Stock Code 4119

SCI PHARMTECH, INC.

2023Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw

SCI Annual Report is available at: http://www.sci-pharmtech.com.tw

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   Spokesperson
   Name: Deiter Yang
   Title: Finance & Administration Vice President
   Tel: 886-3-3543133 ext 710
   E-mail: deiter@sci-pharmtech.com.tw
   Deputy Spokesperson
   Name: Lisa Kuo
   Title: Finance & Administration Director
   Tel: 886-3-3543133 ext 711
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2. Address and contact number of headquarters, branches and plant

   2.1 Headquarters and plant address:
   No.61, Ln. 309, Haihu N. Rd., Luzhu Dist., Taoyuan City , Taiwan
   Tel: 886-3-3543133
   Fax: 886-3-3544840
   2.2 Branches: None
   2.3 Plant address: (1)The address of Luzhu Factory is the same as the head office.
   (2)Guanyin factory:
   No. 5, Gongye 5th Road, Guanyin District, Taoyuan City

3. Name, address, website, and contact number of Stock Transfer Agent

   Name: Horizon Securities Co., LTD.
   Address: 3F, No.236, Sec. 4, Xinyi Rd. Taipei City, Taiwan
   Tel: 886-2-77198899
   Website: Http://www.honsec.com.tw

4. Auditors and the name, address, website and contact number of the accounting firm for the latest financial report

   Name of CPA: Serena Hsin and Swimming Hsu
   Name: KPMG
   Address: 68F, No.7, Sec. 5, Xinyi Rd. Taipei City, Taiwan
   Tel: 886-2-81016666
   Website: http://www.kpmg.tw

5. Overseas Securities Exchange: None

6. Corporate Website: http://www.sci-pharmtech.com.tw

Contents

1. Letter to Shareholders

Dear shareholders:
Three years have sailed by. We finally completed the restoration of the Luzhu Factory, and peacefully and smoothly made the compensations for the losses of all affected neighboring factories. The haze of the fire has dissipated, we may not yet feel the warmth of the sun, but there is no cold winds biting and whipping. The factory has recovered from the post-disaster horrific sights to being as intact as if it were unharmed. The sadness and hardship along the way are unforgettable. We learn the lesson and will embark on the next journey in the Year of the Dragon. In 2023, we made use of less than half of the production capacity, creating 1.2 billion revenues, about half of the pre-disaster level. To be frank, there are still many challenges on the way to a complete recovery, but all colleagues will work hard and move forward!
The following is the 2023 business report and 2024 business plan.

Business Report

I. Annual Business Report of 2023

(1) Implementation results of our business plans

The revenues in 2023 was 1,204,159 thousand, with a gross profit margin of 29% and operating income of 160,300 thousand. In this period, insurance claims generated relatively large non-operating income, contributing to after-tax net profit of 294,721 thousand and basic earning of 2.7 per share. With the gradual recovery of production capacity, revenue and net operating profit have increased, but some products' gross profit has been under pressure.

(2) Situations of budget implementation

SCI did not publicly disclose 2023 financial forecast. The annual budget passed by the board of directors in December 2022 wasn't exactly achieved mainly because the reconstruction work was behind schedule, making the production capacity fall short of the expected.

(3) Analyses of financial income and expenditure and profitability

The overview of income and expenditure in 2023 is compared and elaborated as follows:

Income:

Unit: Thousand

Item	2022	2023	Growth Rate
Revenues	899,738	1,204,159	33.8%
Other incomes	299,212	228,519	-23.6%

Description:
In 2023, all major products showed growth. In particular, Parkinson's disease intermediate, the sedative drug, and glaucoma drug returned to pre-disaster sales levels, some even outperforming. As for anti-epilepsy drugs, anti-depression drug and hydroxychloroquine, we still need to make more efforts this year.

Other incomes mainly stemmed from an insurance claim recognizing 210 million.

Expenditure:

Unit: Thousand

Item	2022	2023	Growth Rate
Operating cost	608,559	853,836	40.3%
Operating expense	172,209	190,023	10.3%
Non-operating expense	30,362	24,629	-18.9%

Description:
In the fourth quarter of 2023, the company re-shipped its anti-depression drug to the largest customer. However, the sales price dropped significantly in the face of rigid competition. Considering that the price reduction of raw materials was even greater, the company agreed to accept the orders. However, the inventory shipped was manufactured using raw materials imported earlier with higher costs. As a result, the sales of this product showed a negative gross profit, and, accordingly, inventory depreciation losses were recognized. This was the main reason why the gross profit margin in the fourth quarter of 2023 was not good and year 2023's overall figure was lower than the previous year.

In the fourth quarter, a cash capital increase was carried out, and a salary expense of 19 million was recognized in accordance with the accounting procedure of equity-based compensation for employee subscriptions, resulting in an increase in operating expenses.

Other expenses came from the operating losses of the investees, Framosa and HoneyBear, recognized based on the shareholdings, followed by interest expense.

Analysis of profitability:

Item		2022	2023
Profitability	Return On Assets(ROA) (%)	6.7	5.1
	Return On Equity (ROE) (%)	8.9	6.8
	Profit Margin(%)	34	24
	Earnings Per Share (EPS)（NT$）	3.24	2.7

Description:
All in all, limited production capacity affected 2023 operating results. A significant part of net income came from non-operating activities.

(4) Situations of research and development
R&D colleagues returned to their daily work and continued to optimize existing products' manufacturing process to save energy and reduce waste, in line with the ESG world trend. What is more, it reduces manufacturing costs and enhances product competitiveness. The improvement of PGA process is one of the primary tasks. In addition, the company has also implemented a project to develop the manufacturing process of Benserazide, the downstream API for PGA, paving the way for the company to expand its product mix. The newly developed product Pimobendan is a heart disease drug for pets. We received many business responses when participating in exhibitions overseas, showing that the pet-related business cannot be ignored. ADC (antibody drug conjugate) is now a prominent biopharmaceutical product, mainly composed of three key parts, including monoclonal

antibody, chemical small molecule drug (often called payload), and the chemical linker that connects the former two. Through the combination of highly specific antibodies against specific tumor cell surface antigens and powerful cytotoxic drugs, it can accurately kill cancer cells and significantly reduce side effects. The company stepped into the medical realm through an investment and also developed a linker to get involved in this drug field.

II. Annual business plan overview of 2024

(1) Business policy

The business policy in the future:

1. Maintain close relationships with customers, build up the connections with medications' originators and enhance the capacity utilization of Luzhu Plant.

2. Build Guanyin Plant to strengthen operational resilience and expand CDMO businesses.

3. Implement circular economy, contributing to the sustainability of the earth.

(2) Expected sales volume and its basis

1. Expected sales volume

Item	Sales volume（Tons）
API	277
Intermediate	115
Others	225
Total	617

2. Sales basis

The expected sales volume in the above chart is based on the company's 2024 Annual Budget approved by the board of directors. The estimation is mainly based on the demands from customers. With the capacity completely restored, the sales revenue is expected to grow compared with the previous year.

(3) Important policies on production and marketing:

SCI formulates its policies of production and marketing mainly based on product characteristics and customer categories:

1. APIs: The priorities are to supply products to the originators, avoid best-selling products, choose the existing APIs with high safety quality, stable market sales, new applications, and new dosage forms or possibilities for being developed into new drugs.

2. Intermediates: The target is aimed at the supplies to the originators first. Secondly, we aim to develop intermediates with high entry barriers, intermediates subject to stricter regulations and quality management systems, intermediates related to the company's core technology, intermediates with strategic cooperation partners, and the intermediates which have already been involved in the company's R & D stage. By means of the intermediates with the aforementioned characteristics, we could achieve effective market segmentation against our competitors, so as to avoid price competition.

3. Specialty chemicals: SCI produces and sells electronic specialty chemicals using the high standards in the pharmaceutical industry. In response to customer demands, SCI develops manufacturing processes, customizing and mass-producing products.

III. The company's development strategy in the future, as well as the influence caused by external competitive environments, regulatory environments and overall business environments

In 2023, with limited production capacity, we had to carry out manufacturing and reconstruction projects at the same time under the same roof. Although this move increased output to meet customer needs, it also increased the chance of products containing foreign particles, resulting in some customer complaints and product returns. To prevent the Guanyin Factory from encountering the same situation and possible workplace safety concerns in the future, in July 2023, the board of directors decided to build the Guanyin Factory at once, and the budget was increased to 2.44 billion. Considering the necessity for financial stability, the company therefore completed a cash capital increase of 960 million. Since the Luzhu Factory has been rebuilt, in 2024, we will immediately face the challenge of improving capacity utilization. After the completion of Guanyin Factory in 2025, we will face the same situation where its capacity should be utilized as soon as possible. Therefore, the next few years will be a critical moment for us. We have one customer expecting to disclose phase III clinical trial result this year, and another preparing to apply for NDA from the U.S. FDA. However, there is still another facing the problem of financing following new drug development. Some new products such as Buprenorphine and Pimobendan are either ready to go forwards or a step away before commercialization. ADC-related item is during incubation and the originator of the epilepsy drug is doing recertifying job. Although many achievement factors are beyond the control of the company, we are gearing up to wait for the opportunity to present itself. In addition, in November, Framosa obtained long-term bank borrowing with the guarantees provided by its shareholders. The business, like the Guanyin Factory, will be commenced in 2025. The circular economy is an indispensable part of moving towards net-zero carbon emissions and sustainable development. Currently, customers during the auditing always ask whether there are any specific actions taken to save energy and reduce carbon emission. We believe it will become a must for qualified suppliers in the near future. The company's current business is mainly in the European market, and the EU Carbon Border Adjustment Mechanism (CBAM) will take effect in 2026. The company has already started to figure out carbon emissions of Scope 1 and 2 in accordance with the regulations of the competent authorities. Subsequently, we will accordingly set carbon reduction targets and implementation plans based on the inventory results to achieve net zero emissions and sustainable development goals.

The company has now fully restored its production capacity. After supply increase, we have begun to face fierce external competition. On one hand, India has become the world's most populous country. Coupled with rapid economic development, its pharmaceutical manufacturers have become more competitive. On the other hand, Mainland Chinese manufacturers have been reducing product prices in a bid to deal with excessive capacity resulting from large-scale expansions in the past and ongoing economic slowdown. After we returned to the market, we found out if some old products were not reduced in price, almost no one would be interested. This phenomenon conflicts with the current inflation. Due to insufficient capacity in the past two years, the gross profits were inferior to those prior to the disaster. Although production capacity is complete now, depreciation expenses have increased sharply, which is overwhelming in terms of operation. However, we have no right to be pessimistic. Establishing market segmentation is the strategy we need to adopt, and being focus is what we must uphold. Before 2023, no one could know that the market value of a Danish weight-loss drug manufacturer beat the European boutique giant and rivaled those technology giants.

The rebuilt manufacturing equipment, air-conditioning, nitrogen, pure water and computer systems are all equivalent or the same as the previous. Relevant verification and validation have been completed gradually. Production areas 15 and 16 of Factory A were audited by Taiwan’s Ministry of Health and Welfare in May 2023. As a result, its GMP compliance has been completed. We have applied for Factory B’s auditing in December 2023 and is waiting for the health authorities to schedule a factory inspection. In addition, the new products (Adenine, Pimobendan, Buprenorphine) produced in the pilot plant will also apply for GMP assessment in the first quarter of this year. A number of APIs and intermediates have been produced in the rebuilt factory and their validation processes have been completed. Customers come to our site in person or do remote audits one after another. In 2023, a total of 34 audits were conducted and the results were satisfactory, showing the solid and effective operation of the GMP quality system. Data Integrity is the focus of government agencies and customers in various countries. In order to continue to improve data integrity, the operating data of clean rooms' air conditioning system in the production area is recorded and stored by computers. In addition, the quality management system, MasterControl, will launch online reporting of quality incidents (changes, deviations, correction and prevention) in the second half of 2024, which will enable more effective recording and tracking. Furthermore, nitrosamine impurities in raw materials are also a topic of global concern. In order to meet the needs of customers from various countries, we purchased a high-performance liquid chromatography tandem mass spectrometer (LC-MS/MS) to detect ultra-trace amounts of nitrosamine impurities. The development and validation of analytical methods for two APIs have been completed and tested to meet standards. We will continue to develop and test methods for all APIs that may produce nitrosamine impurities.

The macro economy has never significantly affected the development of the pharmaceutical industry. By contrast, scientific and technological progress has played a key role. If MRNA technology had not enabled the rapid and successful development of COVID vaccines, people might still be in panic in a world under lockdown. CAR-T cell therapy has successfully cured several patients in Taiwan. Health insurance program will be covering its tremendous medical expenses. AI will still be the buzzword of 2024 and continue to dominate the progress of all fields in the future. AI assisting drug development is not a new concept, but has already been ongoing. AI's widespread use will shorten the drug development time, reduce astronomical research and development costs and increase the success rate. This will greatly increase the production value of the pharmaceutical market. Humanity's pursuit of health is endless. We are optimistic that the advancement of science and technology will bring us a beautiful new world.

Finally,

Wish you all happiness, health, and safety.

Chairman：Wei-Chyun Wong

General Manager：Wen-Chin Chou

Accounting Manger：Wen-Chen Yang

2、Company Profile

2.1 Date of Incorporation : Established date: September 18, 1987

2.2 Company History

September 1987	SCI was founded with paid-in capital of NT$ 14,800.5 thousand by SIEGFRIED、Taiwan’s natural person and USA’s natural person.
January 1988	Issuance of common stock of NT$ 34,699.5 thousand. Paid-in capital increased to NT$ 49,500 thousand.
April 1988	Purchased land in Haihu Village, Luzhu Township, Taoyuan County.
August 1988	The first phase of plant construction began.
December 1989	The first phase of the plant was completed and mass production of the first intermediate product began.
August 1990	Issuance of common stock of NT$ 30,500 thousand. Paid-in capital increased to NT$ 80,000 thousand.
February 1991	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 120,000 thousand.
March 1991	Obtained the qualification of bonded factory of Taipei Customs Bureau of the Ministry of Finance.
September 1991	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 160,000 thousand.
December 1991	The second phase of the plant was completed, and the mass production of the first API product began.
January 1993	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 200,000 thousand.
November 1995	The capital reduction was NT$ 80,000 thousand, and the paid-in capital after the capital reduction was NT$ 120,000 thousand.
April 1996	Swiss SIEGFRIED Group acquires 100% equity.
April 1996	Issuance of common stock of NT$ 80,000 thousand. Paid-in capital increased to NT$ 200,000 thousand.
September 1996	The third phase of the factory was completed, and the product items accumulated to 25.
November 1999	Obtained ISO 14001 Certification.
April 2000	The reconstruction of the test plant was completed.
December 2000	The fourth phase of the factory was completed, and the product items accumulated to 30.
April 2001	Mercuries & Associates Group acquired 80% of the Company's equity.
October 2001	Obtained ISO 9001 2000 certification.
March 2002	The number of product items is accumulated to 35.

