

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022

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 March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-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” that came into effect 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 Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of 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

The financial statements of certain insignificant consolidated subsidiaries and supplementary disclosures of Note 13 were not reviewed by independent auditors. Those statements reflect total assets of \$19,620 thousand and \$17,371 thousand, both constituting —% of the consolidated total assets, and total liabilities of \$1,153 thousand and \$1,570 thousand, both constituting —% of the consolidated total liabilities as at March 31, 2023 and 2022, respectively, and total comprehensive loss of \$196 thousand and (\$129) thousand, constituting 2% and —% of the consolidated total comprehensive income for the three-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 of 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 March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the three-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” that came into effect as endorsed by the Financial Supervisory Commission.

Yeh, Fang-Ting

Independent Auditors

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

May 10, 2023

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
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 4,433,725	37	\$ 4,294,709	36	\$ 4,166,169	35
1170	Accounts receivable, net	6(3) and 12	405,835	3	635,263	5	448,564	4
1200	Other receivables		24,632	-	18,282	-	42,254	-
130X	Inventories	6(4)	1,403,530	12	1,188,716	10	1,299,426	11
1410	Prepayments		131,671	1	132,239	1	115,181	1
1476	Other financial assets - current	6(1), 8 and 9	51,070	1	51,132	1	50,911	-
11XX	Total current assets		<u>6,450,463</u>	<u>54</u>	<u>6,320,341</u>	<u>53</u>	<u>6,122,505</u>	<u>51</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	86,456	1	112,616	1	177,221	2
1600	Property, plant and equipment	6(6)	3,761,277	31	3,843,378	32	4,042,612	34
1755	Right-of-use assets	6(7)	650,199	6	654,492	6	664,690	6
1780	Intangible assets		8,983	-	9,953	-	10,466	-
1840	Deferred income tax assets	6(23)	641,956	5	637,435	5	623,762	5
1915	Prepayments for equipment	6(6)	338,795	3	299,471	3	267,487	2
1920	Guarantee deposits paid		2,461	-	2,550	-	2,614	-
1980	Other financial assets - non-current	6(1) and 8	30,940	-	30,940	-	29,270	-
15XX	Total non-current assets		<u>5,521,067</u>	<u>46</u>	<u>5,590,835</u>	<u>47</u>	<u>5,818,122</u>	<u>49</u>
1XXX	Total assets		<u>\$ 11,971,530</u>	<u>100</u>	<u>\$ 11,911,176</u>	<u>100</u>	<u>\$ 11,940,627</u>	<u>100</u>

(Continued)

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 90,021	1	\$ 77,599	1	\$ 17,161	-
2120	Financial liabilities at fair value	6(2)						
	through profit or loss - current		390	-	361	-	3,180	-
2130	Contract liabilities - current	6(16)	104,539	1	67,752	1	53,250	-
2150	Notes payable		292	-	1,235	-	289	-
2170	Accounts payable		166,886	2	125,264	1	91,254	1
2200	Other payables	6(9)	383,555	3	413,354	3	348,771	3
2230	Current income tax liabilities	6(23)	113,687	1	99,636	1	94,863	1
2280	Lease liabilities - current		17,893	-	17,893	-	17,220	-
2310	Advance receipts		-	-	-	-	1,740	-
21XX	Total current liabilities		<u>877,263</u>	<u>8</u>	<u>803,094</u>	<u>7</u>	<u>627,728</u>	<u>5</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(23)	-	-	-	-	1,100	-
2580	Lease liabilities - non-current		578,372	5	581,181	5	587,568	5
2640	Net defined benefit liabilities -	6(10)						
	non-current		55,337	-	74,491	-	79,027	1
2645	Guarantee deposits received	6(3)	<u>2,275</u>	-	<u>2,357</u>	-	<u>5,588</u>	-
25XX	Total non-current liabilities		<u>635,984</u>	<u>5</u>	<u>658,029</u>	<u>5</u>	<u>673,283</u>	<u>6</u>
2XXX	Total liabilities		<u>1,513,247</u>	<u>13</u>	<u>1,461,123</u>	<u>12</u>	<u>1,301,011</u>	<u>11</u>
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(11)	7,907,392	66	7,907,392	66	7,907,392	66
3200	Capital surplus	6(12)	1,294,689	10	1,294,689	10	1,294,689	11
Retained earnings								
3310	Legal reserve	6(14)	719,584	6	719,584	6	679,074	6
3320	Special reserve		61,125	1	61,125	1	33,043	-
3350	Unappropriated earnings		607,450	5	565,439	5	735,227	6
3400	Other equity interest	6(5)(15)	(131,957)	(1)	(98,176)	-	(9,809)	-
3XXX	Total equity		<u>10,458,283</u>	<u>87</u>	<u>10,450,053</u>	<u>88</u>	<u>10,639,616</u>	<u>89</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 11,971,530</u>	<u>100</u>	<u>\$ 11,911,176</u>	<u>100</u>	<u>\$ 11,940,627</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
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(Reviewed, not audited)

