

**SCINOPHARM TAIWAN, LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS'**  
**REPORT**  
**DECEMBER 31, 2021 AND 2020**

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of ScinoPharm Taiwan, Ltd. (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

## ***Occurrence of sales revenues from API and injection products***

### Description

Refer to Note 4(28) for accounting policy on revenue recognition and Note 6(18) for accounting items on revenue.

The Company's sales revenue mainly arises from the manufacture and sales of Active Pharmaceutical Ingredient ("API") and injection products. The Company's customers come from Taiwan, Asia, Europe and America. Since the volume and amount of transactions are significant, we considered the occurrence of sales revenue from API and injection products a key audit matter.

### How our audit addressed the matter

We performed the following key audit procedures in response to the above key audit matter:

1. We evaluated internal control system that was designed and implemented by management in reviewing customers' credit, and tested whether the counterparty and the credit valuation documents have been properly approved.
2. We sampled transaction details and supporting documents for consistency from transaction counterparties who have higher turnover growth.
3. We sent confirmation letters for significant transaction counterparties, ensuring the responses and account records were consistent with customers' data, and evaluated the reasonableness on the difference between the responses and the account records.

## ***Inventory valuation***

### Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied in inventory valuation, and Note 6(4) for details of inventories. As at December 31, 2021, the balances of inventory and allowance for inventory valuation losses were \$1,521,193 thousand and \$298,162 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of API. Due to the complex manufacturing process, long lead time in materials preparation and uncertain product registration timing before market launch, there is a higher risk of incurring loss on inventory valuation. For inventories sold under normal terms, the Company measures inventories at the lower of cost and net realisable value. For inventories ageing over a certain period of time or are individually identified as obsolete inventories, the net realisable value is calculated based on the historical information of inventory turnover. Since the

calculation of net realisable value involves subjective judgement and the ending balance of inventory is material to the financial statements, we considered the valuation of inventory a key audit matter.

#### How our audit addressed the matter

We performed the following key audit procedures in response to the above key audit matter:

1. We compared the financial statements to ascertain whether the provision policy on allowance for inventory valuation losses has been consistently applied and assessed the reasonableness of the provision policy.
2. We understood the inventory management process, observing annual physical counts to assess the effectiveness of management's classification and controls over obsolete and slow-moving inventory.
3. We checked the accuracy of inventory aging report and sampled inventories for those lately changed before the balance sheet date in order to compute the accuracy of inventory aging range; and evaluated whether the older inventories were obsolete.
4. We sampled the computation of net realisable value of individual inventory and compared with account records.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

#### ***Auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the parent company only financial statements. We are responsible for the

direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yung-Chih

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

February 25, 2022

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The accompanying parent company only 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 parent company only 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.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 3,968,726	34	\$ 3,879,691	33
1110	Financial assets at fair value through profit or loss - current	6(2)	1,742	-	-	-
1170	Accounts receivable, net	6(3) and 12	352,844	3	379,411	3
1200	Other receivables		8,124	-	17,569	-
1210	Other receivables - related parties	7	4,146	-	6,348	-
1220	Current income tax assets	6(25)	-	-	8,969	-
130X	Inventories	5 and 6(4)	1,223,031	11	1,134,947	10
1410	Prepayments		82,557	1	96,841	1
11XX	<b>Total current assets</b>		<u>5,641,170</u>	<u>49</u>	<u>5,523,776</u>	<u>47</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	185,796	2	308,115	3
1550	Investments accounted for using equity method	6(6)	1,579,841	14	1,681,095	14
1600	Property, plant and equipment	6(7)(9)	2,954,902	25	3,053,564	26
1755	Right-of-use assets	6(8)	546,885	5	559,847	5
1780	Intangible assets		2,903	-	6,885	-
1840	Deferred income tax assets	6(25)	517,203	4	505,018	4
1915	Prepayments for equipment		163,088	1	108,322	1
1920	Guarantee deposits paid		1,006	-	1,029	-
1980	Other financial assets - non-current	8	29,270	-	29,270	-
15XX	<b>Total non-current assets</b>		<u>5,980,894</u>	<u>51</u>	<u>6,253,145</u>	<u>53</u>
1XXX	<b>Total assets</b>		<u>\$ 11,622,064</u>	<u>100</u>	<u>\$ 11,776,921</u>	<u>100</u>

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SCINOPHARM TAIWAN, LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ -	-	\$ 9,494	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	2,172	-
2130	Contract liabilities - current	6(18)	49,730	-	47,518	-
2150	Notes payable		1,172	-	1,173	-
2170	Accounts payable		55,815	1	126,820	1
2180	Accounts payable - related parties	7	9,359	-	36,598	-
2200	Other payables	6(11) and 7	282,491	2	308,560	3
2230	Current income tax liabilities	6(25)	71,165	1	67,969	1
2280	Lease liabilities - current		16,165	-	16,500	-
2310	Advance receipts		1,740	-	-	-
21XX	<b>Total current liabilities</b>		<u>487,637</u>	<u>4</u>	<u>616,804</u>	<u>5</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(25)	348	-	-	-
2580	Lease liabilities - non-current		540,266	5	550,182	5
2640	Net defined benefit liabilities	6(12)	79,546	1	79,232	1
2645	Guarantee deposits received		3,213	-	1,300	-
25XX	<b>Total non-current liabilities</b>		<u>623,373</u>	<u>6</u>	<u>630,714</u>	<u>6</u>
2XXX	<b>Total liabilities</b>		<u>1,111,010</u>	<u>10</u>	<u>1,247,518</u>	<u>11</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(13)	7,907,392	68	7,907,392	67
3200	Capital surplus	6(14)(15)	1,294,689	11	1,294,689	11
Retained earnings						
3310	Legal reserve	6(5)(16)	679,074	6	634,265	5
3320	Special reserve		33,043	-	67,825	1
3350	Unappropriated earnings		657,981	6	658,275	6
3400	Other equity interest	6(5)(6)(17)	( 61,125)	( 1)	( 33,043)	( 1)
3XXX	<b>Total equity</b>		<u>10,511,054</u>	<u>90</u>	<u>10,529,403</u>	<u>89</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 11,622,064</u>	<u>100</u>	<u>\$ 11,776,921</u>	<u>100</u>

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



SCINOPHARM TAIWAN, LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 2,642,830	100	\$ 3,046,220	100
5000	Operating costs	6(4)(12)(23)(24) and 7	( 1,388,306)	( 53)	( 1,758,472)	( 58)
5900	Net operating margin		<u>1,254,524</u>	<u>47</u>	<u>1,287,748</u>	<u>42</u>
	Operating expenses	6(12)(23)(24), 7 and 12				
6100	Selling expenses		( 157,715)	( 6)	( 175,267)	( 5)
6200	General and administrative expenses		( 454,716)	( 17)	( 455,460)	( 15)
6300	Research and development expenses		( 265,162)	( 10)	( 206,364)	( 7)
6450	(Expected credit losses) impairment gains		( 1)	-	197	-
6000	Total operating expenses		<u>( 877,594)</u>	<u>( 33)</u>	<u>( 836,894)</u>	<u>( 27)</u>
6900	Operating profit		<u>376,930</u>	<u>14</u>	<u>450,854</u>	<u>15</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	16,100	-	21,043	-
7010	Other income	6(20) and 7	21,612	1	29,164	1
7020	Other gains and losses	6(2)(7)(9)(21) and 12	( 8,275)	-	( 36,487)	( 1)
7050	Finance costs	6(8)(22)	( 6,486)	-	( 7,072)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	( 97,617)	( 4)	( 104,620)	( 4)
7000	Total non-operating income and expenses		<u>( 74,666)</u>	<u>( 3)</u>	<u>( 97,972)</u>	<u>( 4)</u>
7900	<b>Profit before income tax</b>		<u>302,264</u>	<u>11</u>	<u>352,882</u>	<u>11</u>
7950	Income tax expense	6(25)	( 58,793)	( 2)	( 70,815)	( 2)
8200	<b>Profit for the year</b>		<u>\$ 243,471</u>	<u>9</u>	<u>\$ 282,067</u>	<u>9</u>
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Actuarial (losses) gains on defined benefit plan	6(12)	( \$ 2,509)	-	\$ 2,369	-
8316	Unrealised gains from equity instruments measured at fair value through other comprehensive income	6(5)(17)	139,194	5	176,406	6
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	502	-	( 473)	-
	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(6)(17)	( 3,637)	-	22,506	1
8300	<b>Total other comprehensive income for the year</b>		<u>\$ 133,550</u>	<u>5</u>	<u>\$ 200,808</u>	<u>7</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 377,021</u>	<u>14</u>	<u>\$ 482,875</u>	<u>16</u>
	Earnings per share (in dollars)	6(26)				
9750	Basic		\$ 0.31		\$ 0.36	
9850	Diluted		\$ 0.31		\$ 0.36	