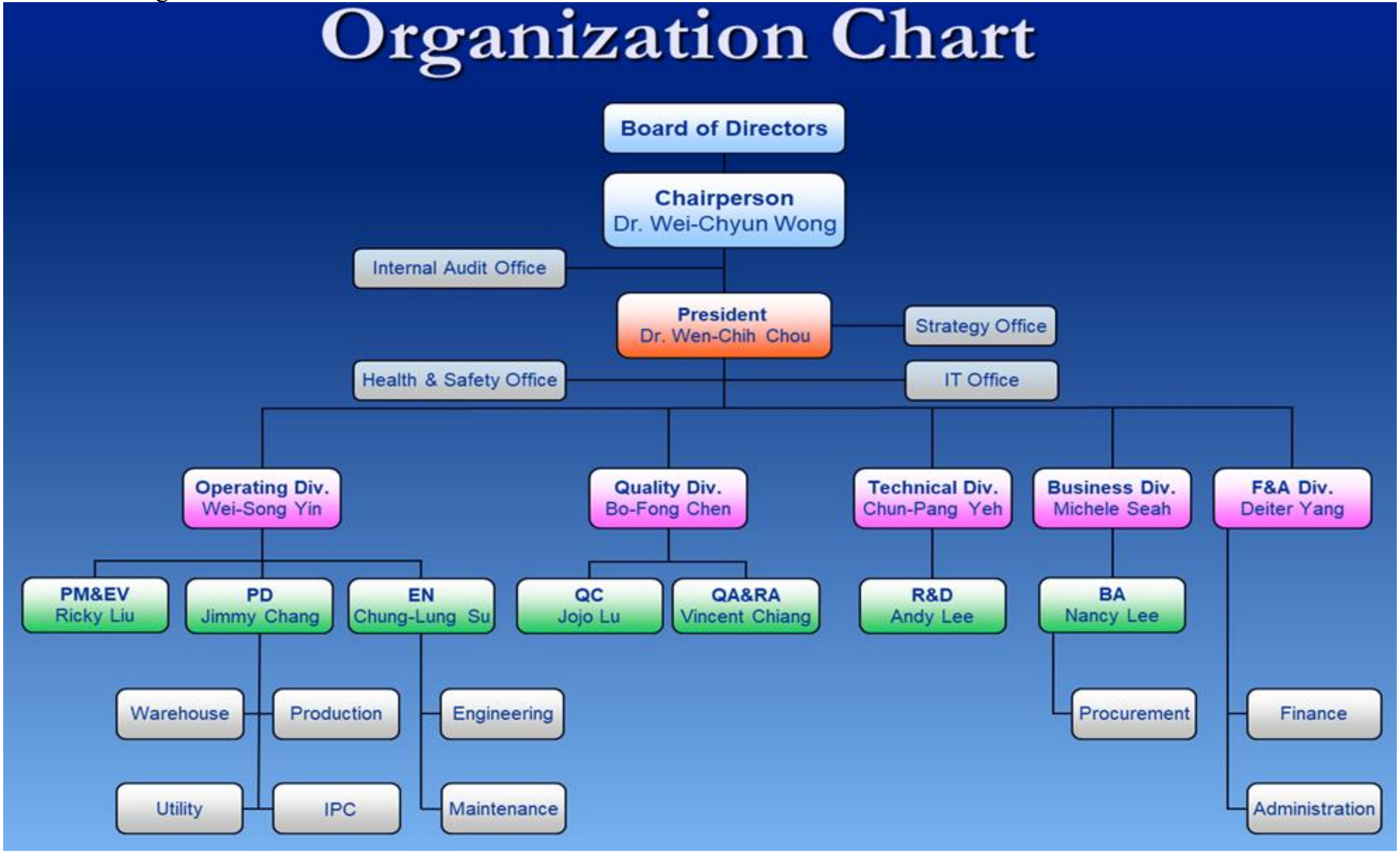
April 2002	Issuance of common stock and recapitalization of retained earnings of NT$ 28,000 thousand. Paid-in capital increased to NT$ 228,000 thousand.
May 2002	The company name was changed to SCI Pharmtech, Inc.
July 2002	Completed initial public offering of its shares in Taiwan.
August 2002	Common stocks are registered as emerging stocks in the TPEX.
January 2003	Issuance of common stock of NT$ 40,000 thousand. Paid-in capital increased to NT$ 268,000 thousand.
June 2003	The Industrial Bureau of the Ministry of Economic Affairs deliberated and approved the application for listing of science and technology undertakings.
June 2003	Recapitalization of retained earnings of NT$ 33,290 thousand. Paid-in capital increased to NT$ 301,290 thousand.
January 2004	Listing shares on the Taiwan Stock Exchange, with stock code 4119
June 2004	Factory inspection through the Department of Health's 『Good Manufacturing Practices for Pharmaceutical Products API Operation Benchmark』.
July 2004	Recapitalization of retained earnings of NT$23,816,750. Paid-in capital increased to NT$ 325,106,750.
November 2005	Passed U.S. FDA’s site inspection.
June 2008	Established Nanjing SCI Pharmtech Ltd in Nanjing, China.
July 2008	Recapitalization of retained earnings of NT$ 36,510,670. Paid-in capital increased to NT$ 361,617,420.
July 2009	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 401,211,720.
June 2010	Passed OHSAS 18001:2007 Certification.
July 2010	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 448,705,630.
March 2011	Passed Europe EDQM’s site inspection.
July 2011	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 490,297,690.
January 2013	Passed U.S. FDA’s second site inspection.
March 2013	Liquidation of Nanjing SCI Pharmtech Ltd in Nanjing, China.
June 2013	Established Yushan Pharmaceuticals Inc.
August 2013	Issued unsecured convertible corporate bonds.
August 2013	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 537,001,070.

September 2013	Issuance of common stock of NT$ 120,000 thousand. Paid-in capital increased to NT$ 657,001,070.
August 2014	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 696,904,950.
October 2014	Yushan Pharmaceuticals Inc. changed its chinese name.
April 2015	Passed U.S. FDA’s third site inspection.
September 2016	The issued corporate bonds matured and the paid-in capital after conversion was NT$ 794,853,100.
June 2017	Passed Europe EDQM’s second site inspection.
September 2017	Passed U.S. FDA’s fourth site inspection.
November 2017	Passed Japan PMDA’s site inspection.
November 2019	Passed U.S. FDA’s fifth site inspection.
April 2020	President Tsai visited SCI.
August 2020	Signed a contract with Veolia Environment to establish Framosa Co,Ltd. with a 40% and 60% shareholding ratio to engage in circular economy activities for the purification and reuse of chemical solvents.
December 2020	At noon on December 20, an explosion occurred on the company's production line and caused a fire.
November 2021	Recapitalization of retained earnings of NT$ 33,290 thousand. Paid-in capital increased to NT$ 953,823,720.
November 2021	The board of directors has approved the capex of Guanyin Plant.
December 2021	Partial area has resumed production, providing about 10% of production capacity.
March 2022	TFDA GMP site inspection
September 2022	Signed a DBO contract with Framosa Co., Ltd. for the wastewater treatment facility of Guanyin Plant.
August 2023	Recapitalization of retained earnings & employee bonus. Paid-in capital increased to NT$ 1,075,086,340.
October 2023	For 17 consecutive years, it has been appraised as a premium bonded factory by the Taipei Customs Bureau of the Ministry of Finance.
November 2023	Issuance of common stock of NT$ 120,000 thousand. Paid-in capital increased to NT$ 1,195,086,340.
March 2024	Completed fire reconstruction project.

3.Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Introduction to Organizational Functions

President	Market Trends and strategy planning. Setting up company goals and operational directions. Establishing organizational strategy and goals of different units. Executing the improvement plan of performance. Decision-making and management.	
Audit Office	Executing the annual audit plan. Establishing, amending, and executing the internal control system. Establishing, amending, and executing the internal audit implementation rules.	
Strategy Office	Grasp market trends Planning organizational strategy	
IT Office	In charge of planning the structure of the Information System and the management of the Information Security. Purchasing, Installing, and maintaining information equipment, including software and hardware. Maintenance of the Internet structure.	
Safety Office	Establishing, maintaining, and supervising industrial safety. Promoting and maintaining ISO45001 Management Systems.	
Operating Div.	PD Establishing and enforcing production schedules, monitoring subordinate units to ensure smooth production, and troubleshooting incidents to fulfill all operation goals. Adequately integrate and coordinate the correspondence of the production department and other units. Arranging the operations to realize the production plan.	
	EN Planning and executing engineering plans; bargaining, purchasing, out-sourcing of equipment, while coordinating with other units. For equipment, computer software, and hardware engineering projects: Enacting the regulations, bargaining, out-sourcing, supervision, and acceptance. Ensuring the equipment's compliance with cGMP. Verifying the qualification of the outsourcer's ability. Arranging, updating, and executing the maintenance and repair plan. Maintenance and repair of machinery equipment. Bargaining and supervising the outsourced equipment repairs.	

	PM&EH Adjusting the production and marketing schedule, as well as establishing the production order. Thoroughly acknowledging the quantities of raw materials and final products. Estimating the shipments with the production and marketing schedule, as well as enforcing production progression regularly and coordinating the shipment schedule accordingly. Planning and executing the safety classification, labeling an0d packaging system of chemicals. Enhancing and maintaining the ISO14001 Management System, implementing related practices in air pollution, water pollution, waste, and toxic chemicals regularly. Planning on the operational practice and equipment for air pollution, water pollution, soil pollution, waste, toxic chemical, and noises, and assisting in solving abnormal issues in operational practice. Planning on the record and declaration practices for air pollution, water pollution, waste, and toxic chemicals, while also coordinating and integrating the internal declaration practice, confirming the declaration content, and corresponding to the consequent external audits.
Business Div.	Establishing the goals of marketing to ensure the market share and profitability of the products. Understanding the current and future needs and expectations of the clients, including the quality compliance, availability, distribution, customer service, pricing, responsibilities of the products, impacts on the environment, etc. Acknowledging the purchasing requirement and specifications timely and effectively. Evaluating the vendors and understanding the trend of market prices.
Technical Div.	R&D Enacting the development and progress of the new products projects. In charge of providing personnel executing the plans, whose task shall include the evaluation, discussion, and training for every research project. Providing the necessary technical support with production operations. Providing the evaluation report on the client commission or the collaboration projects.
	QC In charge of the training and management of the quality control personnel. Enacting and amending the evaluation methods and producing evaluation reports. Confirming the calibration of analytical instruments, SOP, and the validation of the analytical methods. Confirming the quality control and sampling personnel’s operations and reports.

Quality Div.	QA&RA Establishing a quality management system, request all of the personnel to comply and ensure execution. Maintaining the quality system and introducing related laws and regulations from foreign nations. Reviewing all documents related to quality thoroughly. Introducing new laws and regulations timely and maintaining the effectiveness of the existing control registration to ensure the quality system meets the requirements of cGMP. Leading and receiving quality control from organizations of laws and regulations or clients domestically and internationally, as well as performing internal audits and regular suppliers' audits.
F&A Div.	In charge of accounting, taxation, budgeting, etc, to provide financial information as references for managerial decision-making. In charge of fund procurement and corresponding with banks. Operating and processing the business of bonded factories. Managing and planning human resources, establishing and executing the personnel system. Tackling daily administrative affairs and other operations, such as maintaining the tidiness of the plant.

3.2 Information on Directors and Management Team

3.2.1 Information Regarding Directors (1)

Unit: Thousand Shares April 1,2024

Title	Nationality	Name	Gender and Age	First Date Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Wei-Chyun Wong	M 61-70	2001.12.17	2022.06.21	3	527	0.55	671	0.56	69	0.06	None	None	PHD of Chemistry, University of Pennsylvania ITRI Researcher President of SCI Pharmtech, Inc.	Note 2	None	None	None	
Director	R.O.C	Shiang-Li Chen	M 51-60	2001.12.17	2022.06.21	3	None	None	None	None	None	None	None	None	MBA, University of Georgetown Chairman of Mercuries & Associates Holding, Ltd.	Note 3	None	None	None	
Director	R.O.C	Mercuries & Associates Holding, Ltd.	F 51-60	2001.12.17	2022.06.21	3	30,283	31.75	35,591	29.78	None	None	None	None	—	Note 1	None	None	None	
		Institutional representative：Aurora Chen					None	None	None	None	None	None	None	None	MBA, University of Northwestern Polytechnic McKinsey & Company Manager	Director of Yushan Pharmaceuticals Inc.	None	None	None	
Director	R.O.C	Mercuries & Associates Holding, Ltd.	M 51-60	2001.12.17	2022.06.21	3	30,283	31.75	35,591	29.78	None	None	None	None	—	Note 1	None	None	None	
		Institutional representative：Wen-Chih Chou					15	0.02	71	0.06	135	0.11	None	None	PHD of Chemistry, National Taiwan University DCB Researcher Plant Manager, SCI Pharmtech, Inc.	Plant manager, SCI Pharmtech, Inc. Director of Yushan Pharmaceuticals Inc., Supervisor of Honey Biosciences, Inc.	None	None	None	
Independent Director	R.O.C	Te-cheng Tu	M 61-70	2013.06.18	2022.06.21	3	None	None	None	None	None	None	None	None	MBA, University of Houston President of President International Development Corp	Chairman, XVAN HE Technology Inc. Independent Director of Mercuries & Associates Holding, Ltd. Independent Director of Mercuries Life Insurance Co., Ltd.	None	None	None	
Independent Director	R.O.C	Chia-Chun Jay Chen	M 51-60	2015.06.12	2022.06.21	3	None	None	None	None	None	None	None	None	PHD of Chemistry, University of Harvard Professor/Associate Professor, National Taiwan Normal University Associate Professor, National Chung Cheng University	Specially Appointed Professor, National Taiwan Normal University	None	None	None	

Title	Nationality	Name	Gender and Age	First Date Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Vincent Wang	M 41-50	2022. 06.21	2022. 06.21	3	6	0.00	7	0.01	47	0.04	None	None	Double Major Master's Degree of Finance and Entrepreneurship Management, Wharton School of the University of Pennsylvania Director, EASYCARD Corp. and TAIWAN SUGAR Corp. Director of TVCA	Chairman and President of SUNSINO DEVELOPMENT ASSOCIATE INC. Director, President Securities Investment Trust Corp. Adjunct Associate Professor, National Taiwan University	None	None	None	

Note 1：Chairman of Mercuries & Associates Ltd., Mercuries General Media Co., Ltd., Mercuries Leisure Co., Ltd., Mercuries Harvest Co., Ltd., Mercury Fu Bao, Mercuries Liquor & Food, Mercuries Furniture Co., Ltd., Sanyou Drugstores Ltd., Simple Mart Retail Co., Ltd., Mercuries F&B Co., Ltd., Mercuries Life Insurance Co., Ltd., Foundation of Chinese Dietary Culture,Foundation for Taiwan Masters Golf Tournament, 、Taoyuan County Private Mercuries & Associates Welfare & Charity Foundation.