				Three months ended March 31			
Items		Notes	2023		2022		
			AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(16)	\$ 648,430	100	\$ 737,939	100	
5000	Operating costs	6(4)(10)(21)(22)	(404,538)	(63)	(440,399)	(60)	
5900	Net operating margin		<u>243,892</u>	<u>37</u>	<u>297,540</u>	<u>40</u>	
	Operating expenses	6(7)(10)(21)(22), 7 and 12					
6100	Selling expenses		(33,660)	(5)	(34,602)	(5)	
6200	General and administrative expenses		(85,363)	(13)	(125,390)	(17)	
6300	Research and development expenses		(76,239)	(12)	(49,081)	(6)	
6450	Impairment gain (expected credit losses)		<u>209</u>	<u>-</u>	<u>(37)</u>	<u>-</u>	
6000	Total operating expenses		<u>(195,053)</u>	<u>(30)</u>	<u>(209,110)</u>	<u>(28)</u>	
6900	Operating profit		<u>48,839</u>	<u>7</u>	<u>88,430</u>	<u>12</u>	
	Non-operating income and expenses						
7100	Interest income	6(17)	12,840	2	3,758	1	
7010	Other income	6(18)	2,675	-	3,072	-	
7020	Other gains and losses	6(2)(19) and 12	(9,239)	(1)	3,094	-	
7050	Finance costs	6(7)(20)	(2,416)	-	(1,792)	-	
7000	Total non-operating income and expenses		<u>3,860</u>	<u>1</u>	<u>8,132</u>	<u>1</u>	
7900	Profit before income tax		<u>52,699</u>	<u>8</u>	<u>96,562</u>	<u>13</u>	
7950	Income tax expense	6(23)	(10,688)	(2)	(19,316)	(3)	
8200	Profit for the period		<u>\$ 42,011</u>	<u>6</u>	<u>\$ 77,246</u>	<u>10</u>	
	Other comprehensive income						
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8316	Unrealised loss from equity instruments measured at fair value through other comprehensive income	6(5)(15)	(\$ 26,160)	(4)	(\$ 8,575)	(1)	
	Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(15)	(7,621)	(1)	59,891	8	
8300	Total other comprehensive (loss) income for the period		<u>(\$ 33,781)</u>	<u>(5)</u>	<u>\$ 51,316</u>	<u>7</u>	
8500	Total comprehensive income for the period		<u>\$ 8,230</u>	<u>1</u>	<u>\$ 128,562</u>	<u>17</u>	
	Profit attributable to:						
8610	Owners of the parent		<u>\$ 42,011</u>	<u>6</u>	<u>\$ 77,246</u>	<u>10</u>	
	Comprehensive income attributable to:						
8710	Owners of the parent		<u>\$ 8,230</u>	<u>1</u>	<u>\$ 128,562</u>	<u>17</u>	
	Earnings per share (in dollars)	6(24)					
9750	Basic		<u>\$ 0.05</u>		<u>\$ 0.10</u>		
9850	Diluted		<u>\$ 0.05</u>		<u>\$ 0.10</u>		

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Equity attributable to owners of the parent					Other Equity Interest		Total equity
		Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised losses from financial assets measured at fair value through other comprehensive income	
Three months ended March 31, 2022									
Balance at January 1, 2022		\$ 7,907,392	\$ 1,294,689	\$ 679,074	\$ 33,043	\$ 657,981	(\$ 79,248)	\$ 18,123	\$ 10,511,054
Net income for the three-month period ended March 31, 2022		-	-	-	-	77,246	-	-	77,246
Other comprehensive income (loss) for the three-month period ended March 31, 2022	6(5)(15)	-	-	-	-	-	59,891	(8,575)	51,316
Total comprehensive income (loss) for the three-month period ended March 31, 2022		-	-	-	-	77,246	59,891	(8,575)	128,562
Balance at March 31, 2022		\$ 7,907,392	\$ 1,294,689	\$ 679,074	\$ 33,043	\$ 735,227	(\$ 19,357)	\$ 9,548	\$ 10,639,616
Three months ended March 31, 2023									
Balance at January 1, 2023		\$ 7,907,392	\$ 1,294,689	\$ 719,584	\$ 61,125	\$ 565,439	(\$ 43,119)	(\$ 55,057)	\$ 10,450,053
Net income for the three-month period ended March 31, 2023		-	-	-	-	42,011	-	-	42,011
Other comprehensive loss for the three-month period ended March 31, 2023	6(5)(15)	-	-	-	-	-	(7,621)	(26,160)	(33,781)
Total comprehensive income (loss) for the three-month period ended March 31, 2023		-	-	-	-	42,011	(7,621)	(26,160)	8,230
Balance at March 31, 2023		\$ 7,907,392	\$ 1,294,689	\$ 719,584	\$ 61,125	\$ 607,450	(\$ 50,740)	(\$ 81,217)	\$ 10,458,283

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

SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 52,699	\$ 96,562
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on valuation of financial assets and liabilities at fair value through profit or loss		29	4,922
(Impairment gain) expected credit losses	12	(209)	37
Provision for inventory market price decline	6(4)	7,299	7,945
Depreciation of property, plant and equipment	6(6)(21)	110,453	89,884
Depreciation of right-of-use assets	6(7)(21)	3,964	3,964
Loss on disposal of property, plant and equipment	6(19)	59	279
Amortisation	6(21)	1,481	1,234
Interest income	6(17)	(12,840)	(3,758)
Interest expense	6(20)	2,416	1,792
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		229,638	(88,360)
Other receivables		(5,442)	(9,060)
Inventories		(221,737)	34,681
Prepayments		491	(17,692)
Changes in operating liabilities			
Contract liabilities - current		36,787	(17,315)
Notes payable		(943)	(883)
Accounts payable		41,622	21,564
Other payables		(37,656)	8,422
Net defined benefit liabilities - non-current		(19,154)	(519)
Cash inflow generated from operations		188,957	133,699
Interest received		11,932	3,360
Interest paid		(2,393)	(1,792)
Income tax paid		(1,644)	(59)
Net cash flows from operating activities		<u>196,852</u>	<u>135,208</u>

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SCINOPHARM TAIWAN, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost -			
current		\$ -	(\$ 44,149)
Proceeds from disposal of financial assets at			
amortised cost - current		-	44,149
Decrease (increase) in other financial assets -			
current		62	(1,942)
Cash paid for acquisition of property, plant and	6(25)		
equipment		(11,976)	(12,879)
Acquisition of intangible assets		(537)	(2,693)
Increase in prepayments for equipment		(53,843)	(61,570)
Decrease (increase) in guarantee deposits paid		89	(96)
Net cash flows used in investing activities		(66,205)	(79,180)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	12,828	17,161
Repayment of the principal portion of lease	6(26)		
liabilities		(2,809)	(2,788)
(Decrease) increase in guarantee deposits received	6(26)	(78)	1,881
Net cash flows from financing activities		9,941	16,254
Effect of foreign exchange rate changes		(1,572)	12,966
Net increase in cash and cash equivalents		139,016	85,248
Cash and cash equivalents at beginning of period	6(1)	4,294,709	4,080,921
Cash and cash equivalents at end of period	6(1)	\$ 4,433,725	\$ 4,166,169

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 THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022

(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. For more information regarding the manufacturing and trading activities the Company and its subsidiaries (the “Group”) are engaged in, refer to Note 4(3), ‘Basis of consolidation’.