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

SCINOPHARM TAIWAN, LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				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 gains (losses) from financial assets measured at fair value through other comprehensive income
<u>Year ended December 31, 2020</u>									
Balance at January 1, 2020		\$ 7,907,392	\$ 1,294,605	\$ 612,600	\$ 22,829	\$ 490,344	(\$ 98,117)	\$ 30,291	\$ 10,259,944
Net income for the year		-	-	-	-	282,067	-	-	282,067
Other comprehensive income for the year	6(5)(6)(17)	-	-	-	-	1,896	22,506	176,406	200,808
Total comprehensive income		-	-	-	-	283,963	22,506	176,406	482,875
Distribution of 2019 net income:									
Legal reserve		-	-	21,665	-	( 21,665 )	-	-	-
Special reserve		-	-	-	44,996	( 44,996 )	-	-	-
Cash dividends	6(16)	-	-	-	-	( 213,500 )	-	-	( 213,500 )
Employee stock option compensation cost	6(14)(15)	-	84	-	-	-	-	-	84
Disposal of equity instruments at fair value through other comprehensive income	6(5)(17)	-	-	-	-	164,129	-	( 164,129 )	-
Balance at December 31, 2020		<u>\$ 7,907,392</u>	<u>\$ 1,294,689</u>	<u>\$ 634,265</u>	<u>\$ 67,825</u>	<u>\$ 658,275</u>	<u>(\$ 75,611)</u>	<u>\$ 42,568</u>	<u>\$ 10,529,403</u>
<u>Year ended December 31, 2021</u>									
Balance at January 1, 2021		\$ 7,907,392	\$ 1,294,689	\$ 634,265	\$ 67,825	\$ 658,275	(\$ 75,611)	\$ 42,568	\$ 10,529,403
Net income for the year		-	-	-	-	243,471	-	-	243,471
Other comprehensive income (loss) for the year	6(5)(6)(17)	-	-	-	-	( 2,007 )	( 3,637 )	139,194	133,550
Total comprehensive income (loss)		-	-	-	-	241,464	( 3,637 )	139,194	377,021
Distribution of 2020 net income:									
Legal reserve		-	-	44,809	-	( 44,809 )	-	-	-
Cash dividends	6(16)	-	-	-	-	( 395,370 )	-	-	( 395,370 )
Reversal of special reserve		-	-	-	( 34,782 )	34,782	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	6(5)(17)	-	-	-	-	163,639	-	( 163,639 )	-
Balance at December 31, 2021		<u>\$ 7,907,392</u>	<u>\$ 1,294,689</u>	<u>\$ 679,074</u>	<u>\$ 33,043</u>	<u>\$ 657,981</u>	<u>(\$ 79,248)</u>	<u>\$ 18,123</u>	<u>\$ 10,511,054</u>

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

SCINOPHARM TAIWAN, LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 302,264	\$ 352,882
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss		( 3,914 )	5,092
Expected credit loss (impairment gain)	12	1	( 197 )
Reversal of allowance for loss on inventory market price decline	6(4)	( 15,657 )	( 74,623 )
Provision for obsolescence of supplies		477	3,312
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)		104,620
Depreciation of property, plant and equipment	6(7)(23)	256,453	266,984
Depreciation of right-of-use assets	6(8)(23)	12,968	12,794
Property, plant and equipment transferred to loss	6(7)(21)	-	11,900
(Gain) loss on disposal of property, plant and equipment	6(21)	( 89 )	2,587
Gain on reversal of impairment loss	6(7)(9)(21)	( 1,382 )	( 4,253 )
Amortisation	6(23)	4,759	6,044
Employee stock option compensation cost	6(14)(15)	-	84
Interest income	6(19)	( 16,100 )	( 21,043 )
Interest expense	6(22)	6,486	7,072
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		26,566	183,642
Other receivables		8,334	( 6,147 )
Other receivables - related parties		2,202	( 651 )
Inventories		( 72,427 )	40,371
Prepayments		13,807	7,349
Changes in operating liabilities			
Contract liabilities - current		2,212	729
Notes payable		( 1 )	( 180 )
Accounts payable		( 71,005 )	33,177
Accounts payable - related parties		( 27,239 )	( 8,919 )
Other payables		( 11,282 )	11,456
Advance receipts		1,740	-
Net defined benefit liabilities - non-current		( 2,195 )	( 581 )
Cash inflow generated from operations		514,595	933,501
Interest received		17,211	19,739
Income tax received		9,233	-
Interest paid		( 6,486 )	( 7,072 )
Income tax paid		( 67,196 )	( 3,975 )
Net cash flows from operating activities		<u>467,357</u>	<u>942,193</u>

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SCINOPHARM TAIWAN, LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value	6(5)		
through other comprehensive income		\$ 261,513	\$ 283,501
Cash paid for acquisition of property, plant and equipment	6(27)	( 113,429 )	( 64,529 )
Proceeds from disposal of property, plant and equipment		904	124
Acquisition of intangible assets		( 777 )	( 2,310 )
Increase in prepayments for equipment		( 113,348 )	( 91,435 )
Decrease in guarantee deposits paid		23	4,215
Net cash flows from investing activities		34,886	129,566
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(28)	( 9,494 )	9,494
Repayment of the principal portion of lease liabilities	6(28)	( 10,257 )	( 9,772 )
Increase in guarantee deposits received	6(28)	1,913	1,300
Payment of cash dividends	6(16)	( 395,370 )	( 213,500 )
Net cash flows used in financing activities		( 413,208 )	( 212,478 )
Net increase in cash and cash equivalents		89,035	859,281
Cash and cash equivalents at beginning of year	6(1)	3,879,691	3,020,410
Cash and cash equivalents at end of year	6(1)	\$ 3,968,726	\$ 3,879,691

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

SCINOPHARM TAIWAN, LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

- (1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company is primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of Active Pharmaceutical Ingredients (API), albumin medicines, oligonucleotide medicines, peptide medicines, injections and new small molecule drugs, as well as the provision of related consulting and technical services.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.
- (3) Uni-President Enterprises Corp., the Company's ultimate parent company, holds 37.94% equity interest in the Company.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on February 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

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

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

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

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

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

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

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

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

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

<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
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, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance

with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

- A. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.
- B. Time deposits and bills under repurchase agreements that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities



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

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

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for using equity method - subsidiaries

- A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's non-consolidated financial statements.
- B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. To meet the consistency of accounting policies of the Company, necessary adjustments are made to the accounting policies of the subsidiaries.
- C. After acquisition of subsidiaries, the Company recognises proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognise its share in the subsidiary's loss proportionately.
- D. According to Regulations Governing the Preparation of Financial Statements by Securities Issuers, 'profit for the year' and 'other comprehensive income for the year' reported in an entity's parent company only statement of comprehensive income, shall equal to 'profit for the year' and 'other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(14) Intangible assets

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost of under the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of right-of use assets to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Financial liabilities at fair value through profit or loss

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

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

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

(19) Notes and accounts payable

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

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

(20) Financial guarantee contracts

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

C. Employees' compensation and directors' remuneration

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

(24) Employee share-based payment

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

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

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

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are

resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells API, intermediates, etc. Sales are recognised when control of the products has transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue is recognised based on the price specified in the contract, net of the sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

- (a) The Company provides technology development and consultation services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the service rendered up to the end of the reporting period as a proportion of the total services to be provided. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs (mainly comprised of sales commissions) of obtaining a contract as an expense

when incurred although the Company expects to recover those costs.

(29) Government grants

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

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

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

B. As of December 31, 2021, the carrying amount of inventories was \$1,223,031.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand	\$ 30	\$ 30
Checking accounts and demand deposits	<u>73,500</u>	<u>56,264</u>
	<u>73,530</u>	<u>56,294</u>
Cash equivalents:		
Time deposits	3,475,500	3,593,500
Bills under repurchase agreements	<u>419,696</u>	<u>229,897</u>
	<u>3,895,196</u>	<u>3,823,397</u>
	<u>\$ 3,968,726</u>	<u>\$ 3,879,691</u>



- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Details of the Company's time deposits pledged to others as collateral (listed as 'Other financial assets - non-current') as of December 31, 2021 and 2020 are provided in Note 8.