Note 2：1. Chairman and President of Yushan Pharmaceuticals Inc.
2. Director of Mercuries & Associates Holding Ltd., Shufeng Investment Co., Ltd., Shuren Investment Co., Ltd., Shurong Co., Ltd., Simple Mart Retail Co., Ltd., Mercuries F&B Co., Ltd., Mercuries Life Insurance Co., Ltd., Foundation for Taiwan Masters Golf Tournament, Shui-Mu Foundation of Chemistry, Kaohsiung City Lixue Education Foundation, Framosa Co., Ltd., HoneyBear Biosciences, Inc..
3. Director of Criminal Investigation and Prevention Association R.O.C.

Note 3：1. Chairman of Mercuries & Associates Holding, Ltd., Mercuries General Media Co., Ltd., Mercuries Leisure Co., Ltd., Shanghong Investment Co., Ltd., Taoyuan County Private Mercuries & Associates Welfare & Charity Foundation.
2. Director of SCI Pharmtech, Mercuries & Associates, Mercuries Life Insurance Co., Ltd., Mercuries Data Systems, Mercury Fu Bao, Simple Mart Retail Co., Ltd., Shanglin Investment, Mercuries Liquor & Food, Mercuries F&B Co., Ltd., Simple Mart Plus Co., Ltd., Foundation for Taiwan Masters Golf Tournament, Foundation of Chinese Dietary Culture ;、Tasty Noodles Co., Ltd.、Family Shoemart Co., Ltd.、Mercuries Foodservice Co., Ltd.、Asiandawn.
3. Director of R.O.C Taiwan Teeball Association, and executive director of the Chinese Slow Pitch Softball Association.

Note 4：The Chairman of the Board of Directors and the President of the company are the same person, the reason, reasonableness, necessity, and the measures adopted in response to the status are specified as the following : NA

Note 5：Director Wu, Hung-Chin stepped down after re-election on June 21, 2022.

Major Shareholders of SCI's Institutional Shareholders

April 18, 2023

Name of the institutional shareholders	Main shareholders of corporate bodies	
	Name	Shareholding percentage
Mercuries & Associates Holding, Ltd.	Shanglin Investment Co., Ltd.	20.49
	Shuren Investment Co., Ltd.	14.13
	Shanghong Investment Co., Ltd.	6.59
	Shufeng Investment Co., Ltd.	5.77
	Mercury Fu Bao Co., Ltd.	4.34
	Chen, Shiang-Li	2.75
	Pension fund management committee of Mercuries & Associates Holding, Ltd. Representative：Chen, Shiang-Li	2.26
	Wong, Chau-Shi	2.16
	Chen, Shiang-Chung	1.95
	Chen, Shiang-Feng	1.89

Key members of Main Corporate Shareholders Listed in above Table

March 31, 2024

Names of corporate bodies	Main shareholders of corporate bodies	
	Name	Shareholding percentage
Shanglin Investment Co., Ltd.	Chen, Shiang-Li	31.41
	Chen, Shiang-Chieh	17.67
	Chen, Shiang-Feng	17.67
	Hsu, Chang-Hui	6.37
	Chen, Shiang-Chung	13.54
	Shanghong Investment Co., Ltd.	8.21
	Wang, Te-Pin	5.13
Shuren Investment Co., Ltd.	Wong, Wei-Chyun	27.89
	Wong, Tsui-Chun	24.70
	Wong, I-Hsuan	17.55
	Shufeng Investment Co., Ltd.	15.39
	Wong, Chau-Shi	14.39
	Yang, Chun-Hui	0.06
	Yang, Hsueh-Hui	0.02
Shufeng Investment Co., Ltd.	Shuren Investment Co., Ltd.	67.95
	Wong, Chau-Shi	14.62
	Wong, Wei-Chyun	8.20
	Wong, Tsui-Chun	8.20
	Yang, Chun-Hui	0.46
	Yang, Hsueh-Hui	0.26
	Wong, I-Hsuan	0.26
	Chen, Shiang-Feng	0.05
Shanghong Investment Co., Ltd	Chen, Shiang-Li	21.74
	Shanglin Investment Co., Ltd.	32.61
	Chen, Shiang-Chieh	13.48
	Chen, Shiang-Feng	13.48
	Chen, Shiang-Chung	9.56
	Hsu, Chang-Hui	5.22
	Wang, Te-Pin	3.91

Information Regarding Directors （2）

A. Professional qualifications and independence analysis of directors

Criteria / Name	Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Wei-Chyun Wong	Mr. Wei-Chyun Wong holds a Ph.D. degree in Chemistry from the University of Pennsylvania. He had served as a researcher at the Industrial Technology Research Institute, as well as the vice president and president of the company. He has decades of experience in industry, leadership, decision-making, operational management, finance, accounting, and other fields. He is currently serving as the Chairman of the company. Mr. Wei-Chyun Wong has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Holding 1,096,872 shares of the company by himself, his spouse, or relative within the second degree of kinship (or by others' names). 3. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0
Director Shiang-Li Chen	Mr. Shiang-Li Chen holds a Master's degree in Business Administration from Georgetown University, USA. He is the leader of the Mercuries & Associates Group, currently serving as the chairman of the Mercuries & Associates Holding, Ltd., and as the Director of several public listed companies. He has decades of experience in industry, leadership, decision-making, finance, accounting, and other fields. Mr. Shiang-Li Chen has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0
Director Mercuries & Associates Holding, Ltd. Institutional representative： Aurora Chen	Ms. Aurora Chen holds a Master's degree in Business Administration. She had served as the Manager of Mckinsey & Company. She has decades of experience in leadership, decision-making, finance, accounting, and other fields. She is currently serving as the Director of Yushan Pharmaceuticals, Inc. Ms. Aurora Chen has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0

Criteria / Name	Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director Mercuries & Associates Holding, Ltd. Institutional representative： Wen-Chih Chou	Mr. Wen-Chih Chou holds a Ph.D. degree in Chemistry from National Taiwan University and has worked as a researcher at Development Centre for Biotechnology, as well as the company's R&D Manager and Production Manager. He has decades of experience in industry, leadership, decision-making, operational management, and other fields. He is currently serving as the Plant manager of the company. Mr. Wen-Chih Chou has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Holding 205,781 shares of the company by himself, his spouse, or relative within the second degree of kinship (or by others' names). 3. Not serving as the Director, supervisor, or ployee of a company having a certain lationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0
Independent Director Te-cheng Tu	Mr. Te-cheng Tu holds a Master's degree in Business Administration from Houston University, USA. He has served as the President of President International Development Corp. He has decades of experience in leadership, decision-making, operational management, finance, accounting, and other fields. He is currently serving as the chairman of Xuan He Technology Co., PharmaEngine, Inc., Director of Coretronic Corporation, Director of So-Cayenne Mobile Entertainment Co., Ltd., and Independent Director of Mercuries & Associates Holding, Ltd. Mr. Te-cheng Tu has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. Mr. Te-cheng Tu concurrently served as the Independent director of the parent and its subsidiary in accordance with the law. 2. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 3. Himself, his spouse,and relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	2
Independent Director Chia-Chun Jay Chen	Mr. Chia-Chun Jay Chen holds a Ph.D. in Chemistry from Harvard University, USA, and is a professional in research of physical chemistry and materials chemistry. He is currently serving as Distinguished Professor at National Taiwan Normal University and has been teaching at NTNU for more than 20 years. He was awarded the Best Research Paper Award of the Year for Researchers in Institute of Atomic and Molecular Sciences, Academia Sinica, Y. Z. Hsu Scientific Paper Award, etc. Mr. Chia-Chun Jay Chen has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are not the shareholder of the company. 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and has not received compensation for providing such services.	0

Criteria / Name	Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Vincent Wang	Mr. Wang, Vincent hold double master's degree in finance and entrepreneurial management from the Wharton School of the University of Pennsylvania, and served as a director of Easycard Corp. and a director of Taiwan Sugar Corp. , director of TVCA, currently serves as the chairman and president of Sunsino Development Associate Inc., director of President Securities Investment Trust Corp. and an associate professor at National Taiwan University. He has decades of experience in leadership, decision-making, operational management, finance, accounting, and other fields. Mr. Wang, Vincent was selected as the 52nd Top Ten Outstanding Youth. Mr. Wang, Vincent has not conducted any actions specified in any subparagraph of Article 30 of the Company Act.	1. His spouse and relatives within the second degree of kinship are not serving as the Director, supervisor, or employee of the company or its affiliate companies. 2. Himself, his spouse, relatives within the second degree of kinship (or by others' names) are holdind 54,164 shares of SCI. 3. Not serving as the Director, supervisor, or employee of a company having a certain relationship with the company. 4. Not a provider of commercial, legal, financial, accounting, or related services to the company or any affiliates of the company for the past 2 years and had not received compensation for providing such services.	0

B. The diversification policy of the Board of Directors membership :

Directors	Gender	Age range	Business Management	Leadership	Industrial Knowledge	Financial and Accounting	International market view
Wei-Chyun Wong	M	61-70	V	V	V	V	V
Shiang-Li Chen	M	51-60	V	V		V	V
Aurora Chen	F	51-60	V	V		V	V
Wen-Chih Chou	M	51-60	V	V	V		V
Te-cheng Tu	M	61-70	V	V		V	V
Chia-Chun Jay Chen	M	51-60			V		V
Vincent Wang	M	41-50	V	V		V	V

Note1 : The company is a pharmaceutical company, and the professional diversity goal in the composition of the Board of Directors is targeted at more than one-third of the members as professionals in management, chemistry, and chemical engineering. The company's Board of Directors is currently composed of 7 Directors, 2 of them are the legal representatives of the parent Mercuries & Associates Holding, Ltd. 2 of them are professionals in finance, accounting, and operational management, another 2 of them are chemistry professionals. As for the 3 Independent Directors, one of them is a professional in chemistry and chemical engineering which is required for the company's nature of business, and the other 2 are professionals in finance and accounting in accordance with the law. The composition of the Board of Directors meets the diversity goal stated above.

Note2 : The proportion of Directors who are employees is 14.3%; the proportion of Independent Directors is 42.9%; the proportion of female Directors is 14.3%; as for the term of office of Independent Directors, 2 of them served between 1 ~ 3 terms and 1 of them served more than 3 terms.

Note3 : The company emphasizes gender equality in the composition of its Board of Directors, and the goal is to have more than 25% (included) of female Directors. The company is planning to add one female Director to the Board of Directors in the next term to achieve the target.

Note4: Available on : SCI's website : www.sci-pharmtech.com.tw

C. The Independence Criteria of the Board of Directors membership :

The 3 Independent Directors take up a ratio of 42.9%. No Director is a spouse or relative within the second degree kinship of the other Directors.

3.2.2 President, vice presidents, assistant managers, and the supervisors of all the company's divisions and branch units.