(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 reported to the Board of Directors for issuance on May 10, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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.

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

None.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

Except for the compliance statement, basis of preparation, basis of consolidation and the additional descriptions described below, the other principal accounting policies are in agreement with Note 4 of the consolidated financial statements for the year ended December 31, 2022. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. 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’ that came into effect as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2022.

(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 that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires that 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:

The basis for preparation of these consolidated financial statements is consistent with those for the preparation of consolidated financial statements for the year ended December 31, 2022.

B. Subsidiaries included in the consolidated financial statements:

Name of Investors	Name of Subsidiaries	Business activities	Percentage owned by the Company			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Professional investment	100.00	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	100.00	(Note)
SPT International, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new drugs, sales of self-produced products, etc.	100.00	100.00	100.00	—
SPT International, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	100.00	100.00	100.00	(Note)

Note : The financial statements of the entity as of and for the three-month periods ended March 31, 2023 and 2022 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

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) Employee benefits

Defined benefit plans

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.

(5) Income tax

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.

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

There have been no significant changes during the period. Refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash:			
Cash on hand	\$ 156	\$ 119	\$ 162
Checking accounts and demand deposits	<u>110,069</u>	<u>146,140</u>	<u>160,720</u>
	<u>110,225</u>	<u>146,259</u>	<u>160,882</u>
Cash equivalents:			
Time deposits	4,058,500	3,958,500	3,675,500
Bills under repurchase agreements	<u>265,000</u>	<u>189,950</u>	<u>329,787</u>
	<u>4,323,500</u>	<u>4,148,450</u>	<u>4,005,287</u>
	<u>\$ 4,433,725</u>	<u>\$ 4,294,709</u>	<u>\$ 4,166,169</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. 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 March 31, 2023, December 31, 2022, and March 31, 2022 are provided in Note 8.

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

<u>Items</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivatives	(\$ 390)	(\$ 361)	(\$ 3,180)
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	\$ 4,620	\$ 4,620	\$ 4,620
Valuation adjustment	(4,620)	(4,620)	(4,620)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The Group recognised net gain (loss) of \$83 and (\$12,800) on financial assets and liabilities at fair value through profit or loss (listed as “Other gains and losses”) for the three-month periods ended March 31, 2023 and 2022, 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>March 31, 2023</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 5,440	1.2023~6.2023

<u>Items</u>	<u>December 31, 2022</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 10,468	11.2022~2.2023

<u>Items</u>	<u>March 31, 2022</u>	
	<u>Contract amount</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 13,890	1.2022~6.2022

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 March 31, 2023, December 31, 2022, and March 31, 2022.

(3) ACCOUNTS RECEIVABLE, NET

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	\$ 405,928	\$ 635,566	\$ 448,770
Less: Loss allowance	(93)	(303)	(206)
	<u>\$ 405,835</u>	<u>\$ 635,263</u>	<u>\$ 448,564</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Not past due	\$ 333,509	\$ 548,124	\$ 414,763
Less than 30 days	41,626	79,154	29,150
Between 31 to 90 days	30,793	6,296	3,149
Between 91 to 180 days	-	1,992	1,708
	<u>\$ 405,928</u>	<u>\$ 635,566</u>	<u>\$ 448,770</u>

The above ageing analysis is based on past due date.

B. As of March 31, 2023, December 31, 2022, and March 31, 2022, accounts receivable arose from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$360,410.

C. The Group obtained guarantees amounting to \$—, \$— and \$1,924 from related parties on behalf of certain customers as collateral for accounts receivable (shown as guarantee deposits received) as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively. As at March 31, 2023, December 31, 2022, and March 31, 2022, 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 notes and accounts receivable was the book value amount.

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

(4) INVENTORIES

	<u>March 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 416,341	(\$ 67,361)	\$ 348,980
Supplies	39,739	(4,495)	35,244
Work in process	480,857	(86,745)	394,112
Finished goods	851,939	(226,745)	625,194
	<u>\$ 1,788,876</u>	<u>(\$ 385,346)</u>	<u>\$ 1,403,530</u>

	December 31, 2022		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 389,519	(\$ 67,384)	\$ 322,135
Supplies	33,860	(4,259)	29,601
Work in process	425,145	(85,080)	340,065
Finished goods	718,615	(221,700)	496,915
	<u>\$ 1,567,139</u>	<u>(\$ 378,423)</u>	<u>\$ 1,188,716</u>
	March 31, 2022		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 272,533	(\$ 56,732)	\$ 215,801
Supplies	41,310	(2,233)	39,077
Work in process	524,374	(88,434)	435,940
Finished goods	851,872	(243,264)	608,608
	<u>\$ 1,690,089</u>	<u>(\$ 390,663)</u>	<u>\$ 1,299,426</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended March 31,	
	2023	2022
Cost of goods sold	\$ 266,894	\$ 340,218
Loss (gain) on physical inventory	264	(557)
Loss on inventory market price decline	7,299	7,945
Under applied manufacturing overhead	117,518	85,350
Revenue from sale of scraps	(592)	(457)
	<u>\$ 391,383</u>	<u>\$ 432,499</u>

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

Items	March 31, 2023	December 31, 2022	March 31, 2022
Equity instruments			
Unlisted stocks	\$ 167,673	\$ 167,673	\$ 167,673
Valuation adjustment	(81,217)	(55,057)	9,548
	<u>\$ 86,456</u>	<u>\$ 112,616</u>	<u>\$ 177,221</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 March 31, 2023, December 31, 2022, and March 31, 2022.

B. 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 March 31,	
	2023	2022
Fair value change recognised in other comprehensive income	(\$ 26,160)	(\$ 8,575)

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as of March 31, 2023, December 31, 2022, and March 31, 2022.