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

Items	December 31, 2021	December 31, 2020
Current items:		
Financial assets (liabilities) mandatorily measured at fair value through profit or loss		
Derivatives	\$ 1,742	(\$ 2,172)
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 4,620	\$ 4,620
Valuation adjustment	( 4,620)	( 4,620)
	\$ -	\$ -

- A. The Company recognised net gain of \$936 and \$2,295 on financial assets at fair value through profit or loss (listed as "Other gains and losses") for the years ended December 31, 2021 and 2020, respectively.
- B. The Company entered into contracts relating to derivative financial liabilities which were not accounted for under hedge accounting. The information is listed below (Units in thousands of currencies indicated):

Items	December 31, 2021	
	Contract amount	Contract period
Forward foreign exchange contracts	USD 11,579	11.2021~3.2022
Items	December 31, 2020	
	Contract amount	Contract period
Forward foreign exchange contracts	USD 11,545	11.2020~4.2021

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

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

(3) ACCOUNTS RECEIVABLE, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 352,884	\$ 379,450
Less: Loss allowance	( 40)	( 39)
	<u>\$ 352,844</u>	<u>\$ 379,411</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 310,978	\$ 341,719
Less than 30 days	33,962	29,608
Between 31 to 90 days	7,944	8,123
	<u>\$ 352,884</u>	<u>\$ 379,450</u>

The above ageing analysis is based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable arose from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$563,092.

C. As of December 31, 2021 and 2020, the Company does not hold any collateral as security.

D. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable is the book value.

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

(4) INVENTORIES

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 241,239	(\$ 53,797)	\$ 187,442
Supplies	33,716	( 771)	32,945
Work in process	474,521	( 69,634)	404,887
Finished goods	771,717	( 173,960)	597,757
	<u>\$ 1,521,193</u>	<u>(\$ 298,162)</u>	<u>\$ 1,223,031</u>
	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 370,211	(\$ 53,175)	\$ 317,036
Supplies	28,370	( 2,576)	25,794
Work in process	362,983	( 74,384)	288,599
Finished goods	687,202	( 183,684)	503,518
	<u>\$ 1,448,766</u>	<u>(\$ 313,819)</u>	<u>\$ 1,134,947</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 1,223,586	\$ 1,617,302
Loss on inventory scrap	9,088	43,508
Loss on physical inventory	709	519
Under applied manufacturing overhead	140,722	137,181
Reversal of allowance for inventory market price decline (Note)	( 15,657)	( 74,623)
Revenue from sale of scraps	( 6,617)	( 1,773)
Total cost of goods sold	<u>\$ 1,351,831</u>	<u>\$ 1,722,114</u>

Note: Because the inventories, which were previously provisioned for loss from decline in market value, were subsequently sold, scrapped or reinputted in production and related research and development projects in 2021 and 2020, the Company reversed the allowance for market price decline which was recognised as reduction of cost of goods sold.

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

Items	December 31, 2021	December 31, 2020
Equity instruments		
Listed stocks	\$ -	\$ 97,874
Unlisted stocks	<u>167,673</u>	<u>167,673</u>
	167,673	265,547
Valuation adjustment	<u>18,123</u>	<u>42,568</u>
	<u>\$ 185,796</u>	<u>\$ 308,115</u>

- A. The Company has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments is the book value as at December 31, 2021 and 2020.
- B. Due to the change in investment strategies, the Company sold \$261,513 and \$283,501 of equity instruments at fair value resulting in cumulative gain on disposal of \$163,639 and \$164,129 which was reclassified to retained earnings during the years ended December 31, 2021 and 2020, respectively.

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

Equity instruments at fair value through other comprehensive income	For the years ended December 31,	
	2021	2020
Fair value change recognised in other comprehensive income	\$ 139,194	\$ 176,406
Cumulative gains reclassified to retained earnings due to derecognition	\$ 163,639	\$ 164,129

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

(6) INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	For the years ended December 31,	
	2021	2020
At January 1	\$ 1,681,095	\$ 1,763,209
Share of profit or loss of investments accounted for using equity method	( 97,617)	( 104,620)
Changes in other equity items	( 3,637)	22,506
At December 31	\$ 1,579,841	\$ 1,681,095
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
SPT International, Ltd.	\$ 1,579,708	\$ 1,680,970
ScinoPharm Singapore Pte Ltd.	133	125
	\$ 1,579,841	\$ 1,681,095

A. For information relating to the Company's subsidiaries, please refer to Note 4(3), "Basis of consolidation" of the Company's 2021 consolidated financial statements.

B. The share of loss of subsidiaries, associates and joint ventures accounted for using equity method amounted to (\$97,617) and (\$104,620) for the years ended December 31, 2021 and 2020, respectively.

C. As of December 31, 2021 and 2020, the Company has no investment accounted for using equity method pledged as collateral.

(7) PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment before acceptance inspection</u>	<u>Total</u>
<u>January 1, 2021</u>							
Cost	\$ 2,526,424	\$ 4,552,076	\$ 17,580	\$ 164,256	\$ 3,956	\$ 1,051,211	\$ 8,315,503
Accumulated depreciation	( 1,183,218)	( 3,921,598)	( 17,166)	( 132,615)	( 2,311)	-	( 5,256,908)
Accumulated impairment	-	( 5,031)	-	-	-	-	( 5,031)
	<u>\$ 1,343,206</u>	<u>\$ 625,447</u>	<u>\$ 414</u>	<u>\$ 31,641</u>	<u>\$ 1,645</u>	<u>\$ 1,051,211</u>	<u>\$ 3,053,564</u>
<u>For the year ended December 31, 2021</u>							
At January 1	\$ 1,343,206	\$ 625,447	\$ 414	\$ 31,641	\$ 1,645	\$ 1,051,211	\$ 3,053,564
Additions	-	3,829	-	-	-	94,813	98,642
Reclassified from prepayments for equipment	-	-	-	-	-	58,582	58,582
Reclassified upon completion	16,154	67,838	-	2,397	-	( 86,389)	-
Depreciation charge	( 102,227)	( 142,493)	( 225)	( 11,366)	( 142)	-	( 256,453)
Disposals – Cost	-	( 25,832)	-	( 13,090)	( 208)	-	( 39,130)
– Accumulated depreciation	-	25,017	-	13,090	208	-	38,315
Gain on reversal of impairment loss	-	1,382	-	-	-	-	1,382
At December 31	<u>\$ 1,257,133</u>	<u>\$ 555,188</u>	<u>\$ 189</u>	<u>\$ 22,672</u>	<u>\$ 1,503</u>	<u>\$ 1,118,217</u>	<u>\$ 2,954,902</u>
<u>December 31, 2021</u>							
Cost	\$ 2,542,578	\$ 4,597,911	\$ 17,580	\$ 153,563	\$ 3,748	\$ 1,118,217	\$ 8,433,597
Accumulated depreciation	( 1,285,445)	( 4,039,074)	( 17,391)	( 130,891)	( 2,245)	-	( 5,475,046)
Accumulated impairment	-	( 3,649)	-	-	-	-	( 3,649)
	<u>\$ 1,257,133</u>	<u>\$ 555,188</u>	<u>\$ 189</u>	<u>\$ 22,672</u>	<u>\$ 1,503</u>	<u>\$ 1,118,217</u>	<u>\$ 2,954,902</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>January 1, 2020</u>							
Cost	\$ 2,517,741	\$ 4,542,361	\$ 18,851	\$ 171,047	\$ 3,956	\$ 1,013,226	\$ 8,267,182
Accumulated depreciation	( 1,078,028)	( 3,829,848)	( 18,423)	( 137,258)	( 2,169)	-	( 5,065,726)
Accumulated impairment	-	( 9,284)	-	-	-	-	( 9,284)
	<u>\$ 1,439,713</u>	<u>\$ 703,229</u>	<u>\$ 428</u>	<u>\$ 33,789</u>	<u>\$ 1,787</u>	<u>\$ 1,013,226</u>	<u>\$ 3,192,172</u>
<u>For the year ended December 31, 2020</u>							
At January 1	\$ 1,439,713	\$ 703,229	\$ 428	\$ 33,789	\$ 1,787	\$ 1,013,226	\$ 3,192,172
Additions	-	4,488	-	-	-	71,853	76,341
Reclassified from prepayments for equipment	-	-	-	-	-	63,554	63,554
Reclassified upon completion	8,683	64,001	204	11,473	-	( 84,361)	-
Transferred to intangible assets	-	-	-	-	-	( 1,161)	( 1,161)
Transferred to loss (Note)	-	-	-	-	-	( 11,900)	( 11,900)
Depreciation charge	( 105,190)	( 147,813)	( 218)	( 13,621)	( 142)	-	( 266,984)
Disposals — Cost	-	( 58,774)	( 1,475)	( 18,264)	-	-	( 78,513)
— Accumulated depreciation	-	56,063	1,475	18,264	-	-	75,802
Gain on reversal of impairment loss	-	4,253	-	-	-	-	4,253
At December 31	<u>\$ 1,343,206</u>	<u>\$ 625,447</u>	<u>\$ 414</u>	<u>\$ 31,641</u>	<u>\$ 1,645</u>	<u>\$ 1,051,211</u>	<u>\$ 3,053,564</u>
<u>December 31, 2020</u>							
Cost	\$ 2,526,424	\$ 4,552,076	\$ 17,580	\$ 164,256	\$ 3,956	\$ 1,051,211	\$ 8,315,503
Accumulated depreciation	( 1,183,218)	( 3,921,598)	( 17,166)	( 132,615)	( 2,311)	-	( 5,256,908)
Accumulated impairment	-	( 5,031)	-	-	-	-	( 5,031)
	<u>\$ 1,343,206</u>	<u>\$ 625,447</u>	<u>\$ 414</u>	<u>\$ 31,641</u>	<u>\$ 1,645</u>	<u>\$ 1,051,211</u>	<u>\$ 3,053,564</u>

