on various operations.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the nine-month period ended September 30, 2021.

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- 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 3.
- 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 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 1 and table 4.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on how the Company's Chief Operating Decision-Maker regularly reviews information in order to make decisions. The Chief Operating Decision-Maker manages the Group's business from geographical and functional perspectives. Geographically, the Group focuses on its sales business in the U.S., Europe and Asia. In addition, the Group categorized its business units into manufacture, sales, research and development and investment management functions, and combines its segments that meet the disclosure threshold as "Others".

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable

segments is as follows:

	For the nine-month period ended September 30, 2021			
	ScinoPharm	SciAnda (Changshu)	Others	Total
	Taiwan, Ltd.	Pharmaceuticals Ltd.		
Segment revenue	\$ 1,954,873	\$ 440,490	\$ 20,907	\$2,416,270
Revenue from internal customers	29,046	336,832	7,388	373,266
Revenue from external customers	1,925,827	103,658	13,519	2,043,004
Interest income	12,831	2,529	54	15,414
Depreciation and amortisation	206,200	80,088	533	286,821
Interest expense	4,910	62	-	4,972
Income (loss) from segment before income tax	307,533	(45,131)	334	262,736
Segment assets	9,824,091	1,721,514	20,564	11,566,169
Other acquisition of non-current assets	140,812	57,396	2,043	200,251
Segment liabilities	1,094,708	57,323	839	1,152,870

	For the nine-month period ended September 30, 2020			
	ScinoPharm	SciAnda (Changshu)	Others	Total
	Taiwan, Ltd.	Pharmaceuticals Ltd.		
Segment revenue	\$ 2,190,736	\$ 312,701	\$ 11,863	\$2,515,300
Revenue from internal customers	18,309	281,406	6,655	306,370
Revenue from external customers	2,172,427	31,295	5,208	2,208,930
Interest income	15,955	4,976	25	20,956
Depreciation and amortisation	215,693	80,311	161	296,165
Interest expense	5,375	7,376	-	12,751
Income (loss) from segment before income tax	431,487	(66,854)	3	364,636
Segment assets	10,144,918	2,000,760	19,936	12,165,614
Other acquisition of non-current assets	90,732	15,508	281	106,521
Segment liabilities	1,328,737	272,153	499	1,601,389

(3) Reconciliation for segment

A. The sales between segments were at arms' length. The external revenues reported to the Chief Operating Decision-Maker adopt the same measurement basis for revenues in the statement of comprehensive income. The reconciliations of pre-tax income between reportable segments and continuing operations were as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Reportable segments profit before income tax	\$ 262,402	\$ 364,633
Other segments income before income tax	334	3
Internal segments transaction elimination	(27,552)	(18,315)
Profit before income tax	<u>\$ 235,184</u>	<u>\$ 346,321</u>

- B. The amount of total assets provided to the Chief Operating Decision-Maker adopts the same measurement for assets in the Group's financial statements. A reconciliation of assets of reportable segments and total assets is as follows:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Assets of reportable segments	\$ 11,545,605	\$ 12,145,678
Assets of other operating segments	20,564	19,936
Internal segment transaction elimination	(117,484)	(165,417)
Total assets	<u>\$ 11,448,685</u>	<u>\$ 12,000,197</u>

- C. The amount of total liabilities provided to the Chief Operating Decision-Maker adopts the same measurement for liabilities in the Group's financial statements. A reconciliation of liabilities of reportable segments and total liabilities is as follows:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Liabilities of reportable segments	\$ 1,152,031	\$ 1,600,890
Liabilities of other operating segments	839	499
Internal segment transaction elimination	(25,699)	(86,375)
Total liabilities	<u>\$ 1,127,171</u>	<u>\$ 1,515,014</u>

ScinoPharm Taiwan, Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
For the nine-month period ended September 30, 2021

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee as of September 30, 2021	Outstanding endorsement/ guarantee amount at September 30, 2021	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					
			Relationship with the endorser/ guarantor (Note 1)	Relationship with the endorser/ guarantor (Note 1)																
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$	10,321,514	\$	1,441,626	\$	432,131	\$	-	\$	-	4.19%	\$	10,321,514	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 50% 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 consolidated financial statements (CNY:NTD 1:4.321 ; USD:NTD 1:27.85).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

September 30, 2021

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
	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	\$ 145,404	16.84%	\$ 145,404	—
	Foresee Pharmaceuticals Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	1,700,000	131,070	1.45%	131,070	—
	SYNGEN, INC.	—	Financial assets at fair value through profit or loss - non-current	245,000	-	7.40%	-	—
	Structured Products:							
SciAnda (Changshu) Pharmaceuticals, Ltd.	Fubon Bank (China) Co., Ltd. Structured Products	—	Financial assets at amortised cost - current	-	43,213	-	-	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the nine-month period ended September 30, 2021

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidiary	Purchases	\$ 336,533	54%	Closes its accounts 90 days from the end of each month	\$ -	—	(\$ 20,098)	(30%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(336,533)	(76%)	Closes its accounts 90 days from the end of each month	-	—	20,098	57%	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2021

Table 4

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transactions			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Purchases	\$ 336,533	Closes its accounts 90 days from the end of each month	16%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Sales	16,702	Closes its accounts 90 days from the end of each month	1%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts payable	20,098	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	432,131	—	4%
0	ScinoPharm Taiwan, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	1	Sales	12,344	Closes its accounts 90 days from the end of each month	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 consolidated financial statements (CNY:NTD 1:4.321 ; USD:NTD 1:27.85).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the nine-month period ended September 30, 2021

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	of the investee for the nine-month period ended September 30, 2021	recognised by the Company for the nine-month period ended September 30, 2021	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 3,300,911	\$ 3,300,911	118,524,644	100.00	\$ 1,592,002	(\$ 44,812)	(\$ 72,366)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	129	4	4	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 consolidated financial statements (USD: NTD 1:27.85).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China – Basic information

For the nine-month period ended September 30, 2021

Table 6

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine-month period ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	\$ 3,244,525	(Note 1)	\$ 3,236,850	\$ -	\$ -	\$ 3,236,850	(\$ 45,131)	100%	(\$ 45,131)	\$ 1,664,192	\$ -	Subsidiary (Note 2)
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	33,420	(Note 1)	33,420	-	-	33,420	462	100%	462	16,511	-	Subsidiary (Note 3)
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>		<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)</u>									
ScinoPharm Taiwan, Ltd.	\$ 3,304,361	\$ 3,304,361		\$ 6,192,908									

Note 1: Indirect investment in Mainland China through a company set up in a third region, SPT International, Ltd.

Note 2: The investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021 was based on reviewed financial statements of investee companies as of and for nine-month period ended September 30, 2021.

Note 3: The investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021 was based on unreviewed financial statements of investee companies as of and for nine-month period ended September 30, 2021.

Note 4: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

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 consolidated financial statements (USD:NTD 1:27.85).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Major shareholders information

September 30, 2021

Table 7

Expressed in shares

Name of the key shareholder	Number of shares		Ownership (%)	Footnote
	Common stock	Preferred stock		
Uni-President Enterprises Corp.	299,968,639	—	37.94%	—
National Development Fund, Executive Yuan	109,539,014	—	13.85%	—

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the difference in the calculation basis.