April 1,2024

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major experience / education	Currently Other Position	Managers who are spouses or within two degrees of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Wen-Chih Chou	M	2002.06.01	70,981	0.06%	134,800	0.11%	None	None	PHD of Chemistry, National Taiwan University DCB Researcher SCI Pharmtech Inc., Plant Chief	Director of Yushan Pharmaceuticals Inc., Biosciences, Inc..	None	None	None	
Business Div. Vice President	R.O.C	Michele Seah	F	1998.12.01	24,893	0.02%	None	None	None	None	BS in Agricultural Chemistry, National Taiwan University ITRI Deputy Manager SCI Pharmtech Inc., BA Vice President	None	None	None	None	
Technical Div. Vice President	R.O.C	Jinun Ban Yeh	M	2007.07.01	106,733	0.09%	4,766	0.00%	None	None	MS in Chemistry, National Tsing Hua University ITRI Researcher SCI Pharmtech Inc., R&D Vice President	None	None	None	None	
FA Div. Vice President / Spokesman / CG Officer	R.O.C	Deiter Yang	M	2003.01.01	7,941	0.01%	None	None	None	None	MS in Accounting, Tamkang University Certified Public Accountant Mercuries & Associates Holding, Ltd. Finance Manager SCI Pharmtech, Inc., F&A Manager	Supervisor of Yushan Pharmaceuticals Inc., Framosa Co., Ltd., HoneyBear Biosciences, Inc..	None	None	None	
Operating Div. Assistant Vice President	R.O.C	Wei-Song Yin	M	2015.07.01	34,707	0.03%	None	None	None	None	MS in Chemistry, National Tsing Hua University ITRI Researcher SCI Pharmtech, Inc., R&D Manager	None	None	None	None	
Quality Div. Assistant Vice President	R.O.C	Bo-Fong Chen	M	2017.10.13	32,233	0.01%	None	None	None	None	Ph. D in Chemistry, National Sun Yat-Sen University SCI Pharmtech Inc., QC Manager	None	None	None	None	
PDM&EV Manager	R.O.C	Ricky Liu	M	2002.01.01	6,143	0.01%	None	None	None	None	MS in Chemical Engineering, National Tsing Hua University SCI Pharmtech, Inc., PD Manager	None	None	None	None	
QA&RA Manager	R.O.C	Vincent Chiang	M	2002.12.16	31,430	0.03%	None	None	None	None	MS in Chemistry, National Cheng Kung University Taiwan Biotech Co., Ltd. Deputy Manager SCI Pharmtech Inc., QC Manager	None	None	None	None	
BA Manager	R.O.C	Nancy Lee	F	2009.05.01	161,941	0.14%	None	None	None	None	MS in Chemical Engineering, National Tsing Hua University ITRI Researcher SCI Pharmtech Inc., BA Deputy Manager	None	PD Deputy Manager	Andy Lee	Brother	
EN Manager	R.O.C	Chung-Lung Su	M	2022.03.01	20,391	0.02%	None	None	None	None	MS in Chemical Engineering, National Cheng Kung University SCI Pharmtech, Inc., EN Director	None	None	None	None	

April 1, 2024

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Date Effective</th><th colspan="2">Shareholding</th><th colspan="2">Spouse & Minor Shareholding</th><th colspan="2">Shareholding by Nominee Arrangement</th><th rowspan="2">Major experience / education</th><th rowspan="2">Currently Other Position</th><th colspan="3">Mamagers who are spouses or within two degrees of kinship</th><th rowspan="2">Note</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Title</th><th>Name</th><th>Relation</th></tr>
<tr><td>RD
Deputy Manager</td><td>R.O.C</td><td>Andy Lee</td><td>M</td><td>2023.07.05</td><td>20,085</td><td>0.02%</td><td>None</td><td>None</td><td>None</td><td>None</td><td>MS in Chemistry, National Cheng Kung University
Lite Materials EN Deputy Manager
AUO Deputy Manager
SCI Pharmtech Inc., R&D Chief Commissioner</td><td>None</td><td>BA Manager</td><td>Nancy Lee</td><td>Sister</td><td></td></tr>
<tr><td>PD
Deputy Manager</td><td>R.O.C</td><td>Jimmy Chang</td><td>M</td><td>2023.07.05</td><td>144</td><td>0.00%</td><td>5,017</td><td>0.00%</td><td>None</td><td>None</td><td>BS of Chemical Fiber Department, National Taiwan Institute of Technology
Hualong Company Section Manager
SCI Pharmtech, Inc., PD Account Manager</td><td>None</td><td>None</td><td>None</td><td>None</td><td></td></tr>
<tr><td>QC
Deputy Manager</td><td>R.O.C</td><td>JoJo Lu</td><td>F</td><td>2023.07.05</td><td>18,869</td><td>0.02%</td><td>8,874</td><td>0.01%</td><td>None</td><td>None</td><td>MS in Chemistry, York University
Yaohua Biotechnology Research specialist
Formosa Laboratories, Inc. Associate Researcher
SCI Pharmtech Inc., QC Deputy Chief Commissioner</td><td>None</td><td>None</td><td>None</td><td>None</td><td></td></tr>
</table>

Note 1：Please refer to page 19 (Note2).

Note 2：The chairman of the Board of Directors and the President of the company are the same person, the reason, reasonableness, necessity, and the measures adopted in response to the status are specified as the following : Please refer to page 20.

Note 3：The Manager of the Engineering Department, Oliver Liu, is planning on retirement, and Chung-Lung Su, Chief of the Engineering Department was promoted as Manager on March 1, 2022.

3.2.3 Remuneration paid out to directors, president, and vice presidents

(1) Remuneration to Directors and Independent Directors

Unit: NT$ / Thousand Shares

Title	Name	Director's remuneration								Summation of A，B，C，D, and a % of After Tax Income	
		Remuneration (A)		Retirement pension(B)		Director's Remuneration (C)		Business execution fees (D)			
		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report
Chairman	Wei-Chyun Wong	5,155,861	5,155,861	None	None	1,843,500	1,843,500	None	None	6,999,361 2.37%	6,999,361 2.37%
Director	Shiang-Li Chen	None	None	None	None	306,900	306,900	None	None	306,900 0.10%	306,900 0.10%
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Aurora Chen	360,000	360,000	None	None	316,200	316,200	None	None	676,200 0.23%	676,200 0.23%
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Wen-Chih Chou	None	None	None	None	None (Note)	None (Note)	None	None	None	None
Independent Director	Te-cheng Tu	360,000	360,000	None	None	372,000	372,000	None	None	732,000 0.25%	732,000 0.25%
Independent Director	Chia-Chun Jay Chen	360,000	360,000	None	None	418,500	418,500	None	None	778,500 0.26%	778,500 0.26%
Independent Director	Vincent Wang	360,000	360,000	None	None	372,000	372,000	None	None	732,000 0.25%	732,000 0.25%

Title	Name	Remuneration to Directors Also Serving as Company Employees								Summation of A，B，C，D，E，F，G, and a % of After Tax Income		Receives remuneration from other non-subsidiary companies that the Company has invested in or parent company
		Salary, Bonuses, and Special Allowance (E)		Retirement pension (F)		Employee remuneration (G)						
						SCI		All companies listed in this Financial Report				
		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	Cash Bonuse	Stock Bonuse	Cash Bonuse	Stock Bonuse	SCI	All companies listed in this Financial Report	
Chairman	Wei-Chyun Wong	None	None	None	None	None	None	None	None	6,999,361 2.37%	6,999,361 2.37%	678,000
Director	Shiang-Li Chen	None	None	None	None	None	None	None	None	306,900 0.10%	306,900 0.10%	9,650,000
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Aurora Chen	None	None	None	None	None	None	None	None	676,200 0.23%	676,200 0.23%	None
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Wen-Chih Chou	4,891,842	4,891,842	108,000	108,000	1,375,000	None	1,375,000	None	6,374,842 2.16%	6,374,842 2.16%	306,900
Independent Director	Te-cheng Tu	None	None	None	None	None	None	None	None	732,000 0.25%	732,000 0.25%	90,000
Independent Director	Chia-Chun Jay Chen	None	None	None	None	None	None	None	None	778,500 0.26%	778,500 0.26%	None
Independent Director	Vincent Wang	None	None	None	None	None	None	None	None	732,000 0.25%	732,000 0.25%	None

1. Please explain the Independent Directors' remuneration policies, procedures, standards and structure, as well as their relation to the Independent Directors' responsibilities, risks, time spent, remuneration, and other factors:：Please refer to page 32.
2. In addition to the disclosure in the above table, Director remunerations earned by providing services (e.g. providing consulting services as a non-employee) to the company and all consolidated entities in the financial report of the most recent year: NT$ 0.

Note: NT$306,900 was paid to Mercuries & Associates Holding, Ltd. as the Directors' remuneration.

<u>Table of remuneration ranges</u>

Each remuneration range of the Company	Name of director			
	Total of the first 4 items (A+B+C+D)		Total of the first 7 items (A+B+C+D+E+F+G)	
	SCI	All companies listed in this Financial Report	SCI	Parent company and all invested enterprise
Less than NT$ 1,000,000	Aurora Chen (Director) Shiang-Li Chen (Director) Wen-Chih Chou (Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director) Vincent Wang (Independent Director)	Aurora Chen (Director) Shiang-Li Chen (Director) Wen-Chih Chou (Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director) Vincent Wang (Independent Director)	Aurora Chen (Director) Shiang-Li Chen (Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director) Vincent Wang (Independent Director)	Aurora Chen (Director) Te-cheng Tu (Independent Director) Chia-Chun Jay Chen (Independent Director) Vincent Wang (Independent Director)
NT$1,000,000 (included) ~ NT$2,000,000 (not included)	None	None	None	None
NT$2,000,000 (included) ~ NT$3,500,000 (not included)	None	None	None	None
NT$3,500,000 (included) ~ NT$5,000,000 (not included)	None	None	None	None
NT$5,000,000 (included) ~ NT$10,000,000 (not included)	Wei-Chyun Wong (Director)	Wei-Chyun Wong (Director)	Wei-Chyun Wong (Director) Wen-Chih Chou (Director)	Wei-Chyun Wong (Director) Wen-Chih Chou (Director) Shiang-Li Chen (Director)
NT$10,000,000 (included) ~ NT$15,000,000 (not included)	None	None	None	None
NT$15,000,000 (included) ~ NT$30,000,000 (not included)	None	None	None	None
NT$30,000,000 (included) ~ NT$50,000,000 (not included)	None	None	None	None
NT$50,000,000 (included) ~ NT$100,000,000 (not included)	None	None	None	None
Over NT$100,000,000	None	None	None	None
Total	7	7	7	7

(2) President and senior vice president remuneration

Unit: NT$ / Thousand Shares

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special expenses (C) （Note 3）		Employee's remuneration (D)				Summation of A，B，C，D, and a % of After Tax Income		Amount of employee stock warrant acquired		New restricted employee shares acquired		Receives remuneration from other non-subsidiary companies that the Company has invested in or parent company
								SCI		All companies listed in this Financial Report								
		SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	Cash Bonuse	Stock Bonuse	Cash Bonuse	Stock Bonuse	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report	
President	Wen-Chih Chou	3,022,800	2,632,800	108,000	108,000	1,869,042	1,869,042	1,375,000	0	1,375,000	0	6,374,842 2.16%	6,374,842 2.16%	None	None	None	None	306,900
BA Vice President	Michele Seah	2,497,492	2,497,492	0	0	1,518,398	1,518,398	851,606	0	851,606	0	4,867,496 1.65%	4,867,496 1.65%	None	None	None	None	None
RD Vice President	Jinun Ban Yeh	2,305,436	2,305,436	108,000	108,000	1,434,180	1,434,180	787,499	0	787,499	0	4,635,115 1.57%	4,635,115 1.57%	None	None	None	None	None
FA Vice President	Deiter Yang	1,984,400	1,984,400	0	0	1,014,953	1,014,953	674,250	0	674,250	0	3,673,603 1.25%	3,673,603 1.25%	None	None	None	None	None

Note1 : The Vice Presidents of the company, Michele Seah and Deiter Yang, are applied to the old pension system, therefore the pension is not yet been paid.
Note2 : Under the new pension system, NT$108,000 is allocated to President Wen-Chih Chou and Vice President Jinun Ban Yeh respectively.
Note3 : The company provided a vehicle for each of the Chairman, President 、BA Vice President and RD Vice President, the total rental fee is NT$805,238 with NT$91,512 of petrol fees.

Table of remuneration ranges

Remuneration range for president and vice presidents in the Company	Name of president and vice presidents	
	SCI	Parent company and all invested enterprise
Less than NT$ 1,000,000	None	None
NT$1,000,000 (included) ~ NT$2,000,000 (not included)	None	None
NT$2,000,000 (included) ~ NT$3,500,000 (not included)	None	None
NT$3,500,000 (included) ~ NT$5,000,000 (not included)	Michele Seah (Vice President) Jinun Ban Yeh (Vice President) Deiter Yang (Vice President)	Michele Seah (Vice President) Jinun Ban Yeh (Vice President) Deiter Yang (Vice President)
NT$5,000,000 (included) ~ NT$10,000,000 (not included)	Wen-Chih Chou (President)	Wen-Chih Chou (President)
NT$10,000,000 (included) ~ NT$15,000,000 (not included)	None	None
NT$15,000,000 (included) ~ NT$30,000,000 (not included)	None	None
NT$30,000,000 (included) ~ NT$50,000,000 (not included)	None	None
NT$50,000,000 (included) ~ NT$100,000,000 (not included)	None	None
Over NT$100,000,000	None	None
Total	4	4

(3) Names of managerial officers provided with employee's remuneration and state of payments

March 12, 2024 Unit: NT$ / Shares

	Title	Name	Bonus in Stock			Bonus in Cash	Total	Total payment as a proportion of net income (%)
			Value of share	Actual price	Value of cash	Value of cash		
Managerial officers	President	Wen-Chih Chou	0	0	0	8,201,898	8,201,898	2.78%
	Business Div. Vice President	Michele Seah						
	Technical Div. Vice President	Jinun Ban Yeh						
	FA Div. Vice President	Deiter Yang						
	Operating Div. Assistant Vice President	Wei-Song Yin						
	Quality Div. Assistant Vice President	Bo-Fong Chen						
	PDM/EH Manager	Ricky Liu						
	QA&RA Manager	Vincent Chiang						
	BA Manager	Nancy Lee						
	EN Manager	Chung-Lung Su						
	RD Deputy Manager	Andy Lee						
	PD Deputy Manager	Jimmy Chang						
	QC Deputy Manager	JoJo Lu						

3.2.4 Compare and analyze the total remuneration paid to each of the company's directors, president, and vice presidents in the 2 most recent fiscal years by all companies listed in the company's individual and consolidated financial statement as a percentage of net income and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

1. The ratio of total remuneration paid by the company, and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the company, to the net income.

Title	Total remuneration as a proportion of net income (%)			
	2023		2022	
	SCI	All companies listed in this Financial Report	SCI	All companies listed in this Financial Report
Directors	5.62%	5.62%	1.84%	1.84%
President and Vice Presidents	6.63%	6.63%	6.67%	6.67%

Note: The increase in directors' remuneration in 2023 was mainly due to the fact that the chairman of the board did not concurrently serve as the President, and the relevant remuneration received by the former part-time employees was reclassified as director's remuneration.

2. Remuneration policies, standards and packages, procedures for determining remuneration and the correlation with operating performance and future risk exposure :

A. The policy, standard and combination of managers' remuneration, and the procedures for determining remuneration:

(a) Policy: The company’s salary and remuneration policy is to provide the competitive salary standards to recruit and retain the critical executives for the business operation to achieve the company’s stable growth and sustainable development.

(b) Standard: The salary and remuneration paid to the Managers can be classified as fixed, variable, and others. Every year, the salary and remuneration received by managers and their performance goalsand the achievement status is reported to the remunerationcommittee. For the committee to evaluate the content and amount of remuneration in accordance with the regulations of the organization, and submit its recommendations to the board of directors for discussion.

The main performance for Managers:

1.Business vice presidents and managers: ESG performance, revenue Budget achievement and account collection.

2.Technology vice president and deputy manager:
ESG performance, new product development progress and process improvement.