Note: The Company's custom-made software module did not function as expected and meet the Company's end use during the development process. After internal discussion, the Company has decided to write off the unfinished software, and recognised the costs incurred as losses.

- A. The Company has not capitalised any interest for the years ended December 31, 2021 and 2020.
- B. The Company's property, plant and equipment were owner-occupied for the years ended December 31, 2021 and 2020.
- C. Information about reversal of impairment loss and impairment loss on property, plant and equipment is provided in Note 6(9).
- D. As of December 31, 2021 and 2020, no property, plant and equipment were pledged to others as collateral.

(8) LEASING ARRANGEMENTS – LESSEE

- A. The Company leases land and buildings and structures. Rental contracts are typically made for periods of 50 (including option to extend the leases) and 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less pertain to office premises and low-value assets pertain to computers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 545,870	\$ 557,484
Buildings and structures	1,015	2,363
	<u>\$ 546,885</u>	<u>\$ 559,847</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 11,614	\$ 12,457
Buildings and structures	1,354	337
	<u>\$ 12,968</u>	<u>\$ 12,794</u>

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

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 6,345	\$ 6,900
Expense on short-term lease contracts	871	1,729
Expense on leases of low-value assets	2,038	1,005

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$19,511 and \$19,406, respectively.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. Some of the idle machineries were again utilised in production and accordingly, the Company recognised the reversal of impairment loss amounting to \$1,382 and \$4,253 for the years ended December 31, 2021 and 2020 (listed as "Other gains and losses"), respectively. For details of accumulated impairment, please refer to Note 6(7).

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

Department	For the years ended December 31,			
	2021		2020	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
ScinoPharm Taiwan	\$ 1,382	\$ -	\$ 4,253	\$ -

(10) SHORT-TERM BORROWINGS

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

The Company has no short-term borrowings as of December 31, 2021.

Please refer to Note 6(22) for interest expense recognised in profit or loss for the years ended December 31, 2021 and 2020.

(11) OTHER PAYABLES

	December 31, 2021	December 31, 2020
Accrued salaries and bonuses	\$ 67,473	\$ 64,760
Accrued employees' compensation and directors' remuneration	36,957	43,210
Payables on equipment	25,142	39,929
Others	152,919	160,661
	<u>\$ 282,491</u>	<u>\$ 308,560</u>

(12) PENSIONS

A. The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees' service years prior to the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and service years thereafter of employees who chose to continue to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement). The employees earn two units for each year of service for the first 15



years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. According to the provisions, employees who retired due to their duties shall get additional 20%. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned methods to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by the end of March next year.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 101,385	\$ 109,601
Fair value of plan assets	( 21,839)	( 30,369)
Net defined benefit liability	<u>\$ 79,546</u>	<u>\$ 79,232</u>

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

<u>For the year ended December 31, 2021</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 109,601	(\$ 30,369)	\$ 79,232
Current service cost	559	-	559
Interest expense (income)	328	( 88)	240
	<u>110,488</u>	<u>( 30,457)</u>	<u>80,031</u>
Remeasurements:			
Return on plan assets	-	( 567)	( 567)
Change in demographic assumptions	104	-	104
Change in financial assumptions	( 3,153)	-	( 3,153)
Experience adjustments	6,125	-	6,125
	<u>3,076</u>	<u>( 567)</u>	<u>2,509</u>
Pension fund contribution	-	( 2,994)	( 2,994)
Paid pension	( 12,179)	12,179	-
At December 31	<u>\$ 101,385</u>	<u>(\$ 21,839)</u>	<u>\$ 79,546</u>

<u>For the year ended December 31, 2020</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 127,729	(\$ 45,547)	\$ 82,182
Current service cost	1,696	-	1,696
Interest expense (income)	894	( 319)	575
	<u>130,319</u>	<u>( 45,866)</u>	<u>84,453</u>
Remeasurements:			
Return on plan assets	-	( 1,642)	( 1,642)
Change in financial assumptions	( 17,202)	-	( 17,202)
Experience adjustments	16,475	-	16,475
	<u>( 727)</u>	<u>( 1,642)</u>	<u>( 2,369)</u>
Pension fund contribution	-	( 2,852)	( 2,852)
Paid pension	( 19,991)	19,991	-
At December 31	<u>\$ 109,601</u>	<u>(\$ 30,369)</u>	<u>\$ 79,232</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.60%</u>	<u>0.30%</u>
Future salary increases	<u>1.00%</u>	<u>1.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 6<sup>th</sup> and 5<sup>th</sup> Mortality Table for the years ended December 31, 2021 and 2020,

respectively.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 2,452)	\$ 2,532	\$ 2,259	(\$ 2,203)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 2,794)	\$ 2,890	\$ 2,585	(\$ 2,516)

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

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

(e) Expected contributions to the defined benefit pension plan of the Company for 2022 amounted to \$2,927.

(f) As of December 31, 2021, the weighted average duration of that retirement plan is 10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 2,277
2~5 years	14,982
Over 6 years	90,345
	\$ 107,604

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The net pension costs recognised under the defined contribution plan were \$27,170 and \$25,773 for the years ended December 31, 2021 and 2020, respectively.

### (13) SHARE CAPITAL

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

	For the years ended December 31,	
	2021	2020
Beginning and ending number of the year	790,739	790,739

B. As of December 31, 2021, the Company's authorised capital was \$10,000,000 and the paid-in capital was \$7,907,392 (790,739 thousand shares) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) CAPITAL RESERVE

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

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

	<u>For the year ended December 31, 2021</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1,246,972	\$ 47,717	\$ 1,294,689
Employee stock options forfeited			
— Company	7,301	( 7,301)	-
At December 31	<u>\$ 1,254,273</u>	<u>\$ 40,416</u>	<u>\$ 1,294,689</u>
	<u>For the year ended December 31, 2020</u>		
	<u>Share premium</u>	<u>Stock options</u>	<u>Total</u>
At January 1	\$ 1,245,682	\$ 48,923	\$ 1,294,605
Employee stock options compensation cost			
— Company	-	84	84
Employee stock options forfeited			
— Company	1,082	( 1,082)	-
— Subsidiaries	208	( 208)	-
At December 31	<u>\$ 1,246,972</u>	<u>\$ 47,717</u>	<u>\$ 1,294,689</u>

(15) 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 prices of the options were set at \$91.70 (in dollars), \$41.65 dollars (in dollars) and \$40.55 (in dollars), respectively, which were based on the closing market price of the Company's common shares on the Grant Date. Each option was granted the right to purchase one share of the Company's common stocks. The exercise price is subject to further adjustments when there is change in share numbers of the Company's common stocks after the Grant Date. As of December 31, 2021, for the issued 1 million units, 1.5 million units and 1.5 million units of employee stock options, the exercise price was adjusted based on the specific formula to \$73.0 (in dollars) per share, \$36.5 (in dollars) per share and \$37.0 (in dollars) per share, respectively.

Contract period of the employee stock option plans is 10 years, and options are exercisable in 2 years after the Grant Date. The Company recognised compensation cost relating to the employee stock options plan of \$ — and \$84 for the years ended December 31, 2021 and 2020, respectively.