(6) 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, 2023</u>							
Cost	\$ 4,094,506	\$ 5,846,575	\$ 25,270	\$ 220,531	\$ 160,003	\$ 155,618	\$ 10,502,503
Accumulated depreciation	(1,705,956)	(4,603,390)	(21,775)	(190,718)	(134,271)	-	(6,656,110)
Accumulated impairment	-	(3,015)	-	-	-	-	(3,015)
	<u>\$ 2,388,550</u>	<u>\$ 1,240,170</u>	<u>\$ 3,495</u>	<u>\$ 29,813</u>	<u>\$ 25,732</u>	<u>\$ 155,618</u>	<u>\$ 3,843,378</u>
<u>For the three-month period ended March 31, 2023</u>							
At January 1	\$ 2,388,550	\$ 1,240,170	\$ 3,495	\$ 29,813	\$ 25,732	\$ 155,618	\$ 3,843,378
Additions	-	-	-	19	888	18,903	19,810
Reclassified from prepayments for equipment	-	-	-	-	-	13,618	13,618
Reclassified upon completion	-	11,105	781	1,690	42	(13,618)	-
Depreciation charge	(45,066)	(61,046)	(275)	(3,697)	(369)	-	(110,453)
Disposals – Cost	-	(13,136)	-	(1,167)	(601)	-	(14,904)
– Accumulated depreciation	-	13,136	-	1,131	578	-	14,845
Net currency exchange differences	(3,547)	(1,209)	(14)	(65)	(88)	(94)	(5,017)
At March 31	<u>\$ 2,339,937</u>	<u>\$ 1,189,020</u>	<u>\$ 3,987</u>	<u>\$ 27,724</u>	<u>\$ 26,182</u>	<u>\$ 174,427</u>	<u>\$ 3,761,277</u>
<u>March 31, 2023</u>							
Cost	\$ 4,089,520	\$ 5,841,310	\$ 26,015	\$ 220,744	\$ 159,605	\$ 174,427	\$ 10,511,621
Accumulated depreciation	(1,749,583)	(4,649,275)	(22,028)	(193,020)	(133,423)	-	(6,747,329)
Accumulated impairment	-	(3,015)	-	-	-	-	(3,015)
	<u>\$ 2,339,937</u>	<u>\$ 1,189,020</u>	<u>\$ 3,987</u>	<u>\$ 27,724</u>	<u>\$ 26,182</u>	<u>\$ 174,427</u>	<u>\$ 3,761,277</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2022</u>							
Cost	\$ 3,546,040	\$ 5,254,948	\$ 24,158	\$ 217,113	\$ 148,526	\$ 1,118,738	\$ 10,309,523
Accumulated depreciation	(1,530,593)	(4,407,344)	(22,099)	(182,866)	(129,972)	-	(6,272,874)
Accumulated impairment	-	(3,649)	-	-	-	-	(3,649)
	<u>\$ 2,015,447</u>	<u>\$ 843,955</u>	<u>\$ 2,059</u>	<u>\$ 34,247</u>	<u>\$ 18,554</u>	<u>\$ 1,118,738</u>	<u>\$ 4,033,000</u>
<u>For the three-month periods ended March 31, 2022</u>							
At January 1	\$ 2,015,447	\$ 843,955	\$ 2,059	\$ 34,247	\$ 18,554	\$ 1,118,738	\$ 4,033,000
Additions	-	-	-	-	-	27,412	27,412
Reclassified from prepayments for equipment	-	-	-	-	-	32,803	32,803
Reclassified upon completion	507	28,595	-	2,143	8,603	(39,848)	-
Depreciation charge	(35,909)	(49,047)	(130)	(3,583)	(1,215)	-	(89,884)
Disposals — Cost	-	(3,984)	-	(751)	-	-	(4,735)
— Accumulated depreciation	-	3,780	-	676	-	-	4,456
Net currency exchange differences	27,650	10,502	67	454	638	249	39,560
At March 31	<u>\$ 2,007,695</u>	<u>\$ 833,801</u>	<u>\$ 1,996</u>	<u>\$ 33,186</u>	<u>\$ 26,580</u>	<u>\$ 1,139,354</u>	<u>\$ 4,042,612</u>
<u>March 31, 2022</u>							
Cost	\$ 3,583,440	\$ 5,303,377	\$ 24,400	\$ 220,870	\$ 162,489	\$ 1,139,354	\$ 10,433,930
Accumulated depreciation	(1,575,745)	(4,465,927)	(22,404)	(187,684)	(135,909)	-	(6,387,669)
Accumulated impairment	-	(3,649)	-	-	-	-	(3,649)
	<u>\$ 2,007,695</u>	<u>\$ 833,801</u>	<u>\$ 1,996</u>	<u>\$ 33,186</u>	<u>\$ 26,580</u>	<u>\$ 1,139,354</u>	<u>\$ 4,042,612</u>

- A. The Group has not capitalised borrowing costs as part of property, plant and equipment for the three-month periods ended March 31, 2023 and 2022.
- B. The Group's property, plant and equipment were owner-occupied for the three-month periods ended March 31, 2023 and 2022.
- C. As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group has not pledged any property, plant and equipment as collateral.

(7) 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, with no restrictions other than the use of the subject matter of the lease in accordance with relevant laws and regulations.
- 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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 648,184	\$ 652,142	\$ 664,013
Buildings and structures	2,015	2,350	677
	<u>\$ 650,199</u>	<u>\$ 654,492</u>	<u>\$ 664,690</u>
	<u>For the three-month periods ended March 31,</u>		
	<u>2023</u>		<u>2022</u>
	<u>Depreciation charge</u>		<u>Depreciation charge</u>
Land	\$ 3,629		\$ 3,626
Buildings and structures	335		338
	<u>\$ 3,964</u>		<u>\$ 3,964</u>

- D. For the three-month periods ended March 31, 2023 and 2022, the Group's additions to right-of-use assets were both \$ – ; remeasurements of right-of-use assets were \$ – and \$51,145, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,692	\$ 1,713
Expense on short-term lease contracts	181	169
Expense on leases of low-value assets	832	512

- F. For the three-month periods ended March 31, 2023 and 2022, the Group's total cash outflow for leases were \$5,514 and \$5,182, respectively.