3.QR assistant vice president, quality assurance manager and quality control manager:
ESG performance, GMP compliance, customer complaint handling and quality system operation.

4.Operating assistant vice president, PD deputy manager, EN manager and PDM/EH Manager: ESG performance, Product completion progress, equipment Project completion Progress and waste disposal and environmental management system operation.

5. FA vice president:
ESG performance, fund allocation and compliance with laws and regulations.

Based on the scores from the performance indicators, executive assessments are categorized into A, B+, B, and C levels, with these distinctions factoring into the distribution of short-term variable compensation such as year-end bonuses and employee compensation to incentivize performance.

(c) Combination :

(c1)Fixed salary: Fixed salary is the monthly salary paid to the Managers each month, the payment standard references the statistics of industries and labor market with consideration of the job position, nature of the job, professional abilities, and the occupational supply & demand.

(c2) Variable salary: Variable salary consists of the end of year bonus, employees’ remuneration (The company's articles of association stipulate that if the company makes a profit during the year, it shall allocate no less than 3% of employee remuneration.), and the foundational payment of shares. Variable salary connects part of the salary and remuneration to operational performance.

(c3) Other salary and remuneration:
According to business needs for senior executives above the Vice Presidents, the provision of a vehicle with the petrol fee can be suggested by the Remuneration Committee for approval from the Board of Directors case by case.

(d) Procedures for determining salary and remuneration:
The company’s salary and remuneration of the Managers and its management procedures shall be formulated from the opinions of the Remuneration Committee after they were, proposed to and

approved by the Board of Directors.

(e) Management performance:

Overall, the ratio of variable salary is approximately 30-50%, which is highly connected to the overall operational performance of the company.

(f) Future risks:

The ratio of variable salary and remuneration is high, therefore the flexibility for the company operation is higher, which shall effectively reduce the risk of uncertainty in the future.

B. The policy, standard and combination of directors' remuneration, and the procedures for determining remuneration:

(a)Policy: To implement corporate governance and complete directors' compensation system in a bid to make directors' compensation transparent, reasonable, and systematic.

(b)Standard: Based on the scale of operations, complexity of operations, and market standards, the company formulates the "salaries and remuneration procedure for directors", and considers the contribution of individual directors to the company's performance, and distributes them reasonably. Considering that the chairman is responsible for the company's development planning, formulating strategic goals and undertaking the overall operating performance, it takes a lot of time and effort and the responsibility is heavy, so a higher reward and reward will be given. In addition, considering that independent directors also serve as members of functional committees, the overall remuneration will be higher than that of general directors.

(c) Combinations:

1.Remuneration:

In accordance with the Articles of Incorporation, if the company makes a profit within the year, the remuneration committee will consider the overall performance of the board of directors, operational performance of the company, and the future operation and risk of the company, and then make a suggestion of providing no more than 2% of the profit as the remuneration for Directors.

2. Salary:

The salary of each director is NT$30,000 per month. But this payment is not applicable to those who concurrently serve as the managers of the company, its subsidiaries and parent company.

3. Business Execution Related Expenses:

No transportation allowance, special disbursement, travel reimbursement, and other payments. However, the company shall reimburse directors for the air tickets and accommodation fees if the director makes a business trip required for the company's businesses

(d) The procedures for deciding remuneration:

On March 12, 2024, the remuneration of NT$3,936,000 equal to 1.0% of the company's 2023profit was approved by the remuneration committee and then the board of directors.

The Company completed the performance evaluation of directors on January 11, 2024, (Please refer to page 34-35) and took this assessment result into consideration for the distribution of directors' remuneration. Important evaluation items include directors' attendance rate, familiarity and understanding of proposals, and whether constructive suggestions are provided.

(e) Future Risks:

Directors' remuneration is highly linked to operating performance, and the rest of the payment is fixed and controllable, so there is no significant future risk in the assessment.

3.3 Implementation of corporate governance

3.3.1 Implementation of Directors' Meetings

(1) Total of 7 meetings of the Board of Directors were held of 2023. The attendances of directors were as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Chairman	Wei-Chyun Wong	7	0	100%	
Director	Shiang-Li Chen	6	0	85.7%	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Aurora Chen	7	0	100%	
Director	Mercuries & Associates Holding, Ltd. Institutional representative：Wen-Chih Chou	6	0	85.7%	
Independent Director	Te-cheng Tu	7	0	100%	
Independent Director	Chia-Chun Jay Chen	7	0	100%	
Independent Director	Vincent Wang	7	0	100%	

Other items that shall be recorded：

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted :

   (1) Any matter listed in Article 14-3 of the Securities and Exchange Act :

   Independent directors did not provide any opposing views during the 7 board meetings held in 2023.

   (2) In addition to the aforementioned matters, any other resolutions from the board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ. : None.

2. For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process :

   (1) On July 5, 2023, Second Item of Discussion Matters in the Board of Directors' Meeting:

   The company planned to donate to the Republic of China Criminal Investigation Association. For this item, Directors Wei-Chyun Wong, Shiang-Li Chen, Wen-Chih Chou and Aurora Chen abstained from voting due to conflict of interest.

   (2) On July 5, 2023, Fifth Item of Discussion Matters in Board of Directors' Meeting:

   Planned adoption of manager position adjustments and employee remuneration amounts. For this item, Directors Wen-Chih Chou abstained from voting due to conflict of interest.

   (3) On October 6, 2023, First Item of Discussion Matters in Board of Directors' Meeting:

   The company's 112-year cash capital increase and new stock issuance manager stock subscription case. For this item, Directors Wen-Chih Chou abstained from voting due to conflict of interest.

   (4) On December 18, 2023, Third Item of Discussion Matters in Board of Directors' Meeting:

   The company intended to approve the remuneration amount of the Managers (end of year bonus in 2023). For this item, Directors Wei-Chyun Wong and Wen-Chih Chou abstained from voting due to conflict of interest.

3. The information regarding the self-evaluation evaluation cycle and period, evaluation scope, method or evaluation

contents, and Board of directors performance evaluation review : Please refer to page 38.

4. Goals for enhancing the functions of the Board of Directors (such as increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented :

(1) Goals: A. Enhancing corporate governance, implementing information transparency, and becomeing one of the companies listed in the top 20% in the TWSE Evaluation of Corporate Governance.

B. Continuing to improve the professionalism of the Directors.

C. Maintaining strong communication between the CPAs and the company's corporate governance unit.

(2) Implementation:

A. Professionals are invited to provide laws & regulations and corporate governance lessons, providing the Directors' continuous learning on the related information.

B. The total hours of continuous learning of all Directors in 2023 met the requirements of the laws and regulations, reaching 66 hours in total.

C. The company was listed in the top 6% to 20% in the first to the sixth Evaluation of Corporate Governance, and was listed in the top 21% to 35% of companies in the seventh to the ninth Evaluation of Corporate Governance.

D. The CPAs communicate with Directors about important audit matters, audit conditions, and other audit-related matters, while also promoting the corporate governance matters and the latest laws and regulations amendments before the Board meeting. The CPAs reported to the Board of Directors 4 times in the Board of Directors' meeting and joined shareholders' meeting one time in 2023.

(2) Total of 7 meetings of the Board of Directors were held of 2023. The attendances of independent directors were as follows:

V：attendance in person； o：video attendanc； @：attendance by proxy； *：absent

2023	1st	2nd	3rd	4th	5th	6th	7th
Te-cheng Tu	V	V	V	V	V	V	V
Chia-Chun Jay Chen	V	V	V	V	V	V	V
Vincent Wang	V	V	V	V	V	V	V

(3) The 2023-year Board of directors performance evaluation review as follows:：

Evaluation cycle	During the evaluation	Scope	How to evaluate it	Content
Once a year	2023.01.01~ 2023.12.31	1. Board of directors 2. Individual directors 3. Functional Committee	1.CG officer evaluate the board of directors 2.Self-evaluation by members of the Board 3.CG officer evaluate audit and remuneration committee	The items for evaluating questionnaire shall be determined in accordance with "Performance Evaluation Regulation of the Board of Directors". (annex5)

(4) The 2023 year board of directors performance evaluation review was completed on 11 Jan. 2024, and reported on 12 March 2024 as follows :

A. Self-evaluation results of 2023 members of directors :

Director	Score	Comments
Wei-Chyun Wong	97.39	None
Shiang-Li Chen	93.04	None
Aurora Chen	91.30	Striving to perform responsibilities requires continuous improvement of professional knowledge and skills.
Wen-Chih Chou	98.26	None
Te-cheng Tu	93.91	None
Chia-Chun Jay Chen	99.13	Good performance
Vincent Wang	97.39	Overall performance is considered good.

B. Evaluation results of CG officer :

CG officer	Score	Comments
Board of directors	92.44	Operations are smooth and corporate governance is implemented.
Audit committee	96.67	Accountants, internal auditors and the audit committee communicate smoothly; all issues can be fully discussed and the audit committee can fulfill its due functions.
Remuneration committee	96.67	The number of convocations is sufficient and the operations are carried out effectively in accordance with the law.

3.3.2 Operations of the Audit Committee：

(1) Information on the members of the Audit Committee

March 31, 2024

Criteria / Identity / Name		Professional Qualification, and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an the Audit Committee member.
Independent Director (Convener)	Te-cheng Tu	Please refer to page 23-24.	Please refer to page 23-24.	2
Independent Director	Chia-Chun Jay Chen	Please refer to page 23-24.	Please refer to page 23-24.	0
Independent Director	Vincent Wang	Please refer to page 23-24.	Please refer to page 23-24.	0

(2) Implementation of the Audit Committee

A total of 5 Audit Committee meetings were held in 2023. The attendance of independent directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Independent Director	Te-cheng Tu	5	0	100%	
Independent Director	Chia-Chun Jay Chen	5	0	100%	
Independent Director	Vincent Wang	5	0	100%	

Other items that shall be recorded：

1.Major tasks of the auditing committee in the year:
(1) Amendments to the internal control system.
(2) Assessment of the effectiveness of the internal control system.
(3) Amendment to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
(4) Review matters in which a director is an interested party.
(5) Review asset transactions or derivatives trading of a material nature.
(6) Review loans of funds, endorsements, or provision of guarantees of a material nature.
(7) Review the offering, issuance, or private placement of equity-type securities.
(8) Review the hiring or dismissal of a certified public accountant, or their compensation and independence.
(9) The appointment or discharge of a financial, accounting, or internal audit officer.
(10) Review annual and semi-annual financial reports.
(11) Review other material matters as may be required by this Corporation or by the competent authority.

2.In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted :
(1) Article 14-5 of the Securities and Exchange Act listed items :
There had been a total of 5 meetings of the Audit Committee as of 2023. The meeting resolutions are all approved by Audit Committee.
(2) Proposals approved by two-thirds of the Board of Directors and yet to be passed by the Audit Committee : None.

3.If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified : None.

4.Communication among Independent Directors, internal audit officer, and CPA (including important matters, methods, and results of the Company's finance and operations) :

(1) Head of Internal Audit:

The Head of Internal Audit shall communicate with Independent Directors in person in the Audit Committee at least 4 times a year, and submit the audit report of the previous month to all Independent Directors for review each month. In 2023, the Head of Internal Audit attended 5 Audit Committee meetings and 6 Board of Directors meetings to communicate with Independent Directors in person, and the Independent Directors haven't provided any suggestions in regards to internal audit in 2023.

(2) CPAs: The CPAs shall communicate to the Independent Directors directly at least four times per year in the Board of Directors' meetings. In 2023, the CPAs communicated with the Independent Directors in person to discuss the accounting systems, key audit matters, internal control, operational conditions, independence of the CPAs, the latest amendment in the laws and regulations, and other issues in the Board of Directors' meeting on March 14, 2023, May 12, 2023、August 10, 2023、November 10,2023, and on the shareholders' meeting on June 19, 2023. The Independent Directors have no opinions on the above-mentioned issues.

3.3.3 The state of the company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance :

Evaluation Item	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Does the Company establish and disclose the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies ?	V		The Company has established the Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and disclosed these Principles on the Market Observation Post System (MOPS) and SCI's website. The latest version of the Corporate Governance Principle has been amended and approved on March 14, 2023.	None
2. Equity structure and shareholders' equity of the Company (1)Does the Company establish internal procedures for handling shareholders' proposals, inquiries, disputes, and litigation? Were such matters handled according to these internal procedures ?	V		A spokesperson / deputy spokesperson system has been established, and were assigned to handle shareholders' recommendations, disputes, and other questions. Matters related to the shareholders' meeting were implemented according to the Rules and Procedures of Shareholders Meeting.	None
(2)Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		In compliance with the regulations, the Company disclosed changes in the shareholding of insiders on a monthly basis. During the book closure period, the stock agency will provide a list of shareholders to monitor changes in the shareholding of major shareholders.	None
(3)Does the Company establish and enforce risk controls and firewall systems with its affiliated companies ?	V		The Company proceeds and abides by in accordance with its Regulations Governing the Implementation of Internal Control Systems、Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises and the Procedures for Acquisition and Disposal of Assets.	None
(4)Does the Company stipulate internal rules that prohibit insiders from trading securities using information not disclosed to the market ?	V		The Company has stipulated the Ethical Corporate Management Best Practice Principles that prohibit insiders from trading securities using information not disclosed to the market. The company has amended the Corporate Governance Principle in the Board of Directors' meeting on March 18, 2022, with the introduction of new control measures on the share trading by the company insider when acknowledging the financial report or relevant business contents of the company, which includes (but not limited to) that the Directors may not trade their shares within 30 days before the publishment of annual financial report and 15 days before the publishment of quarterly financial report. The company also notifies the directors and all employees of the above-mentioned stock trading control measures by	None