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

	<u>For the year ended December 31, 2021</u>	
	Number of options (unit in thousands )	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,129	\$ 44.90
Options forfeited	( 469)	43.62
Options outstanding at end of the year	<u>1,660</u>	44.39
Options exercisable at end of the year	<u>1,660</u>	44.39
	<u>For the year ended December 31, 2020</u>	
	Number of options (unit in thousands )	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,205	\$ 45.05
Options forfeited	( 76)	49.15
Options outstanding at end of the year	<u>2,129</u>	44.90
Options exercisable at end of the year	<u>2,129</u>	44.90

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

Grant date	Expiry date	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
		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	349	\$ 73.00	427	\$ 74.50
11.6.2015	11.5.2025	586	36.50	776	37.20
10.14.2016	10.13.2026	725	37.00	926	37.70

D. The fair value of the Company'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 annualised volatility is 28.50%, 37.63% and 37.20%, respectively.

(16) RETAINED EARNINGS

- A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners amounting to \$395,370 (\$0.5 (in dollars) per share) and \$213,500 (\$0.27 (in dollars) per share) for the years ended December 31, 2021 and 2020, respectively. On February 25, 2022, the Board of Directors proposed for the distribution of cash dividends of \$379,555 (\$0.48 (in dollars) per share) from 2021 earnings.

(17) OTHER EQUITY ITEMS

	<u>For the year ended December 31, 2021</u>		
	Unrealised gain (loss)		
	<u>Currency translation</u>	<u>on valuation</u>	<u>Total</u>
At January 1	(\$ 75,611)	\$ 42,568	(\$ 33,043)
Revaluation	-	139,194	139,194
Revaluation transferred to retained earnings	-	( 163,639)	( 163,639)
Currency translation differences			
- Group	( 3,637)	-	( 3,637)
At December 31	<u>(\$ 79,248)</u>	<u>\$ 18,123</u>	<u>(\$ 61,125)</u>

	<u>For the year ended December 31, 2020</u>		
	Unrealised gain (loss)		
	<u>Currency translation</u>	<u>on valuation</u>	<u>Total</u>
At January 1	(\$ 98,117)	\$ 30,291	(\$ 67,826)
Revaluation	-	176,406	176,406
Revaluation transferred to retained earnings	-	( 164,129)	( 164,129)
Currency translation differences			
- Group	22,506	-	22,506
At December 31	<u>(\$ 75,611)</u>	<u>\$ 42,568</u>	<u>(\$ 33,043)</u>

(18) OPERATING REVENUE

A. Disaggregation of revenue from contracts with customers

The Company 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 year ended December 31, 2021	<u>API Income</u>	<u>Injection Product Income</u>	<u>Technical Service Income</u>	<u>Other Operating Income</u>	<u>Total</u>
Timing of revenue recognition:					
At a point in time	\$ 2,483,409	\$ 36,960	\$ -	\$ -	\$ 2,520,369
Over time	-	-	89,131	33,330	122,461
	<u>\$ 2,483,409</u>	<u>\$ 36,960</u>	<u>\$ 89,131</u>	<u>\$ 33,330</u>	<u>\$ 2,642,830</u>

For the year ended December 31, 2020	API Income	Injection Product Income	Technical Service Income	Other Operating Income	Total
Timing of revenue recognition:					
At a point in time	\$ 2,778,559	\$ 146,322	\$ -	\$ -	\$ 2,924,881
Over time	-	-	81,718	39,621	121,339
	<u>\$ 2,778,559</u>	<u>\$ 146,322</u>	<u>\$ 81,718</u>	<u>\$ 39,621</u>	<u>\$ 3,046,220</u>

B. The Company has recognised contract liabilities related to the contract revenue from advance customer payment of \$49,730, \$47,518 and \$46,789 on December 31, 2021, December 31, 2020 and January 1, 2020, respectively.

C. The revenue recognised that was included in the contract liability balance at the beginning of the year amounted to \$43,369 and \$37,774 for the years ended December 31, 2021 and 2020, respectively.

(19) INTEREST INCOME

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 16,100	\$ 21,043

(20) OTHER INCOME

	For the years ended December 31,	
	2021	2020
Management service revenue	\$ 10,999	\$ 13,305
Production capacity subsidy income	5,386	7,229
Gains on write-off of past due payable	2,513	5,299
Others	2,714	3,331
	<u>\$ 21,612</u>	<u>\$ 29,164</u>

(21) OTHER GAINS AND LOSSES

	For the years ended December 31,	
	2021	2020
Net gain on financial assets/liabilities at fair value through profit or loss	\$ 936	\$ 2,295
Gain on reversal of impairment loss	1,382	4,253
Gain (loss) on disposal of property, plant and equipment	89	( 2,587)
Net currency exchange loss	( 7,450)	( 23,322)
Loss on unfinished construction in progress	-	( 11,900)
Others	( 3,232)	( 5,226)
	<u>(\$ 8,275)</u>	<u>(\$ 36,487)</u>



(22) FINANCE COSTS

	For the years ended December 31,	
	2021	2020
Interest expense:		
Bank loans	\$ 141	\$ 172
Interest on lease liabilities	6,345	6,900
	<u>\$ 6,486</u>	<u>\$ 7,072</u>

(23) EXPENSES BY NATURE

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 379,348	\$ 344,006	\$ 723,354
Depreciation of property, plant and equipment	160,398	96,055	256,453
Depreciation of right-of-use assets	-	12,968	12,968
Amortisation	1,053	3,706	4,759
	<u>\$ 540,799</u>	<u>\$ 456,735</u>	<u>\$ 997,534</u>

	For the year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 371,634	\$ 331,227	\$ 702,861
Depreciation of property, plant and equipment	173,227	93,757	266,984
Depreciation of right-of-use assets	-	12,794	12,794
Amortisation	1,684	4,360	6,044
	<u>\$ 546,545</u>	<u>\$ 442,138</u>	<u>\$ 988,683</u>

(24) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Salaries and wages	\$ 319,543	\$ 275,777	\$ 595,320
Labor and health insurance expenses	31,132	23,708	54,840
Pension costs	16,490	11,479	27,969
Directors' compensation	-	17,656	17,656
Other personnel expenses	12,183	15,386	27,569
	<u>\$ 379,348</u>	<u>\$ 344,006</u>	<u>\$ 723,354</u>

	For the year ended December 31, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 315,578	\$ 267,818	\$ 583,396
Labor and health insurance expenses	28,420	20,514	48,934
Pension costs	16,000	12,044	28,044
Directors' compensation	-	17,739	17,739
Other personnel expenses	11,636	13,112	24,748
	<u>\$ 371,634</u>	<u>\$ 331,227</u>	<u>\$ 702,861</u>

- A. As of December 31, 2021 and 2020, the Company had 688 and 667 employees, including 14 and 13 directors non-employee directors, respectively.
- B. For the years ended December 31, 2021 and 2020, the average employee benefit expense were \$1,047 and \$1,048, respectively; while the average wages and salaries were \$883 and \$892, respectively. For the year ended December 31, 2021, the average employee benefit expense increased by 1.01%
- C. Remuneration policy, standards and packages, procedures for determining remuneration and the correlation with operating performance and future risk exposure:
- (a) Remunerations of directors and supervisors include reward, transportation allowance, income from professional practice, and earnings distribution. The rewards of directors and supervisors will be determined by the board of directors, based on authorization by the Company as set in Company rules and regulations, after weighing the degree of their participation in the Company's business operations, the value of their contributions and the rewards of their counterparts in the Company. The distribution of earnings to directors and supervisors, in accordance with Company rules and regulations, will be carried out after being deliberated by the board of directors and ratified by the shareholders during their meeting.
  - (b) Remunerations of president and vice presidents include regular pay and employee bonus. The regular pay will be determined taking into consideration their contributions to the Company and the average pay level of their respective peers within the Company. The allocation criteria for employee bonus will be based on Company rules and regulations and the allocation will be done after being deliberated by the board of directors and ratified by the shareholders during their meeting.
  - (c) Employees' compensation including salary, bonus and compensation. Salary shall be paid based on the salary ranges for a particular job grade. Bonus is paid by linking with employees' and departments' target achievement and the Company's operating performance. The allocation criteria for employee bonus will be based on the Company's Articles of Incorporation and the allocation will be done after being proposed to and deliberated by the board of directors and reported to the shareholders during their meeting.