(8) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>March 31, 2023</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>90,021</u>	3.40% ~ 3.51%	None

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>77,599</u>	3.40% ~ 3.50%	None

<u>Type of borrowings</u>	<u>March 31, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>17,161</u>	3.50%	None

Refer to Note 6(20) for interest expense recognised in profit or loss for the three-month periods ended March 31, 2023 and 2022.

(9) OTHER PAYABLES

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accrued salaries and bonuses	\$ 66,775	\$ 90,144	\$ 66,907
Accrued employees' compensation and directors' remuneration	55,478	49,453	48,003
Payables on equipment	61,809	53,975	44,665
Others	<u>199,493</u>	<u>219,782</u>	<u>189,196</u>
	\$ <u>383,555</u>	\$ <u>413,354</u>	\$ <u>348,771</u>

(10) 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 at the time of approved 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 periods ended March 31, 2023 and 2022 were \$313 and \$204, respectively.
- (b) As of March 31, 2023, the Company's expected contributions to the pension plan for the next annual reporting period amounted to \$2,857.
- 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 periods ended March 31, 2023 and 2022, the pension costs recognised under the aforementioned defined contribution pension plans were \$9,567 and \$9,267, respectively.

(11) SHARE CAPITAL

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
At January 1 and March 31	<u>790,739</u>	<u>790,739</u>

- B. As of March 31, 2023, 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.

(12) 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 three-month period ended March 31, 2023</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1 and March 31	<u>\$ 1,256,454</u>	<u>\$ 38,235</u>	<u>\$ 1,294,689</u>
	<u>For the three-month period ended March 31, 2022</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1 and March 31	<u>\$ 1,254,273</u>	<u>\$ 40,416</u>	<u>\$ 1,294,689</u>

(13) 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 March 31, 2023, 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 \$71.60 (in dollars) per share, \$35.80 (in dollars) per share and \$36.30 (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.

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

	<u>For the three-month period ended March 31, 2023</u>	
	<u>Number of options (in thousand units)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the period	1,526	\$ 43.50
Options forfeited	-	-
Options outstanding at end of the period	<u>1,526</u>	43.50
Options exercisable at end of the period	<u>1,526</u>	43.50

For the three-month period ended March 31, 2022

	Number of options (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	1,660	\$ 44.39
Options forfeited	(124)	45.52
Options outstanding at end of the period	1,536	44.30
Options exercisable at end of the period	1,536	44.30

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

		March 31, 2023		December 31, 2022	
Grant date	Expiry date	No. of stocks (unit in thousands)	Exercise price (in dollars)	No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023	319	\$ 71.60	319	\$ 71.60
11.6.2015	11.5.2025	539	35.80	539	35.80
10.14.2016	10.13.2026	668	36.30	668	36.30
				March 31, 2022	
Grant date	Expiry date			No. of stocks (unit in thousands)	Exercise price (in dollars)
12.3.2013	12.2.2023			319	\$ 73.00
11.6.2015	11.5.2025			539	36.50
10.14.2016	10.13.2026			678	37.00

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:

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

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

(14) 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, except for offsetting any loss of prior years and paying all taxes and dues according to laws, after adding items other than net profit after taxes for the year into undistributed surplus earnings of current year, 10% of the remaining 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 from 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. Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. As of March 31, 2023, the amount of special reserve on initial application of IFRSs provided in accordance with the order from Financial Supervisory Committee was \$22,829.
- D. The Company recognised cash dividends distributed to owners amounting to \$379,555 (\$0.48 (in dollars) per share) for the year ended December 31, 2022. On February 24, 2023, the Board of Directors proposed for the distribution of cash dividends of \$284,666 (\$0.36 (in dollars) per share) from 2022 earnings. The dividends payable is not reflected in this financial report.

(15) OTHER EQUITY ITEMS

	For the three-month period ended March 31, 2023		
	Unrealised loss		
	Currency translation	on valuation	Total
At January 1	(\$ 43,119)	(\$ 55,057)	(\$ 98,176)
Revaluation	-	(26,160)	(26,160)
Currency translation differences			
- Group	(7,621)	-	(7,621)
At March 31	(\$ 50,740)	(\$ 81,217)	(\$ 131,957)

	For the three-month period ended March 31, 2022		
	Unrealised gain (loss)		
	Currency translation	on valuation	Total
At January 1	(\$ 79,248)	\$ 18,123	(\$ 61,125)
Revaluation	-	(8,575)	(8,575)
Currency translation differences			
- Group	59,891	-	59,891
At March 31	(\$ 19,357)	\$ 9,548	(\$ 9,809)

(16) 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	API	Injection	Technical	Other	
March 31, 2023	Income	Product	Service	Operating	Total
		Income	Income	Income	
Timing of revenue recognition:					
At a point in time	\$ 607,167	\$ -	\$ -	\$ -	\$ 607,167
Over time	-	-	39,407	1,856	41,263
	<u>\$ 607,167</u>	<u>\$ -</u>	<u>\$ 39,407</u>	<u>\$ 1,856</u>	<u>\$ 648,430</u>

For the three-month period ended	API	Injection	Technical	Other	
March 31, 2022	Income	Product	Service	Operating	Total
		Income	Income	Income	
Timing of revenue recognition:					
At a point in time	\$ 660,832	\$ 11,880	\$ -	\$ -	\$ 672,712
Over time	-	-	23,624	41,603	65,227
	<u>\$ 660,832</u>	<u>\$ 11,880</u>	<u>\$ 23,624</u>	<u>\$ 41,603</u>	<u>\$ 737,939</u>

B. The Group has recognised contract liabilities related to the contract revenue from advance customer payment of \$104,539, \$67,752, \$53,250 and \$70,565 as of March 31, 2023, December 31, 2022, March 31, 2022 and January 1, 2022, respectively.