			email on a quarterly basis.	
3. Composition and responsibilities of the Board of Directors (1)Has a policy of diversity and specific management goals been established and implemented for the composition of the Board of Directors ?	V		The Company referred to the regulations of Article 20 of the Corporate Governance Best Practice Principles to ensure that members of the Board of Directors have work experiences and professional skills required for business, financial, accounting, and corporate operations. For the details of implementation, refer to Page 108 of this Annual Report.	None
(2)In addition to the Remuneration Committee and the Audit Committee established according to the law, has the Company voluntarily established other functional committees ?		V	The Company shall, whenever appropriate, evaluate the necessity of establishing functional committees.	The Company will evaluate the necessity of establishing functional committees in the future.
(3)Has the company stipulated the board of directors performance evaluation measures and method, conducted annual performance evaluation, and reported the performance evaluation results to the Board of Directors as a reference for individual directors' compensation and nomination?	V		The company has amended the Board of Directors' Performance Evaluation Practices and Methods on November 6, 2020, and the evaluation of the Board of Directors' performance for 2023 is completed on January 11, 2024, which was reported to the Board of Directors by the Head of Corporate Governance on the Board of Directors' meeting on March 12, 2024, which shall be used as references for the Board of Directors and functional committee to determine the salary and remuneration of each Director and the nomination of continuous in office for the next term.	None
(4)Does the company regularly evaluate the independence of CPAs ?	V		The company's management authorities regularly evaluate the independence and competency of the CPAs every year. The evaluation procedures are: 1.Self-evaluation by the CPAs : fill in the CPAs' independence and competency evaluation form, and issue a declaration of detachment and independence. 2. Initial evaluation of managers. 3. CPAs report AQIs to the board of directors. 4. Review and resolution of the Audit Committee and Board of Directors: The overall evaluation results were submitted to the audit committee and the board of directors for review and resolution, and the company passed the CPAs' independence and competency evaluation on November 10, 2023. Included evaluation items: The CPAs, the spouses of CPAs, and the minor children of CPAs having no investment or sharing a financial interest with the company, and the CPAs, the spouses of CPAs, the minor children of CPAs having no financial debt with the company, etc. and AQIs.	None
4. Is the company staffed with an appropriate number of qualified corporate governance personnel,	V		The company's Head of Corporate Governance is concurrently served by the Vice President of FA, DeiterYang , who has the experience of	None

does it designate a person as a corporate governance officer, responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information to perform business, assisting directors and supervisors in compliance, handling matters related to the Board of Directors meeting and the shareholders' meeting in accordance with the laws, handling company registration and registration of changes, and keeping minutes of the Board of Directors meeting and the shareholders' meeting) ?			serving as the Head of Accounting and Finance in Public Listed Companies for 21 years and with a CPA qualification. 1.The scope of the Head of Corporate Governance's authority and responsibilities: 1.1 Handling the related matters of the Board of Directors' meeting and shareholders' meeting. 1.2 Preparing the minutes of the Board of Directors' meeting and shareholders' meeting. 1.3 Assisting the Directors' onboarding and continuous learning. 1.4 Providing the required data for Directors to perform their duties. 1.5 Assisting the Directors' compliance with laws and regulations. 1.6 Report to the board of directors the results of its review on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure. 1.7 Handle matters related to the change of directors. 1.8 Other matters stipulated in the company's Article of Incorporation or agreements. 2.The focus on the execution of corporate governance in 2023: 2.1 Ensuring compliance with laws and regulations. 2.2 Assisting the Directors' continuous learning and compliance with laws and regulations. 2.3 Providing related corporate governance information to the Directors. 2.4 Review the qualifications of independent directors during their term of office. 3.The continuous learning of the Head of Corporate Governance in 2023: 3.1Corporate Resilience and Taiwan's Competitiveness / CNAIC / 3 hours 3.2Business opportunities and challenges under the net zero boom / Taiwan Institute of Directors / 3 hours 3.3 Corporate Governance - Development of trends related to net-zero transformation at home and abroad and corporate response strategies / Brokers Association / 3 hours 3.4 Issues related to carbon reduction and their IFRS accounting treatments / Taiwan Institute of Directors / 3 hours	
5. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the company website? Has the	V		The company has established a daily communication channel with stakeholders, and set up a special area for interested parties on the company's website to facilitate the use of stakeholders. The Company shall respond to the issues of concern to the interested parties by the Spokesperson or the Responsible Supervisor in a unified manner.	None

Company addressed major corporate social responsibility (CSR) topics that the stakeholders are concerned in a proper manner ?			On June 26, 2023, the Head of Corporate Governance of the Company reported to the Board of Directors on the actual communication with the interested parties.	
6. Has the Company delegated a professional stock agency to handle shareholders' meetings?	V		The company has delegated Horizon Securities Corp. to be in charge of handling affairs pertaining to shareholders' meetings .	None
7.Information disclosure (1)Did the Company establish a website to disclose information on financial operations and corporate governance ? (2)Did the Company adopt other ways of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company website) ? (3)Does the company publicly announce and declare the annual financial report within two months after the end of the fiscal year, and publicly announce and declare the financial reports for the first, second, and third quarters and the monthly operating status early before the specified deadline ?	V V V		The company has established the official website for disclosing information on finances, business operations, and corporate governance. Links with Market Observation Post System (MOPS) have also been established to provide the prompt disclosure of information. The company has established chinese/english website and assigned persons to maintain and disclose corporate information through the website. The company has also fulfilled a spokesperson system. The company participated in the institutional investors' conference held by securities exchanges or other institutes and uploaded the brief and video of the conferences on the company's website or MOPS for investors and shareholders to reference and review. The company's financial reports for the first, second, and third quarters of 2023 were approved by the board of directors before the announcement period, and announced on the date of approval. In addition, the monthly revenue of the company is announced 1-2 days before the announcement period.	None None The company is currently not able to declare and publish the annual financial report within 2 months after the fiscal year ended.
8. Has the Company provided important information to provide better understanding of the state of corporate governance (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of Directors, risk managementpolicy and state of implementing risk impact standards, state of implementing customer policies, and the Company's purchase of liability insurance for its Directors and Supervisors) ?	V		1.Employee rights： The recruitment of new employees is based on the principle of equality, including the employment of people who are physically and mentally challenged, as well as middle-aged and elderly workers. The company strictly complies with the Labour Standard Act and related laws and regulations to protect human rights and employee rights. The company holds the labor-management council every quarter to promote two-way communications, and harmonious labor-management relation has been maintained, which resulted in zero labor-management disputes arising until this day. 2.Employee cares： 2.1 The company provides emergency aid and assistance to employees, with the management participating in employees' weddings, funerals, and other events. 2.2 The company invites the family of employees to participate in the company travels, end-of-the-year banquets, and other events. 2.3 The management has meals with employees	None

			regularly to understand their living conditions. 2.4 The average salary for non-executive full-time employees was NT$841,000 in 2022, ranking 41rd of the 113 public listed biomedical companies. 3.Investors relationship： The company fully disclosed information on SCI's website to allow investors to understand its operation instantly. The company communicated with investors through shareholders' meetings, investor conferences, and a spokesperson system. 4.Supplier relationship： The company operates with the mindset of partnerships, practicing principles of equality and reciprocity to create a win-win situation for all. The company conducts audits irregularly to understand the operation of suppliers and to ensure the security of the supply chain. In addition, the company manages the supplier relationships following the "Ethical Corporate Management Best Practice Principles" and "Environmental Safety and health management of procurement practices," with regular audits and reports provided to the President. 5. Stakeholders' rights： The company values good relationships between our stakeholders, including employees, investors(shareholders), clients, government authorities, communities, suppliers, and others. In addition to performing the rights and obligations by following laws, regulations, related agreements, and operational requirements, the company uphold the principle of good faith, maintaining decent communication channels to protect the legal rights of all parties. 6.State of training of Directors： To enhance the promotion of corporate governance, the company has been requiring the Directors to participate in continuous learning. Please refer to the descriptions on page 136. 7.The implementation of risk management policies and risk measurement standards： Please refer to Page 124-132 for the descriptions of the analysis and evaluation of risk matters. 8.State of implementing customer policies: The company provides our clients all over the world with products in compliance with GxP/ISO 9001 to ensure the satisfaction of our clients and has been continuously improving the quality system to meet the latest government laws and international regulations. According to the satisfaction survey retrieved from our clients in 2023, the company received a score of 4.7 out of 5.0. The item that brought the highest satisfaction was the quality and the client service, and the lowest was the price. 9.Liability insurance for the directors purchased by the company:： The company insured a US$3 million coverage from the property insurance company. The	

			coverage amount, scope of insurance, and rates of insurance fee on the agreement signed on August 3, 2023, were reported in the Board of Directors' meeting on August 10, 2023.	
9. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of Taiwan Stock Exchange Corporation (TWSE), and prioritized matters and measures to be improved for matters that have not been improved.	V		1.The result of the ninth Evaluation of Corporate Governance has been announced by the TWSE, and the company received a score of 87.48 as one of the companies listed in the top 21% to 35%. 2.In 2023, Major defects that failed to meet the requirements in the Evaluation of Corporate Governance: 2.1 The company failed to convene a shareholders' meeting before the end of May. 2.2 There is no interval of more than three months between the two corporate information sessions. 3. Status of Improvement in 2023: 3.1 A shareholders' meeting is scheduled for May 30. 3.2 Hold corporate briefings at prescribed intervals.	None

3.3.4 Composition, duties, and operations of remuneration committee :

(1) Information on the members of the Remuneration Committee

March 31, 2024

Identity / Criteria / Name		Professional Qualification, and Work Experience	ndependence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an the Remuneration Committee member.
Independent Director (Convener)	Te-cheng Tu	Please refer to page 23-24.	Please refer to page 23-24.	2
Independent Director	Chia-Chun Jay Chen	Please refer to page 23-24.	Please refer to page 23-24.	0
Independent Director	Vincent Wang	Please refer to page 23-24.	Please refer to page 23-24.	0

(2) Implementation of the Remuneration Committee

A total of 5 Remuneration Committee meetings were held in 2023. The attendance of independent directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in Percentage (%)	Note
Independent Director	Te-cheng Tu	5	0	100%	Convener
Independent Director	Chia-Chun Jay Chen	5	0	100%	
Independent Director	Vincent Wang	5	0	100%	

Other items that shall be recorded.

1. Composition: The fifth term of the company's Salary and Remuneration Committee has been established on June 21, 2022, and has been consists of 3 Independent Directors. For the information on the members, please refer to the "Directors' Information" page.
2. Authorities and responsibilities:
   To act under the scope of authorities and responsibilities specified in Article 6 of the company's Salary and Remuneration Committee Charter, which is specified as follows:
   (1) To review this charter and provide amendment opinions periodically.
   (2) To enact and periodically review the target goals of the Directors' and Managers' salaries and remunerations, as well as the related policies, systems, standards, and structures.
   (3) To periodically review the fulfillment of the performance goals of the company's Board of Directors and Managers, and provide opinions on the content and amount of the salary and remuneration for each of them.
3. If the Board of Directors rejects or modifies the opinion proposed by the Salary and Remuneration Committee, then the date of the meeting, the session, the content of the motions, the resolutions determined by the Board of Directors, and the company's response to the Salary and Remuneration Committee's opinion shall all be specified (if the salary and remuneration resolution made by the Board of Directors exceeds the offering in the proposal of the Salary and Remuneration Committee, the details and cause of the difference shall be specified in the board meeting minutes): None.
4. For resolutions made by the Salary and Remuneration Committee, if any member posed opposition or opinions that are on record or stated in a written statement, then the date of the meeting, session, the content of motions, all members' opinions, and the response to the members' opinions shall be specified: None.
5. If the member is a Director, please specify whether the appointment is following the requirement stated in Paragraph 5 Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Salary and Remuneration Committee of a company Whose Stock is Listed On the Taiwan Stock Exchange or the Taipei Exchange:
   All the members are Independent Directors, which complies to the laws and regulation.

3.3.5 The state of the company's pushing of Sustainable Development :

Pushing of Sustainable Development, Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons Thereof

Push Item	State of Implementations			Gaps with the Sustainable Development, Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Has the company established a governing structure for sustainable development, and appointed exclusive (or concurrent) dedicated units under the command of the senior executives authorized by the Board of Directors? What is the status of the supervision from the Board of Directors?	V		The company's unit in charge of sustainable development is the President Office, with the Sustainable Development Committee established (please refer to Attachment 4). The Chairman of the committee is served by the Chairman of the Board and the concurrent General Manager, Mr. Wei-Chyun Wong, with 6 teams under the committee, as regular reviews will be conducted for the improvement and implementation progress of each team. In addition, the President assigned the Head of the Corporate Governance Team and Social Charity Team, Vice President Deiter Yang, to report to the Board of Directors for the implementation progress of sustainable development at least once a year. Please refer to Appendix 4 for the company's sustainable development commitment and goals. Please refer to Appendix 4 for the company's sustainable development policy. Please refer to Appendix 4 for the company's sustainable development management guidelines and its implementation. Supervision from the Board of Directors: The current implementation status of sustainable development in 2023 has been reported by the board of directors on December 18, 2023, and the directors have no relevant suggestions. Under the company's Sustainable Development Committee, a total of 6 teams are established: The Executive Team, the Business Development Team, the Sustainable Environment Team, the Energy Saving & Carbon Reduction Team, the Corporate Governance Team, and the Charity Team. The teams are expected to detect business activity risks related to the environment, clients, suppliers, employees' safety, community, corporate governance, etc., and provide timely responses. Currently, the executive team, sustainable environment team, and energy-saving and carbon-reduction team carry out relevant inventory operations based on the greenhouse gas inventory and third-party verification schedule discussed and approved by the board of directors on 111.6.29, and report the relevant progress to the board of directors on a quarterly basis. The company revised the risk management policies the board meeting in May 10, and the audit committee will be responsible for supervising the operation of risk management at a higher level.	None

2. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	V		The company has been certified with the ISO9001 (2015 version – valid until February 9, 2026) quality management system certification, the ISO 14001 (2015 version – valid until January 5, 2027) environmental management system certification, and the ISO 45001 (2018 version – valid until October 16, 2025) occupational health and safety management system certification. Through maintaining the aforementioned management system, the company has been successfully controlling risks emerging from the environment, clients, suppliers, employees' safety, and other aspects, while providing timely responses. To strengthen the company's risk management capabilities, the company's risk management policies are to determine the scope of operational risks and take appropriate actions with the procedures of identifying the risks, evaluating the risks, supervising the risks, reporting the risks, and disclosing the risks, ensuring that all operational risks are properly managed. Please refer to Attachment 6 for the company's risk management policies and procedures. The company's Head of Corporate Governance shall report to the Board of Directors on the operation status of risk management at least once each year. Supervision from the Board of Directors: The report on the operation of risk management in 2023 was completed at the Board of Directors' meeting on December 18, 2023, and the directors had no relevant suggestions.. This disclosed information included the sustainable development performance of the company from January 2023 to December 2023. The scope of risk assessment only covered the company, as the only subsidiary, Yushan Pharmaceuticals, is currently having no operational activities.	None
3.Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		The company has been certified with the ISO 14001 (2015 version – valid until January 5, 2027) environmental management system certification, and the ISO 45001 (2018 version – valid until October 16, 2025) occupational health and safety management system certification.The implemented complete environmental management system has been maintaining the effective operation of the aforementioned systems.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		1.Improvements in energy efficiency: The current major energy consumption of the company is electricity, followed by gas-fired power. For the energy-saving measures, the company reconstructed the plants and renewed the equipment in 2022, improved efficiency and reduced energy consumption can be anticipated as a result. 2.The recycling and reuse of solvents: The company has also been striving for improvement in the production process through recycling and reusing solvents. The company recycled 22.8 kg of Palladium metals, and 1,026,573kg of the solvents containing Deuterium and Nitrogen in 2023. 3.Promoting circular economy:	None

			The company and Veolia Environment established a joint venture company, focusing on "innovating new technologies for circular economy" and recycling waste solvents in the pharmaceutical industry. The rate is about 85%, implementing the vision of green manufacturing and reducing carbon emissions.	
(3) Does the company assess the current and future potential risks and opportunities of climate change to the company, and adopt measures to respond to climate-related issues?	V		Rainstorms, strong wind, and typhoons may cause unstable water supplies and impact the production line, collapsed or flooded roads will impact the deliveries, and the power failure may result in disrupted production or other issues. As for the response measures for such situations, the company has installed electricity generators, built water towers, and purchased business interruption insurance to reduce operational risks.	None
(4) Does the company count the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and does the company formulat policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management?	V		1. Energy saving and carbon reduction, and reduction of greenhouse gas : The company's president's office, environmental protection department and safety office are responsible for the promotion and implementation of environmental protection, safety and health-related businesses, and an environmental management implementation committee is established to formulate the company's overall environmental safety and health policies and proposals. Environmental safety and health meetings are held every two weeks. Meeting to review execution direction. Some production areas resumed work in 2022 and 2023, and the total greenhouse gas emissions were 6,289 and 10,570 tons of CO_2e respectively. The emissions of the production areas that resumed work in 2023 were approximately 63% of the emissions before the fire accident in 2019 (16,682 tons of CO_2e). The company has successively promoted various product carbon footprint projects since 2022, and one product has passed ISO14067:2018 verification, and is expected to obtain ISO14064-1:2018 verification in 2024. Through carbon footprint and greenhouse gas inventory, review emission hotspots, with the goal of reducing 1% annual temperature emissions, strive to improve the utilization efficiency of various equipment, continuously improve product manufacturing processes, and reduce the impact of company operations on the natural environment. 2. Water consumption : The company's current major water source is tap water, and the water usage in the plant can be classified into 4 categories: Cooling water, boiler water, process water, and domestic water. In recent years, the total water consumption (tap water consumption + recycled water consumption) was 104 and 259 thousand tons respectively in 2022 and 2023 In terms of water recycling policy, the cooling water and the high and low pressure steams used for the cooling and heating in the processes are recycled to reduce raw water consumption, and the annual recycled water is approximately 35% ~ 40% of the total annual water consumption. The underground pipes will gradually be phased out and replaced by elevated pipes in the future, which will allow the operators to have a clear understanding of the water	None

<table>
<tr>
<td></td>
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<td>supply route of the plant, and will also prevent the large losses of water resources when pipe leakage occurs.
3. Total weight of waste :
<table>
<tr><td></td><td>2023</td><td>2022</td></tr>
<tr><td>Heading</td><td>Carrying capacity (kg)</td><td>Carrying capacity (kg)</td></tr>
<tr><td>solvent</td><td>1,977,202</td><td>2,063,060</td></tr>
<tr><td>General garbage</td><td>132,046</td><td>128,090</td></tr>
<tr><td>General business waste</td><td>83,632</td><td>86,120</td></tr>
<tr><td>Hazardous business waste</td><td>1,266,655</td><td>493,690</td></tr>
<tr><td>Total</td><td>3,459,535</td><td>2,770,960</td></tr>
</table>
4. Other energy saving measure :
The company has implemented multiple energy-saving measures, such as using automatic devices to activate and deactivate the lights in the plant at a fixed time, installing water dispensers and automatic doors, enabling the air conditioner to be turned on only when the room temperature exceeds 28 degrees Celsius, setting the air conditioner to be automatically turned on and off, establishing a paperless working environment, using recycled paper, and the improvement renovation on the air conditioning ventilation of the office building, to save electricity and other resources.</td>
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<tr>
<td>4. Social Issues
(1) Has the Company referred to international human rights conventions to formulate policies and specific management plans for the protection of human rights, and disclose them on the company's website or annual report?</td>
<td>V</td>
<td></td>
<td>SCI Pharmtech, INC. supports and adheres to the fundamental principles of human rights recognized internationally, such as the Universal Declaration of Human Rights (UDHR), the International Bill of Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.
SCI Pharmtech, INC. has formulated a human rights policy to safeguard the rights and interests of current employees and also expects our suppliers and contractors to comply with the following principles to uphold human rights:
1.Adhere to labor standards laws and relevant applicable laws to protect employees' rights.
2.Provide a safe, healthy, and harassment-free working environment.
3.Follow the principle of equal employment, and not discriminate or treat individuals differently based on race, nationality, age, gender, marital status, political views, religion, etc., and protect the labor rights of vulnerable or marginalized groups, such as indigenous people, women, migrant workers, contract employees, and persons with disabilities.
4.Prohibit forced labor and the use of child labor.
5.Respect employees' right to privacy and freedom of association.
6.Support and assist employees in maintaining physical and mental health and work-life balance.
7.Establish smooth labor-management communication channels and provide complaint mechanisms.
8.Regularly review and evaluate relevant human rights</td>
<td>None</td>
</tr>
</table>

			systems and actions. The company also complies with the governmental labor laws and regulations which prohibited any child labor, as no employees are under the age of 18.The company's recruitment activities are all conducted via public channels, such as employment websites or the company's official website, with sufficient disclosure on the job vacancies and equality recruitment policy practiced. Under the precondition of not impacting the corporate governance and internal control, the company encourages internal hiring as a priority to promote the harmony and stability of the labor-management relationship. Specific management solutions: 1.Implement recruitment and selection control, screening application letters and interviews, and indeed check identity documents to eliminate the problem of child labor employment; since its establishment, SCI has not hired child laborers under the age of 16, nor has there been any labor disputes. 2.Take a 45-minute break at noon and leave work at 17:15 to avoid traffic spikes; hire a group meal company to provide food for employees, facilitate employee meals, and have a moderate lunch break after meals. 3.Implement leave and encourage colleagues to pay attention to work-life balance. 4.Provision is made for human rights protection education and training for colleagues once a year. 5.For other specific explanations, see Labor Relations on pages P.100-102. The company evaluates that the implementation of the 2023 human rights policy is in good condition.	
(2) Does the company establish And Implement reasonable employee welfare programs (including salary, leave, and other benefits) and adjust employee remuneration according to business performance?	V		Employee remuneration : Please refer to page 139-140. Employee leave : All practices are in line with the Labor Standard Act. Other benefits : Trip activities, wedding gifts, childbirth gifts, funeral condolence money, hospitalization allowance, work-related injury leave, emergency aids, end of the year dinner party, employees' dormitory, complimentary meals, service award, insurance planning, and indoor sports court are all provided to employees.	None

(3) Has the Company provided employees safe and healthy working environments? Are employees given regular training courses on health and safety?	V		The company provides employees' health examinations each year, 8 hours of fire emergency exercise each year, 4 sessions of industrial safety training for field operators each year, group catering and drinking water safety inspection each year, and environmental inspection for chemical agents, carbon dioxide, and noises every six months. Passed ISO45001 (2018 edition) Occupational Safety and Health Management Department system certification. There were no employee occupational accidents in 2023.	None
(4) Has the Company established effective career and competence development and training plans?	V		The company has enacted the performance evaluation and human resources management procedures, and outstanding employees with potential are nominated via the performance evaluation system and the managerial meetings, who shall receive training and position rotations to develop the employee career using both the bottom-up and top-down approaches.	None
(5) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		The company's products comply with the related laws and regulations of GMP and other international standards, while also have passed the inspection and review of the Ministry of Health and Welfare of Taiwan, FDA of the USA, EDQM of Europe, and PMDA of Japan. The company does not sell its products directly to the consumers and the company insured the products with the liability insurance of USD$2 million.	None
(6) Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, as well as supervised their compliance?	V		Please see Attachment 9 for our company's supplier management policy. The company is regulated by Article 26 of the company's Sustainable Development Best Practice Principles and the Environment, Safety, and Health Management Procedures on its purchase operations. Due to the surge in the number of in-factory audits , the Quality Assurance Department of the company inspected 1 suppliers through the Internet in 2023. In addition to the product quality, the supplier inspections also covered the environmental health, public safety, and environmental protection status of the suppliers. The company has enacted in the Corporate Social Responsibility Principle that the company most ideally shall evaluate the supplier's history of impacting the environment or society before establishing any business relationships to prevent conducting transactions with suppliers contradicting the Corporate Social Responsibility Principle. The company has enacted in the Ethical Corporate Management Best Practice Principle that the company shall most ideally evaluate the supplier's history of unethical behaviors, and if the contracted supplier was involved in any unethical behaviors, the company may terminate or cancel the agreement at any time.	None
5. Does the company refer to internationally accepted report preparation standards or guidelines to prepare Sustainable		V	The 2020-2021 sustainable development report published by the company in 2022 was composed by referencing the international general standards, yet it has not been accredited by any certification body. The	None

Development reports to disclose the company's non-financial information? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?			sustainable development report for 2020-2021 has been uploaded at the end of September 2022. The company expects to issue a sustainable development report for 2022-2023 in 2024.	
6. Where the Company has stipulated its own Best Practices on Sustainable Development according to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company : None.				

7. Other important information useful for understanding the state of Sustainable Development operations :

(1) Environmental friendly :
A: Passed ISO 14001（2015）and ISO 45001（2018）Certification, and the company has been commissioning agencies recognized by the competent authority to conduct annual operational environment examinations and water quality examinations, enhancing the pollution prevention measures and maintaining the company’s compliance with laws and regulations of environmental protection.
B: Cooperation with Industrial Technology Research Institute allows the company to enhance its pollution protection facilities and technologies.
C: The company's related expense on environmental protection activities in 2023 is NT$71,997 thousand, approximately 5.98% of the revenue.
(2) Community involvement :
A: Sponsorship of neighboring temples to Purdue, and other sesame oil money.
B: Sponsored the Mid-Autumn Festival Gala in Haihuli and Binhaili.
C: Providing the venue to the Republic of China Armed Forces for military exercises.
D:Participating in community activities to maintain a decent relationship with the residents.
E: Performing joint fire safety exercises with the Shan Jiao Branch of the Fire Department.
(3) Social contributions :
A: Dedicating to the shareholders’ interest and benefit: The net profit after tax in 2023 is NT$ 294,721 thousand.
B: Contribution to the national treasury tax revenue as an honest taxpayer: The submitted business income tax in 2023 is NT$ 4,636 thousand.
C: Attending to the interest and benefits of the employees and creating job opportunities:
As of the end of 2023, the company hired 254 employees with harmonious labor-management relations and zero records of labor-management disputes. The expense on employee welfare in 2023 is NT$ 288,278 thousand.
D: Manufacturing medical and pharmaceutical products, striving for the improvement of human health.
(4) Social service and welfare :
A: Joining the Republic of China Criminal Investigation Association to support the development of police public services.
B: Donated NT$ 150,000 to the Zhang Zhaoding Foundation to sponsor research and publication in science, culture and talent cultivation.
C: Sponsored NT$ 30,000 for the Asian Biotechnology Conference to showcase the achievements of Taiwan's biotechnology industry and bring together global biotech capabilities and talents in Taiwan.
(5)Health and safety :
A: Enacting comprehensive standard operating procedures and requiring the employees to follow them strictly.
B: Requiring the employees to wear protective equipment, such as safety goggles, safety footwear, safety helmet, protective clothing, etc.
C: Installing adequate emergency medical equipment such as AED with regular inspections, updates, and operations.
D: Regularly performing internal and external industrial safety educational training sessions, as well as health, safety, and environment examinations, and the related deficiency shall be reflected in the distribution of performance bonuses.
E: Offering employees’ health examinations annually, with additional examination items provided to operators tackling special tasks.
(6) Other sustainable development activities :
A: Enhancing the mental and physical well-being of the employees through the promotion of travel and leisure activities.
B: The outdoor basketball court is converted into a dual-purpose indoor basketball and badminton court as a leisure sports venue for the employees.