- (d) Related remunerations are to be determined in accordance with the contributions to the Company and the remuneration levels of the Company's peers, and the remuneration figures will be revealed in accordance with related rules and regulations of the law.
- D. 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.
- E. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$30,227 and \$35,288, respectively; while directors' remuneration was accrued at \$6,730 and \$7,922, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for each year was accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. On February 25, 2022, the Board of Directors resolved to distribute employees' compensation and directors' remuneration of \$30,227 and \$6,730, respectively, and the employees' compensation will be distributed in the form of cash.

The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2020 was \$43,210 which was the same as the estimated amount of recognised in the 2020 financial statements. Information about the appropriation of employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) INCOME TAX

A. Income tax expense

(a) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax in the current year	\$ 71,849	\$ 68,838
(Over) under provision of prior year's income tax	( 1,721)	3,106
Total current tax	<u>70,128</u>	<u>71,944</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 11,335)	( 1,129)
Income tax expense	<u>\$ 58,793</u>	<u>\$ 70,815</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Remeasurement of defined benefit obligations	(\$ 502)	\$ 473

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Income tax at statutory tax rate	\$ 60,453	\$ 70,577
Effect of items disallowed by tax regulation	1,550	228
Effect of investment tax credits	( 1,489)	( 3,096)
(Over) under provision of prior year's income tax	( 1,721)	3,106
Income tax expense	<u>\$ 58,793</u>	<u>\$ 70,815</u>

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

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Unrealised loss on inventory market value decline	\$ 62,764	(\$ 3,131)	\$ -	\$ 59,633
Unrealised loss on components and spare parts market value decline	16,865	95	-	16,960
Investment loss	398,677	19,524	-	418,201
Technology know-how	3,626	( 3,626)	-	-
Pensions	15,847	( 439)	502	15,910
Employee benefits - unused compensated absences	4,865	223	-	5,088
Impairment of assets	1,006	( 276)	-	730
Unrealised exchange loss	934	( 253)	-	681
Unrealised holding loss on financial liabilities	434	( 434)	-	-
	<u>\$ 505,018</u>	<u>\$ 11,683</u>	<u>\$ 502</u>	<u>\$ 517,203</u>
Deferred tax liabilities:				
Temporary differences				
Unrealised gain on financial instruments	\$ -	(\$ 348)	\$ -	(\$ 348)
	<u>\$ 505,018</u>	<u>\$ 11,335</u>	<u>\$ 502</u>	<u>\$ 516,855</u>

	For the year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Unrealised loss on inventory market value decline	\$ 77,688	(\$ 14,924)	\$ -	\$ 62,764
Unrealised loss on components and spare parts market value decline	16,203	662	-	16,865
Investment loss	377,753	20,924	-	398,677
Technology know-how	7,976	( 4,350)	-	3,626
Pensions	16,436	( 116)	( 473)	15,847
Employee benefits - unused compensated absences	4,659	206	-	4,865
Impairment of assets	1,857	( 851)	-	1,006
Unrealised exchange loss	1,424	( 490)	-	934
Unrealised holding loss on financial liabilities	-	434	-	434
Unrealised loss	187	( 187)	-	-
Rent expense	763	( 763)	-	-
	<u>\$ 504,946</u>	<u>\$ 545</u>	<u>(\$ 473)</u>	<u>\$ 505,018</u>
Deferred tax liabilities:				
Temporary differences				
Unrealised gain on financial instruments	(\$ 584)	\$ 584	\$ -	\$ -
	<u>\$ 504,362</u>	<u>\$ 1,129</u>	<u>(\$ 473)</u>	<u>\$ 505,018</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Authority as of February 25, 2022.

(26) EARNINGS PER SHARE (“EPS”)

	For the year ended December 31, 2021		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 243,471	790,739	\$ 0.31
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 243,471	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	1,545	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 243,471	792,284	\$ 0.31

	For the year ended December 31, 2020		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 282,067	790,739	\$ 0.36
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders	\$ 282,067	790,739	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Employees' compensation	-	1,450	
Profit attributable to ordinary stockholders plus assumed conversion of all dilutive potential ordinary shares	\$ 282,067	792,189	\$ 0.36

For the years ended December 31, 2021 and 2020, some abovementioned stock options issued are anti-dilutive, therefore they were not included in the EPS calculation.

(27) SUPPLEMENTAL CASH FLOW INFORMATION

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 98,642	\$ 76,341
Add: Beginning balance of payable on equipment	39,929	28,117
Less: Ending balance of payable on equipment	( 25,142)	( 39,929)
Cash paid for acquisition of property, plant and equipment	<u>\$ 113,429</u>	<u>\$ 64,529</u>

B. Investing activities with no cash flow effects:

	For the years ended December 31,	
	2021	2020
(a) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 58,582</u>	<u>\$ 63,554</u>
(b) Property, plant and equipment reclassified to intangible assets	<u>\$ -</u>	<u>\$ 1,161</u>

(28) CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ 9,494	\$ 566,682	\$ 1,300	\$ 577,476
Changes in cash flow from financing activities	( 9,494)	( 10,257)	1,913	( 17,838)
Changes in other non-cash items	-	6	-	6
At December 31, 2021	<u>\$ -</u>	<u>\$ 556,431</u>	<u>\$ 3,213</u>	<u>\$ 559,644</u>

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ -	\$ 606,034	\$ -	\$ 606,034
Changes in cash flow from financing activities	9,494	( 9,772)	1,300	1,022
Changes in other non-cash items	-	( 29,580)	-	( 29,580)
At December 31, 2020	<u>\$ 9,494</u>	<u>\$ 566,682</u>	<u>\$ 1,300</u>	<u>\$ 577,476</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
SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidiary
ScinoPharm Singapore Pte Ltd.	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Subsidiary
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

### (3) Significant transactions and balances with related parties

#### A. Operating revenue:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 29,881</u>	<u>\$ 18,393</u>

The sales prices and credit terms to related parties were the same with third parties. Collections are made in 90 days after shipment of goods.

#### B. Purchases

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	<u>\$ 346,506</u>	<u>\$ 387,725</u>
Subsidiaries	<u>23</u>	<u>52</u>
	<u>\$ 346,529</u>	<u>\$ 387,777</u>

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



C. Other expenses

	For the years ended December 31,	
	2021	2020
Management service fees:		
— Subsidiaries	\$ 10,526	\$ 11,101
— Ultimate parent company	4,731	4,592
— Associates of ultimate parent company	2,282	2,250
	<u>\$ 17,539</u>	<u>\$ 17,943</u>
Other expenses		
— Associates of ultimate parent company	<u>\$ 4,297</u>	<u>\$ 4,382</u>

D. Other revenue

	For the years ended December 31,	
	2021	2020
Management consultancy revenue:		
— Subsidiaries	<u>\$ 10,999</u>	<u>\$ 13,305</u>
Joint loan guarantee revenue:		
— Subsidiaries	<u>\$ 2</u>	<u>\$ 414</u>

E. Other receivables

	December 31, 2021	December 31, 2020
SciAnda (Changshu) Pharmaceuticals, Ltd.	<u>\$ 4,146</u>	<u>\$ 6,348</u>

F. Accounts payable

	December 31, 2021	December 31, 2020
SciAnda (Changshu) Pharmaceuticals, Ltd.	\$ 9,359	\$ 36,565
Subsidiaries	-	33
	<u>\$ 9,359</u>	<u>\$ 36,598</u>

G. Other payables

	For the years ended December 31,	
	2021	2020
Subsidiaries	\$ 3,747	\$ 5,375
Associates of ultimate parent company	1,798	1,077
Parent company	-	377
	<u>\$ 5,545</u>	<u>\$ 6,829</u>

#### H. Endorsements and guarantees provided to related parties

Details of endorsement and guarantees:

	<u>Nature of suretyship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
SciAnda (Changshu) Pharmaceuticals, Ltd.	Financial gurantee	<u>\$ 435,487</u>	<u>\$ 1,005,928</u>

As of December 31, 2021 and 2020, the actual drawn amount guaranteed by the Company to the subsidiary, was \$ —.

#### (4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 50,865	\$ 50,853
Post-employment benefits	644	694
Termination benefits	1,394	1,470
Share-based payments	-	20
	<u>\$ 52,903</u>	<u>\$ 53,037</u>

#### 8. PLEDGED ASSETS

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

<u>Assets</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose of collateral</u>
Time deposits (Note)	<u>\$ 29,270</u>	<u>\$ 29,270</u>	Customs duty and performance guarantee

Note: Listed as 'Other financial assets - non-current'

#### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2021 and 2020, the Company's unused letters of credit amounted to \$— and \$7,536, respectively.