C. The revenue recognised that was included in the contract liability balance at the beginning of the year amounted to \$7,762 and \$23,224 for the three-month periods ended March 31, 2023 and 2022, respectively.

(17) INTEREST INCOME

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 12,840	\$ 3,493
Interest income from financial assets measured at amortised cost	-	265
	<u>\$ 12,840</u>	<u>\$ 3,758</u>

(18) OTHER INCOME

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Production capacity subsidy income	\$ 2,075	\$ 1,959
Others	600	1,113
	<u>\$ 2,675</u>	<u>\$ 3,072</u>

(19) OTHER GAINS AND LOSSES

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	\$ 83	(\$ 12,800)
Net currency exchange (loss) gain	(8,065)	15,889
Loss on disposal of property, plant and equipment	(59)	(279)
Others	(1,198)	284
	<u>(\$ 9,239)</u>	<u>\$ 3,094</u>

(20) FINANCE COSTS

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest expense:		
Bank loans	\$ 724	\$ 79
Interest on lease liabilities	1,692	1,713
	<u>\$ 2,416</u>	<u>\$ 1,792</u>

(21) EXPENSES BY NATURE

	For the three-month period ended March 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 144,297	\$ 76,288	\$ 220,585
Depreciation of property, plant and equipment	93,761	16,692	110,453
Depreciation of right-of-use assets	-	3,964	3,964
Amortisation	686	795	1,481
	<u>\$ 238,744</u>	<u>\$ 97,739</u>	<u>\$ 336,483</u>

	For the three-month period ended March 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 118,448	\$ 95,826	\$ 214,274
Depreciation of property, plant and equipment	61,953	27,931	89,884
Depreciation of right-of-use assets	-	3,964	3,964
Amortisation	550	684	1,234
	<u>\$ 180,951</u>	<u>\$ 128,405</u>	<u>\$ 309,356</u>

(22) EMPLOYEE BENEFIT EXPENSES

	For the three-month period ended March 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 121,348	\$ 64,010	\$ 185,358
Labor and health insurance expenses	10,716	5,085	15,801
Pension costs	6,899	2,981	9,880
Other personnel expenses	5,334	4,212	9,546
	<u>\$ 144,297</u>	<u>\$ 76,288</u>	<u>\$ 220,585</u>

	For the three-month period ended March 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 99,265	\$ 81,333	\$ 180,598
Labor and health insurance expenses	8,856	6,478	15,334
Pension costs	5,891	3,580	9,471
Other personnel expenses	4,436	4,435	8,871
	<u>\$ 118,448</u>	<u>\$ 95,826</u>	<u>\$ 214,274</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 periods ended March 31, 2023 and 2022, the employees' compensation was accrued at \$5,269 and \$9,656, respectively, while the directors' remuneration was accrued at \$756 and \$1,390, 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 2022 was \$49,453, which was the same as the amount estimated in the 2022 financial statements. The employees' compensation will be distributed in the form of cash for 2022.

The employees' compensation and directors' remuneration for 2022 have not yet been distributed as of March 31, 2023. 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.

(23) INCOME TAX

A. Income tax expense

Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax:		
Income tax for the period	\$ <u>15,209</u>	\$ <u>27,351</u>
Deferred income tax:		
Origination and reversal of temporary differences	(<u>4,521</u>)	(<u>8,035</u>)
Income tax expense	\$ <u><u>10,688</u></u>	\$ <u><u>19,316</u></u>

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of May 10, 2023.

(24) EARNINGS PER SHARE (“EPS”)

	For the three-month period ended March 31, 2023		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 42,011	790,739	\$ 0.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 42,011	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ stock options	-	-	
Employees’ compensation	-	1,228	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 42,011	791,967	\$ 0.05
	For the three-month period ended March 31, 2022		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 77,246	790,739	\$ 0.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 77,246	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ stock options	-	-	
Employees’ compensation	-	1,215	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 77,246	791,954	\$ 0.10

For the three-month periods ended March 31, 2023 and 2022, some abovementioned stock options issued were anti-dilutive; therefore they were not included in the diluted EPS calculation.

(25) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 19,810	\$ 27,412
Add: Beginning balance of payable on equipment (listed as “Other payables”)	53,975	30,132
Less: Ending balance of payable on equipment (listed as “Other payables”)	(61,809)	(44,665)
Cash paid for acquisition of property, plant and equipment	<u>\$ 11,976</u>	<u>\$ 12,879</u>

B. Investing activities with no cash flow effects:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 13,618</u>	<u>\$ 32,803</u>

(26) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2023	\$ 77,599	\$ 599,074	\$ 2,357	\$ 679,030
Changes in cash flow from financing activities	12,828	(2,809)	(78)	9,941
Impact of changes in foreign exchange rate	(406)	-	(4)	(410)
At March 31, 2023	<u>\$ 90,021</u>	<u>\$ 596,265</u>	<u>\$ 2,275</u>	<u>\$ 688,561</u>

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2022	\$ -	\$ 556,431	\$ 3,648	\$ 560,079
Changes in cash flow from financing activities	17,161	(2,788)	1,881	16,254
Impact of changes in foreign exchange rate	-	-	59	59
Changes in other non-cash items	-	51,145	-	51,145
At March 31, 2022	<u>\$ 17,161</u>	<u>\$ 604,788</u>	<u>\$ 5,588</u>	<u>\$ 627,537</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
Uni-President Shanghai Pearly Century Co., Ltd.	Associate of ultimate parent company

(3) Significant transactions and balances with related parties

Other expenses

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Management service fees:		
— Ultimate parent company	\$ 167	\$ 137
— Associate of ultimate parent company	1,106	790
	<u>\$ 1,273</u>	<u>\$ 927</u>

(4) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 11,602	\$ 13,159
Post-employment benefits	159	172
Termination benefits	368	368
	<u>\$ 12,129</u>	<u>\$ 13,699</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Purpose of collateral</u>
Restricted deposits (Note 1)	\$ 51,070	\$ 51,132	\$ 50,911	Construction payment dispute (Note 1)
Pledged time deposits (Note 2)	30,940	30,940	29,270	Performance guarantee, customs duty and pledged of credit card
	<u>\$ 82,010</u>	<u>\$ 82,072</u>	<u>\$ 80,181</u>	

Note 1: Listed as “Other financial assets - current”; refer to Note 9.