(2) As of December 31, 2021 and 2020, the Company's remaining balance due for construction in progress and prepayments for equipment was \$2,878 and \$1,485, respectively.

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

#### 10. SIGNIFICANT DISASTER LOSS: None.

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

#### 12. OTHERS

##### (1) Capital management

The Company's objectives on managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, to maintain an optimal capital structure, to reduce the cost of capital and to maintain an adequate capital structure to enable the expansion and enhancement of equipment. In order to maintain or adjust the capital structure, the

Company may adjust the amount of dividends paid to shareholders, return of capital to shareholders, and issue new shares or sell assets to reduce debts.

(2) Financial instruments

A. Financial instruments

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

B. Risk management policies

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

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange rate risk

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

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

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

	December 31, 2021		
	Foreign currency		Book value
	amount (in thousands)	Exchange rate	(NTD)
(Foreign currency functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,970	27.68	\$ 359,010
EUR:NTD	37	31.320	1,159
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	585	27.68	16,193
EUR:NTD	78	31.32	2,443
CNY:NTD	1,484	4.355	6,463
	December 31, 2020		
	Foreign currency		Book value
	amount (in thousands)	Exchange rate	(NTD)
(Foreign currency functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,460	28.48	\$ 411,821
CNY:NTD	61	4.363	266
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,243	28.48	63,881
EUR:NTD	207	35.02	7,249
CNY:NTD	1,208	4.363	5,271

(iv) As of December 31, 2021 and 2020, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the effect on the Company's net profit after tax for the years ended December 31, 2021 and 2020 would increase/decrease by \$13,713 and \$13,918, respectively. If the exchange rate of NTD to other currencies had appreciated/depreciated by 5% with all other factors remaining constant, the effect on the Company's net profit after tax for the years ended December 31, 2021 and 2020 is immaterial.

(v) Total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to \$7,450 and \$23,322, respectively.

## II. Price risk

The Company's equity securities, which are exposed to price risk, are the held financial assets

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

### III. Cash flow and fair value interest rate risk

(i) The Company's main interest rate risk arises from short-term borrowings with variable rates and exposes the Company to cash flow interest rate risk. During the years ended December 31, 2021 and 2020, the Company's borrowings at variable rate were denominated in USD.

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

(iii) If the borrowing interest rates had increased/decreased by 10% with all other variables held constant, the effect on post-tax profit for the years ended December 31, 2021 and 2020 are immaterial.

#### (b) Credit risk

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

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

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

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

V. The Company classifies customers' accounts receivable in accordance with credit rating of customer and credit risk on trade. The Company applies the simplified approach using 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 Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2021	2020
At January 1	\$ 39	\$ 236
Expected credit losses (Gain on reversal)	1	(197)
At December 31	<u>\$ 40</u>	<u>\$ 39</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed by the Company's treasury department which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. The Company has undrawn borrowing facilities amounting to \$2,700,960 and \$2,799,066 as of December 31, 2021 and 2020, respectively.
- III. The following table comprises the Company's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are analysed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analysed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	1,172	-	-	-
Accounts payable	55,815	-	-	-
Accounts payable - related parties	9,359	-	-	-
Other payables	282,491	-	-	-
Lease liabilities	16,261	15,237	45,712	639,963
Guarantee deposits received	-	3,213	-	-

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 9,500	\$ -	\$ -	\$ -
Notes payable	1,173	-	-	-
Accounts payable	126,820	-	-	-
Accounts payable - related parties	36,598	-	-	-
Other payables	308,560	-	-	-
Lease liabilities	16,599	16,259	45,712	655,200
Guarantee deposits received	-	1,300	-	-
Derivative financial liabilities:				
Forward exchange contracts	2,172	-	-	-

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

C. The related information 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>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,742</u>	<u>\$ -</u>	<u>\$ 1,742</u>
Financial liabilities at fair value through profit or loss				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,796</u>	<u>\$ 185,796</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 188,160</u>	<u>\$ -</u>	<u>\$ 119,955</u>	<u>\$ 308,115</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 2,172</u>	<u>\$ -</u>	<u>\$ 2,172</u>

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

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

Market quoted price	<u>Listed shares</u> Closing price
---------------------	---------------------------------------

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

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

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



E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	For the years ended December 31,	
	2021	2020
	Equity instrument	Equity instrument
At January 1	\$ 119,955	\$ 143,458
Gain (loss) recognised in other comprehensive income	65,841	( 23,503)
At December 31	<u>\$ 185,796</u>	<u>\$ 119,955</u>

G. For the years ended December 31, 2021 and 2020, there was no transfer in(out) Level 3.

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

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 185,796	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 119,955	Net asset value	Not applicable	—	The higher the net asset value, the higher the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. If the net assets value increased or decreased by 1% for Level 3, however, the effect on other comprehensive income for the years ended December 31, 2021 and 2020 is immaterial.

(4) Others

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

13. SUPPLEMENTARY DISCLOSURES

According to current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2021.

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. General information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 1 and 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

Not applicable.

ScinoPharm Taiwan, Ltd.

Provision of endorsements and guarantees to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor (Note 1)	Company name											
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	\$ 10,511,054	\$ 1,441,626	\$ 435,487	\$ -	\$ -	4.14%	\$ 10,511,054	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 over 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 financial statements (CNY:NTD 1:4.355 ; USD:NTD 1:27.68).

ScinoPharm Taiwan, Ltd.

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

December 31, 2021

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
	Stocks:							
ScinoPharm Taiwan, Ltd.	Tanvex Biologics, Inc.	The Company is a director of Tanvex Biologics, Inc.	Financial assets at fair value through other comprehensive income - non-current	28,800,000	\$ 185,796	16.84%	\$ 185,796	—
	SYNGEN, INC.	—	Financial assets at fair value through profit or loss - non-current	245,000	-	7.40%	-	—

ScinoPharm Taiwan, Ltd.

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

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

Investor	Type of securities	General ledger account	Name of the counterparty	Relationship	Beginning balance		Addition		Disposal			Other increase (decrease)		Ending balance			
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	
SciAnda (Changshu) Pharmaceuticals, Ltd.	Structured Products: Fubon Bank (China) Co., Ltd. Structured Products	Financial assets at amortised cost - current	—	—	-	\$ -	-	\$ -	334,255	-	\$ 335,927	(\$ 334,255)	\$ 1,672	-	\$ -	-	\$ -

ScinoPharm Taiwan, Ltd.

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

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ScinoPharmTaiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	Subsidiary	Purchases	\$ 346,506	48%	Closes its accounts 90 days from the end of each month	\$ -	—	(\$ 9,359)	(14%)	—
SciAnda (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	( 346,506)	(72%)	Closes its accounts 90 days from the end of each month	-	—	9,359	54%	—

ScinoPharm Taiwan, Ltd.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2021

Table 5

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	\$ 346,506	Closes its accounts 90 days from the end of each month	13%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Management service revenue	10,999	—	—
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Sales	16,702	Closes its accounts 90 days from the end of each month	1%
0	ScinoPharm Taiwan, Ltd.	SciAnda (Changshu) Pharmaceuticals, Ltd.	1	Endorsements and guarantees	435,487	—	4%
0	ScinoPharm Taiwan, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	1	Sales	13,179	Closes its accounts 90 days from the end of each month	—
0	ScinoPharm Taiwan, Ltd.	SciAnda Shanghai Biochemical Technology, Ltd.	1	Management service fee	10,196	—	—

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

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 5: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (CNY:NTD 1:4.355 ; USD:NTD 1:27.68).



ScinoPharm Taiwan, Ltd.

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

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 3,280,762	\$ 3,280,762	118,524,644	100.00	\$ 1,579,708	(\$ 87,522)	(\$ 97,625)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	133	8	8	Subsidiary

Note : Initial investment amount in the table that involves foreign currencies are expressed in New Taiwan Dollars according to exchange rate posted on the date of financial statements (USD:NTD 1:27.68).

ScinoPharm Taiwan, Ltd.

Information on investments in Mainland China—Basic information

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SciAnda (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new drugs, sale produced products, etc.	\$ 3,224,720	(Note 1)	\$ 3,217,092	\$ -	\$ -	\$ 3,217,092	(\$ 88,196)	100%	(\$ 88,196)	\$ 1,633,964	\$ -	Subsidiary
SciAnda Shanghai Biochemical Technology, Ltd.	Import, export and sales of API and intermediates, etc.	33,216	(Note 1)	33,216	-	-	33,216	835	100%	835	17,014	-	Subsidiary
<u>Company name</u>	<u>as of December 31, 2021</u>	<u>Paid-in capital</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China</u>	<u>Investment amount approved by the Investment Commission of Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)</u>								
ScinoPharm Taiwan, Ltd.	\$ 3,284,191	\$ 3,284,191	\$ 6,306,632										

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

Note 2: The investment income (loss) recognized by the Company for the year ended December 31, 2021 was based on audited financial statements of investee companies as of and for the year ended December 31, 2021.