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group’s unused letters of credit amounted to \$8,649, \$8,785 and \$—, respectively.

(2) As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group’s remaining balance due for construction in progress and prepayments for equipment was \$56,016, \$50,736 and \$88,886, respectively.

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

	<u>Nature</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	Guarantee for financing amount	<u>\$ 310,100</u>	<u>\$ 445,163</u>	<u>\$ 902,997</u>

As of March 31, 2023, December 31, 2022, and March 31, 2022, the actual amount drawn down for endorsements and guarantees to subsidiaries was \$—.

(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. Jiangsu Suzhou Intermediate People’s Court remanded second instance to Jiangsu Changshu People’s Court for retrial. On January 6, 2023, Jiangsu Changshu People’s Court has denied the claim of Jiangsu Qian Construction Group Co., Ltd.. Jiangsu Qian Construction Group Co., Ltd. filed an appeal with the Jiangsu Suzhou Intermediate People’s Court within the deadline specified in the judgment. As of March 31, 2023, December 31, 2022, and March 31, 2022, bank deposits totaling \$51,070, \$51,132 and \$50,911 (CNY 11,528 thousand, CNY 11,486 thousand and CNY 11,276 thousand) have been frozen, respectively, and listed as “Other financial assets - current”.

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, 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:

March 31, 2023			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,929	30.45	\$ 393,688
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,310	30.45	39,890
CNY:NTD	3,607	4.43	15,979
GBP:NTD	96	37.67	3,616
CHF:NTD	48	33.280	1,597
December 31, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,643	30.71	\$ 633,947
EUR:NTD	81	32.72	2,650
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	852	30.71	26,165
EUR:NTD	130	32.72	4,254
CHF:NTD	48	33.21	1,594
March 31, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 17,635	28.625	\$ 504,802
CNY:NTD	168	4.515	759
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,321	28.625	37,814
JPY:NTD	1,139	0.235	268

- (iv) As of March 31, 2023, December 31, 2022, and March 31, 2022, 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 three-month periods ended March 31, 2023 and 2022 would increase/decrease by \$14,152 and \$18,680, 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 three-month periods ended March 31, 2023 and 2022 is immaterial.
- (v) Total exchange (loss) gain including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2023 and 2022 amounted to (\$8,065) and \$15,889, 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 borrowings with variable rates and exposes the Group to cash flow interest rate risk. During the three-month periods ended March 31, 2023 and 2022, the Group's borrowings at variable rate were denominated in CNY and USD.
- (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 three-month periods ended March 31, 2023 and 2022 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 three-month periods ended March 31,	
	2023	2022
At January 1	\$ 303	\$ 163
Expected credit (gain) loss	(209)	37
Impact of foreign exchange rate	(1)	6
At March 31	<u>\$ 93</u>	<u>\$ 206</u>

The abovementioned provision amounts took the collaterales held by the Group into account, thus, the Group's unrecognised loss allowance amounted to \$—, \$— and \$1,231 on March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

(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 \$4,566,778, \$4,600,296 and \$4,986,608 as of March 31, 2023, December 31, 2022, and March 31, 2022, 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>March 31, 2023</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:				
Short-term borrowings	\$ 91,967	\$ -	\$ -	\$ -
Notes payable	292	-	-	-
Accounts payable	166,886	-	-	-
Other payables	383,555	-	-	-
Lease liabilities	18,006	17,323	49,921	678,094
Guarantee deposits received	-	2,275	-	-
Derivative financial liabilities:				
Forward exchange	390	-	-	-
<u>December 31, 2022</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:				
Short-term borrowings	\$ 77,851	\$ -	\$ -	\$ -
Notes payable	1,235	-	-	-
Accounts payable	125,264	-	-	-
Other payables	413,354	-	-	-
Lease liabilities	18,006	17,664	49,921	682,254
Guarantee deposits received	-	2,357	-	-
Derivative financial liabilities:				
Forward exchange contracts	361	-	-	-
<u>March 31, 2022</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:				
Short-term borrowings	\$ 17,213	\$ -	\$ -	\$ -
Notes payable	289	-	-	-
Accounts payable	91,254	-	-	-
Other payables	348,771	-	-	-
Lease liabilities	17,323	16,640	49,921	694,734
Guarantee deposits received	-	5,588	-	-
Derivative financial liabilities:				
Forward exchange contracts	3,180	-	-	-

(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.

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, 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 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>March 31, 2023</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>\$ -</u>	<u>\$ -</u>	<u>\$ 86,456</u>	<u>\$ 86,456</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ -</u>	<u>\$ 390</u>

<u>December 31, 2022</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	\$ -	\$ -	\$ 112,616	\$ 112,616
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 361	\$ -	\$ 361
<u>March 31, 2022</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	\$ -	\$ -	\$ 177,221	\$ 177,221
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 3,180	\$ -	\$ 3,180

- D. The methods and assumptions the Group used to measure fair value are as follows:
- (a) 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.
 - (b) 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.
 - (c) Forward foreign exchange contracts are usually valued based on the current forward exchange rate.
- E. For the three-month periods ended March 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the three-month periods ended March 31, 2023 and 2022:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 112,616	\$ 185,796
Loss recognised in other comprehensive income (loss)	(26,160)	(8,575)
At March 31	<u>\$ 86,456</u>	<u>\$ 177,221</u>

G. For the three-month periods ended March 31, 2023 and 2022, 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:

	<u>Fair value at March 31, 2023</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	\$ 86,456	Net asset value	Discount for lack of marketability	50%	The higher the discount for lack of marketability, the lower the fair value

	<u>Fair value at December 31, 2022</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	\$ 112,616	Net asset value	Discount for lack of marketability	50%	The higher the discount for lack of marketability, the lower the fair value
	<u>Fair value at March 31, 2022</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	\$ 177,221	Net asset value	Discount for lack of marketability	50%	The higher the discount for lack of marketability, the lower 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 discount for lack of marketability increased or decreased by 1% for Level 3, the effect on other comprehensive income for the three-month periods ended March 31, 2023 and 2022 is immaterial.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the three-month period ended March 31, 2023.