Note 3: The ceiling amount is 60% of the higher of net worth or consolidated net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68).

ScinoPharm Taiwan, Ltd.

Major shareholders information

December 31, 2021

Table 8

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.

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Items	Description	Amount
Cash:		
Cash on hand		\$ 30
Checking accounts		749
Demand deposits—New Taiwan dollar		30,653
— Foreign Currency	Including USD\$1,468 thousand @27.68	40,630
	Other foreign currency deposits	1,468
		<u>73,530</u>
Cash Equivalents:		
Time deposits—New Taiwan dollar	Maturity date: January 3, 2022 to December 23, 2022	
	Interest rates: 0.28% ~ 0.815%	3,475,500
Bills under repurchase agreements	Maturity date: January 6, 2022	
	Interest rates: 0.245%	419,696
		<u>3,895,196</u>
		<u>\$ 3,968,726</u>

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Client A	Accounts receivable	\$ 157,827	—
Client B	"	31,833	—
Client C	"	28,619	—
Client D	"	24,063	—
Client E	"	19,091	—
Others (individually less than 5%)	"	<u>91,451</u>	—
		352,884	
Less: Loss allowance		( <u>40</u> )	
		<u>\$ 352,844</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Items	Amount		Footnote
	Cost	Net realisable value	
Raw materials	\$ 241,239	\$ 267,311	(Note)
Supplies	33,716	34,012	"
Work in process	474,521	567,711	"
Finished goods	<u>771,717</u>	<u>1,301,725</u>	"
	1,521,193	<u>\$ 2,170,759</u>	
Less: Allowance for market price decline	( <u>298,162</u> )		
	<u>\$ 1,223,031</u>		

Note: Please refer to Note 4(11) for the method used in determining net realisable value.

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Name	Beginning balance		Increases		Decreases		Ending balance				
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Ownership	Amount	Collateral	Footnote
Tanvex Biologics, Inc.	28,800,000	\$ 119,955	-	\$ 65,841	-	\$ -	28,800,000	16.84%	\$ 185,796	None	—
Foresee Pharmaceuticals Co., Ltd.	2,100,000	188,160	-	73,353	(2,100,000)	(261,513)	-	-%	-	"	—
	<u>30,900,000</u>	<u>\$ 308,115</u>	<u>-</u>	<u>\$ 139,194</u>	<u>(2,100,000)</u>	<u>(\$ 261,513)</u>	<u>28,800,000</u>		<u>185,796</u>		

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Investees	Beginning balance		Increases		Decreases		Ending balance			Market value or net assets value		
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Ownership	Amount	Unit Price (in dollars)	Total amount	Collateral
SPT International, Ltd.	118,525	\$ 1,680,970	-	\$ -	-	(\$ 101,262)	118,525	100.00%	\$ 1,579,708	\$ 13.96	\$ 1,654,045	None
ScinoPharm Singapore Pte Ltd.	-	125	-	8	-	-	-	100.00%	133	66,690	133	"
	<u>118,525</u>	<u>\$ 1,681,095</u>	<u>-</u>	<u>\$ 8</u>	<u>-</u>	<u>(\$ 101,262)</u>	<u>118,525</u>		<u>\$ 1,579,841</u>		<u>\$ 1,654,178</u>	



SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(7).

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(7) for accounts details, and refer to Note 4(13) for the depreciation methods and useful lives of each category.

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Footnote</u>
Land	\$ 585,089	\$ -	\$ -	\$ 585,089	(Note)
Buildings and structures	2,700	6	-	2,706	—
	<u>\$ 587,789</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 587,795</u>	

Note: The increase in the current period is due to the rise of monthly rents in January of 2021.

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS - ACCUMULATED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Beginning balance</u>	<u>Inncreases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Footnote</u>
Land	\$ 27,605	\$ 11,614	\$ -	\$ 39,219	—
Buildings and structures	337	1,354	-	1,691	—
	<u>\$ 27,942</u>	<u>\$ 12,968</u>	<u>\$ -</u>	<u>\$ 40,910</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN DEFERRED INCOME TAX ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(25).

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF CHANGES IN PREPAYMENTS FOR EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Item	Balance as of January 1, 2021	Additions	Reclassifications (Note)	Balance as of December 31, 2021
Prepayments for equipment	\$ 108,322	\$ 113,348	(\$ 58,582)	\$ 163,088

Note: Transferred to "Property, plant and equipment".

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(11).

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF LEASE LIABILITIES - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Description</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Amount</u>
Land	—	Rental term from March, 2018 to December, 2068	1.13%	\$ 555,410
Buildings and structures	—	Rental term from October, 2020 to October, 2022	0.79%	<u>1,021</u>
				556,431
			Less: Current portion (	<u>16,165)</u>
				<u>\$ 540,266</u>



SCINOPHARM TAIWAN, LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Footnote</u>
API	27,085 KG	\$ 2,519,043	—
Injection product	16,276 package	36,960	—
Technical services		89,131	—
Other operating revenue		<u>33,330</u>	—
		2,678,464	—
Less: Sales returns and discounts		( <u>35,634</u> )	
Operating revenue		<u>\$ 2,642,830</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Raw materials, beginning of year	\$ 370,211
Add: Raw materials purchased	545,177
Gains on physical inventory	7
Less: Transferred to expenses	( 16,367)
Sale of raw materials	( 415)
Raw materials, end of year	( <u>241,239</u> )
Raw materials used during the year	<u>657,374</u>
Supplies, beginning of year	28,370
Add: Supplies purchased	23,467
Gains on physical inventory	14
Less: Transferred to expenses	( 4,356)
Supplies, end of year	( <u>33,716</u> )
Supplies used during the year	<u>13,779</u>
Direct labor	169,323
Manufacturing expenses	557,526
Under applied manufacturing overhead	( <u>140,722</u> )
Manufacturing cost	1,257,280
Work in process, beginning of year	362,983
Add: Work in process purchased	84,497
Less: Losses on physical inventory	( 87)
Transferred to expenses	( 4,701)
Sale of work in process	( 14,280)
Work in process, end of year	( <u>474,521</u> )
Cost of finished goods	<u>1,211,171</u>

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF OPERATING COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Finished goods, beginning of year	\$ 687,202
Add: Finished goods purchased	168,953
Less: Losses on scrap inventory	( 9,088)
Losses on physical inventory	( 643)
Transferred to expenses	( 76,987)
Finished goods, end of year	( 771,717)
Cost of goods manufactured and sold	1,208,891
Sale of raw materials	415
Sale of work in process	14,280
Cost of goods sold	1,223,586
Losses on scrap inventory	9,088
Losses on physical inventory	709
Under applied manufacturing overhead	140,722
Reversal of allowance for inventory market price decline	( 15,657)
Revenue from sale of scraps	( 6,617)
Cost of sales	1,351,831
Technical service cost	36,475
Operating cost	<u>\$ 1,388,306</u>

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 159,184	—
Depreciation	157,901	
Utilities expense	75,282	—
Repair and maintenance expense	47,897	—
Insurance expense	23,692	—
Others (individually less than 5%)	<u>93,570</u>	—
	<u>\$ 557,526</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF TECHNICAL SERVICE COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 7,526	—
Depreciation	2,497	—
Project outsourcing pharmacy expense	2,902	—
Others (individually less than 5%)	<u>23,550</u>	—
	<u>\$ 36,475</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 49,970	—
Commission	25,886	—
Freight	18,881	—
Outsourced service fee	18,721	—
Others (individually less than 5%)	<u>44,257</u>	—
	<u>\$ 157,715</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 160,456	—
Insurance expense	26,316	—
Repair and maintenance expense	24,390	—
Depreciation	83,306	—
Others (individually less than 5%)	<u>160,248</u>	—
	<u>\$ 454,716</u>	

SCINOPHARM TAIWAN, LTD.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Amount</u>	<u>Footnote</u>
Salaries and wages	\$ 76,830	—
Repair and maintenance expense	14,075	—
Depreciation	25,504	—
Research expense	123,994	—
Others (individually less than 5%)	<u>24,759</u>	—
	<u>\$ 265,162</u>	



SCINOPHARM TAIWAN, LTD.  
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Notes 6(23) and 6(24).