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: None.

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: Refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 1 and table 3.

(4) Major shareholders information

Major shareholders information: Refer to table 6.

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 three-month period ended March 31, 2023			
	ScinoPharm	SciAnda (Changshu)		
	Taiwan, Ltd.	Pharmaceuticals Ltd.	Others	Total
Segment revenue	\$ 620,787	\$ 112,131	\$ 12,306	\$ 745,224
Revenue from internal customers	8,678	85,361	2,755	96,794
Revenue from external customers	612,109	26,770	9,551	648,430
– API Income	573,113	24,624	9,430	607,167
– Technical Service Income	37,140	2,146	121	39,407
– Other Operating Income	1,856	-	-	1,856
Interest income	12,708	88	44	12,840
Depreciation and amortisation	91,002	24,585	311	115,898
Interest expense	1,692	724	-	2,416
Income (loss) from segment before income tax	90,281	(14,845)	205	75,641
Segment assets	10,331,538	1,742,045	23,109	12,096,692
Other acquisition of non-current assets	40,667	33,245	278	74,190
Segment liabilities	1,337,519	208,097	1,183	1,546,799
	For the three-month period ended March 31, 2022			
	ScinoPharm	SciAnda (Changshu)		
	Taiwan, Ltd.	Pharmaceuticals Ltd.	Others	Total
Segment revenue	\$ 681,260	\$ 91,394	\$ 9,182	\$ 781,836
Revenue from internal customers	6,039	34,889	2,969	43,897
Revenue from external customers	675,221	56,505	6,213	737,939
– API Income	600,920	53,724	6,188	660,832
– Injection Product Income	11,880	-	-	11,880
– Technical Service Income	20,818	2,781	25	23,624
– Other Operating Income	41,603	-	-	41,603
Interest income	3,326	388	44	3,758
Depreciation and amortisation	68,035	26,828	219	95,082
Interest expense	1,713	79	-	1,792
Income (loss) from segment before income tax	113,178	(35,897)	269	77,550
Segment assets	10,223,465	1,774,570	23,239	12,021,274
Other acquisition of non-current assets	33,402	58,140	133	91,675
Segment liabilities	1,206,960	117,242	2,131	1,326,333

(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:

	For the three-month periods ended March 31,	
	2023	2022
Reportable segments profit before income tax	\$ 75,436	\$ 77,281
Other segments income before income tax	205	269
Internal segments transaction elimination	(22,942)	19,012
Profit before income tax	<u>\$ 52,699</u>	<u>\$ 96,562</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:

	March 31, 2023	March 31, 2022
Assets of reportable segments	\$ 12,073,583	\$ 11,998,035
Assets of other operating segments	23,109	23,239
Internal segment transaction elimination	(125,162)	(80,647)
Total assets	<u>\$ 11,971,530</u>	<u>\$ 11,940,627</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:

	March 31, 2023	March 31, 2022
Liabilities of reportable segments	\$ 1,545,616	\$ 1,324,202
Liabilities of other operating segments	1,183	2,131
Internal segment transaction elimination	(33,552)	(25,322)
Total liabilities	<u>\$ 1,513,247</u>	<u>\$ 1,301,011</u>

ScinoPharm Taiwan, Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
For the three-month period ended March 31, 2023

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount during the period	Outstanding endorsement/ guarantee amount at March 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
									accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company					
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$ 10,458,283	\$ 747,102	\$ 310,100	\$ -	\$ -	2.97%	\$ 10,458,283	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 1:4.430 ; USD:NTD 1:30.45).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

March 31, 2023

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
ScinoPharm Taiwan, Ltd.	Stocks:							
	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	\$ 86,456	16.84%	\$ 86,456	—
	SYNGEN, INC.	—	Financial assets at fair value through profit or loss - non-current	245,000	-	7.40%	-	—

ScinoPharm Taiwan, Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

For the three-month period ended March 31, 2023

Table 3

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	\$ 84,713	Closes its accounts 90 days from the end of each month	13%
		SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Accounts Payable	29,351	Closes its accounts 90 days from the end of each month	—
		SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	310,100	—	3%

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 1:4.430 ; USD:NTD 1:30.45).

ScinoPharm Taiwan, Ltd. and Subsidiaries

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

For the three-month period ended March 31, 2023

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss) of the investee for the three-month period ended March 31, 2023	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 3,609,075	\$ 3,609,075	118,524,644	100.00	\$ 1,464,086	(\$ 14,663)	(\$ 37,606)	Subsidiary
	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	178	12	12	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 1:30.45).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Information on investments in Mainland China – Basic information

For the three-month period ended March 31, 2023

Table 5

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, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income (loss) of investee for the three-month period ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2023	Book value of investments in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	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.	\$ 3,547,425	(Note 1)	\$ 3,539,034	\$ -	\$ -	\$ 3,539,034	(\$ 14,845)	100%	(\$ 14,845)	\$ 1,533,947	\$ -	Subsidiary (Note 2)	
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	36,540	(Note 1)	36,540	-	-	36,540	218	100%	218	18,598	-	Subsidiary (Note 3)	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023</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.	\$ 3,612,847	\$ 3,612,847	\$ 6,274,970											

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) recognized by the Company for the three-month period ended March 31, 2023 was based on reviewed financial statements of investee companies as of and for the three-month period ended March 31, 2023.

Note 3: The investment income (loss) recognised by the Company for the three-month period ended March 31, 2023 was based on unreviewed financial statements of investee companies as of and for the three-month period ended March 31, 2023.

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 1:30.45).

ScinoPharm Taiwan, Ltd. and Subsidiaries

Major shareholders information

March 31, 2023

Table 6

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.