3.3.5.1 Climate-related information implementation status :

Item	Execution situation
1. Describe board and management oversight and governance of climate-related risks and opportunities.	SCI attaches great importance to the supervision and governance of climate-related risks and opportunities. The company's dedicated unit for promoting sustainable development is the general manager's office, and a sustainable development committee has been established. Chairman Weng Weijun serves as the chairman, and General Manager Zhou Wenzhi serves as the deputy chairman. . The Sustainable Development Committee has established 6 groups to review and improve the implementation by convening each group regularly. As for the board of directors, General Manager Zhou and Deputy General Manager Yang Wenzhen report to the board of directors on the current implementation status of sustainable development at least once a year to facilitate the board of directors to evaluate the company's impact on climate change and provide relevant suggestions.
2. Describe how the identified climate risks and opportunities impact the company's business, strategy and finances (short-term, medium-term, long-term).	SCI initially identifies climate risks and opportunities: Short-term impact: Extreme weather events or supply chain disruptions may lead to production interruptions, logistics delays and increased costs. SCI has established contingency plans to mitigate possible impacts. Medium-term impact: Unstable climatic conditions in specific regions may affect the supply of specific raw materials. Therefore, Xufu will strengthen supply chain management to ensure the stability of raw materials. Long-term impacts: Climate change may have long-term impacts on a company’s sustainability and financial stability. Xufu plans to introduce the risk assessment mechanism recommended by TCFD to conduct assessments on specific issues of climate change to understand the specific potential financial impacts, and adjust long-term strategies accordingly to ensure that the company's future development is consistent with climate challenges.
3. Describe the financial impact of extreme climate events and transition actions.	Extreme weather events may cause production interruptions, requiring remedial measures, such as temporary adjustments to production plans or reserve raw materials, which may put short-term pressure on financial performance; future implementation of climate transformation actions will require increased sustainability-related investments, such as purchasing more environmentally friendly products equipment and the introduction of green energy, etc. Such investment costs may have an impact on the company's cash flow in the short term. In addition, taking climate transformation actions may also increase the company's brand value and maintain the company's competitiveness in a market that increasingly values sustainability, which will have a positive impact on financial performance.
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	In order to strengthen corporate governance and effectively implement and improve the company's risk management mechanism and reduce the risks that may be faced in operations, Xufu has formulated "Risk Management Policies and Procedures". In the future, climate risks will be gradually integrated into the overall risk management system and closely integrated with the company's governance structure. To ensure comprehensive and effective management of climate-related risks.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be described.	SCI plans to introduce the risk assessment mechanism recommended by TCFD. In the future, it will evaluate the financial impact and transformation caused by changes in production, legal compliance and market demand based on increasingly stringent regulations and policies, extreme weather event risks, supply chain stability and other

	analytical factors. Action feasibility assessment.
6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transition risks.	In order to mitigate the risk impact of climate change, Xufu's board of directors has approved the planning and schedule of greenhouse gas inventory and third-party verification, with the goal of completing third-party verification by 2026.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	SCI will complete a product carbon inventory in 2023, and is expected to complete the greenhouse gas inventory in 2024. After understanding the greenhouse gas emissions in each business category and process, it will refer to domestic and foreign carbon pricing trends, based on objective and specific Use the data to complete internal carbon pricing operations.
8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress and other information should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the information should be explained. The source and quantity of offset carbon r eduction credits or the quantity of renewable energy certificates (RECs).	SCI initially aims to reduce carbon emissions by 1% per year.

3.3.5.2 Greenhouse Gas Inventory and Confirmation Status

1. Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/million yuan) and data coverage of greenhouse gases in the past two years. When some production areas resumed work in 2011 and 2012, the greenhouse gas emissions and intensity were: 2022: Emissions: 6,289 metric tons CO2e, intensity 7.0 metric tons CO2e/million yuan. (Scope 1, 1,352 metric tons CO2e; Scope 2, 4,937 metric tons CO2e) 2023: Emissions are 10,570 metric tons CO2e, intensity is 8.8 metric tons CO2e/million yuan. (Scope 1 2,416 metric tons CO2e; Scope 2 8,154 metric tons CO2e) The emissions from the resumption of work in the 2023 production area are approximately 63% of the emissions before the fire accident in 2020 (the emissions in 2020 were 16,805 metric tons of CO2e).
2. A description of the confidence in the last two years as of the publication date of the annual report, including the scope of the confidence, the organization of the confidence, the standards of the confidence and the confidence opinion. Scope of assurance: 1 product VA Assurance organization: SGS Assurance criteria: ISO 14067 Assurance opinion: ISO 14067 verification has been obtained in 2023.

3.3.6 Implementation of Ethical Corporate Management, Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons Thereof

Evaluation Item	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management (1) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies, practices, as well as the commitment of the board of directors and the senior management to rigorous and thorough implementation of such policies?	V		The company's Board of Directors approved the latest amendment of the Ethical Corporate Management Best Practice Principle on March 13, 2020, with the corporate ethical management policies specified in its contents, which shall be implemented thoroughly in the internal management and external business operations in a fair, just, and open manner. The company's ethical corporate management policy is "Treating all the stakeholders with honesty and integrity, promoting the transparency of the company management; Internalize honesty and integrity as the core value of the company and have zero-tolerance for any unethical behaviors." The company's Directors and the senior executives above the Manager level have signed the Declaration of Ethical Management.	None
(2) Has the company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within its business scope which are at a higher risk of unethical conduct, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The company's Audit Office conducts audit operations following the annual audit plan enacted after the evaluation of risks every year, and no unethical behaviors were discovered through the audit for 2023. The contents of the company's Ethical Corporate Management Best Practice Principle include the prevention measures for every item stated under the subparagraphs of paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principle for TWSE/GTSM Listed Companies. The Audit Office audited the implementation of ethical corporate management in 2023, and no unethical behaviors were discovered. The company actively observes the development of the domestic and international ethical corporate management and encourages the Directors, Managers, and personnel to offer suggestions for the improvement of the ethical corporate management policy and implementation measures, enhancing the efficiency of the company's ethical corporate management.	None
(3) Has the company specified in its prevention programs the operating procedures, guidelines, disciplinary measures for violations, and a grievance system, and implemented them and reviewed the prevention programs on a regular basis?	V		The contents of the company's Ethical Corporate Management Best Practice Principle include the operational procedures, guidelines of behaviors, disciplinary actions when violating the rules, and the complaint systems (please refer to Attachment 1), which are implemented accordingly. To prevent any unethical behavior, the company requires the employees to actively propose	None

			explanations when they meet any ethical concerns and conflicts of interest and follow the regulation of the Ethical Corporate Management Best Practice Principle. The company has established a complaint channel for employees or related personnel to blow the whistle on any inappropriate business behaviors, which shall be handled by the managerial executives appointed by the company. There were no unethical behaviors discovered or any whistle-blowing incidents in 2023. The company's Board of Directors enacted the latest amended Ethical Corporate Management Best Practice Principle at the meeting on March 13, 2020, which was proposed to the shareholders' meeting on June 19, 2020.	
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and its trading counterpart clearly provide terms on ethical conduct?	V		Currently, before the company trade with a supplier, the personnel in charge of the case will review the supplier's past transaction record or conduct Internet searches on the supplier to ensure there is no record of unethical behaviors, and it shall be clearly stated in the agreement that the company may terminate or cancel the agreement at any time if any unethical behaviors are involved.	None
(2) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once a year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		The company's dedicated unit in charge of promoting ethical corporate management is the President Office, which is supervised by the President, while the assigned Head of Corporate Governance is required to report to the Board of Directors annually concerning the implementation progress of the previous year, and the Audit Office shall audit the compliance of above-mentioned systems. The most recent report to the Board of Directors occurred at the Board meeting on March 12, 2024, where the report on the 2023 ethical corporate implementation was conducted by the Head of Corporate Governance, and no fraud or unethical behaviors have occurred in 2023.	None
(3) Has the Company established policies preventing conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	V		To prevent any unethical behavior, the company requires the employees to actively propose explanations when they meet any ethical concerns and conflicts of interest and follow the regulation of the Ethical Corporate Management Best Practice Principle.	None
(4) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted CPAs to conduct the audit?	V		The company has established effective accounting and internal control systems to ensure the implementation of ethical corporate management, and the Audit Office will audit the compliance of the aforementioned systems following the annual audit plan.	None

(5) Does the Company regularly organize internal and external training courses on ethical corporate management?	V		The company has enacted the Procedures for Handling Material Inside Information and Ethical Corporate Management Best Practice Principle, which strictly prohibits insiders such as Directors or employees to gain profit from trading the company's shares with information not available to the public. The company has amended the Corporate Governance Principle in the Board of Directors' meeting on March 18, 2022, with the introduction of new control measures on the share trading by the company insider when acknowledging the financial report or relevant business contents of the company, which includes (but not limited to) that the Directors may not trade their shares within 30 days before the publishment of annual financial report and 15 days before the publishment of quarterly financial report. The company also notifies the directors and all employees of the above-mentioned stock trading control measures by email on a quarterly basis. In order to promote and publicize honest behavior and prevent insider trading, the company regularly conducts education and training every year. 2024 began to use the electronic system MasterControl Training Task in early January every year to conduct online publicity on listed company laws and regulations to 250 employees, including Ethical Corporate Management, Procedures for Processing Material Inside Information, Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Corporate Governance Principles, Sustainable Development Principles, and sample cases of the latest insider trading incident. The related regulations are uploaded to the company's internal network and websites for employees to reference at any time. The advantage of starting to use this system for control this year is that each colleague's training and test records will be left. Training courses from external institutes for corporate ethical management, corporate governance, and other related topics are provided in 2023, with 11 participants from the company reaching a total duration of 108 training hours.	None
3.Status for enforcing whistle-blowing systems in the Company (1) Has the Company established concrete whistle-blowing and reward systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case reported by the whistle-blower?	V		The company has established a channel for complaints with a dedicated unit to handle the related matters, following the process specified by terms enacted in the Best Practice Principle.(Please refer to Attachment 1)	None
(2) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms?	V		The company's Ethical Corporate Management Best Practice Principle has specified the investigation procedures and confidentiality mechanism. (Please refer to Attachment 1)	None

(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistle-blower?	V		The company's Ethical Corporate Management Best Practice Principle has specified the investigation procedures and confidentiality mechanism. (Please refer to Attachment 1)	None
4. Improvement of information disclosure Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities on its official website or the Market Observation Post System (MOPS)?	V		The company has disclosed its Ethical Corporate Management Best Practice Principle on the company's official site and the MOPS (Market Observation Post System). The company has uploaded the annual report to the company's website and has set up a Sustainable Development page to disclose information related to ethical corporate management for investors to reference.	None
5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company : None.				
6. Any important information to better understand the Company's implementation of ethical corporate management (for example, any review or amendment to best practices for ethical corporate management of the Company): The company's Board of Directors approved the latest amendment of the Ethical Corporate Management Best Practice Principle on March 13, 2020.				

3.3.7 Access to the Corporate Governance Best Practice Principles and related regulations:

(1) The Company's related regulations are as follows:

Work Rules
Rules and Procedures of Shareholders Meeting
Rules for Election of Directors
Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
Rules and Procedures of Board of Director Meetings
Codes of Ethical Conduct
Self-Regulatory Rules on Disclosure of Merger and Acquisition Information
Procedures for Handling Material Inside Information
Audit Committee's Charter
Remuneration Committee's Charter
Ethical Corporate Management Best Practice Principles
Sustainable Development Best Practice Principles
Corporate Governance Best Practice Principles
Environmental Safety and health management of procurement practices
Performance Evaluation Regulation of the Board of Directors
Risk Management Policy and Procedure
Supplier evaluation system and Supplier Evaluation Form

(2) The company enacted the Procedures for Handing Material Inside Information and Ethical Corporate Management Best Practice Principles, which strictly prohibited the Directors, employees, and other insiders to make profits by exploiting information not available in the market to trade the Company's shares. In order to promote and publicize honest behavior and prevent insider trading, the company regularly conducts education and training every year.

(3) Available on : SCI's website : www.sci-pharmtech.com.tw

3.3.8 Other important information on the state of corporate governance activities :

(1) MOPS : http://newmops.twse.com.tw

(2) SCI’s website : www.sci-pharmtech.com.tw

3.3.9 Implementation of the internal control system:

(1) Statement of Internal Control System:Please refer to attachment 2.

(2) Appointed accountants audit internal control system, should disclose accountant audition result : Not Applicable.

3.3.10 In the most recent year and as of the printing date of this annual report, where the Company and its internal personnel were imposed with penalties according to laws, or the Company imposed penalties on its internal personnel for violating the internal control system, or the results of the penalties may have a significant impact on shareholders' equity or securities prices, the content of the penalties, major deficiencies, and improvement shall be specified : None

3.3.11 Major resolutions and state of implementation of the shareholders' meeting and the Board of Directors in the most recent year up to the printing date of this Annual Report:

（1）Major resolutions and state of implementation of the shareholders' meeting in 2023:

Ratification Items:

Propose 1
Proposal: Please ratify the 2022 business report and financial statements.
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.

Propose 2
Proposal: Please ratify the 2022 earnings distribution.
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.

Discussion Items :

Propose 1
Proposal: 2022 Annual Profit and Employee Compensation Conversion into Capital Increase and Issuance of New Shares.
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.

Propose 2
Proposal: Amendment to the company's articles of association.
Resolution: This proposal has been voted and ratified by the shareholders present in the meeting.

Note: For the complete meeting records, meeting manual, and supplementary information of this meeting, visit MOPS at: http://mops.twse.com.tw

（2）Review of the state of implementation of resolutions from the previous annual shareholders’ meeting: All resolutions from the 2023 annual shareholders’ meeting have been implemented accordingly.

（3）List of resolutions of the Board meeting:

Date	Content of Resolution	Result of Resolution
1st Meeting of the Board of Directors in 2023 (March 14, 2023)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of ethical corporate management. 5.Report of the performance evaluation of the board of directors. 6.Report of Greenhouse gas inventory and third-party verification progress Discussion Items : 1.The compensation for employees and directors. 2.The 2022operation report and financial statements. 3.Distribution of retained earnings. 4.Turn surplus and employee bonus into capital increase and issue new shares. 5.Statement of internal control system. 6.Convention of 2023 general shareholders' meeting. 7.Amendment to Article of Incorporation. 8.Amendment to Corporate Governance Best Practice Principles. 9.Amendment to Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises. 10.Amendment to Sustainable Development Best Practice Principles. 11.Change visa accountant. 12.General principles for proposed pre-approval of non-assured service policies.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
2st Meeting of the Board of Directors in 2023 (May 12, 2023)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of Greenhouse gas inventory and third-party verification progress 4.Report of internal audit. Discussion Items : 1. The Company's consolidated financial statements for the first quarter of 2023. 2. Revised Risk Management Policies and Procedures. 3. Apply for a bank line of credit. 4. Salary structure adjustment.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
3rd Meeting of the Board of Directors in 2023 (July 5, 2023)	Election Items : Election of chairman Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of communicate with stakeholders. Discussion Items : 1. Set the base date for the issuance of new shares and the allotment of dividends by shareholders for the recapitalization of retained earnings. 2. Donation to related party. 3. Obtain long-term securities investment. 4. Guanyin Factory Progress Adjustment 5.Through manager position adjustment and	Director Chen, Chia-Chun nominated director Wong, Wei-chyun to serve as the chairman of the current session, which was seconded and approved by the chairman after consultation with all attending directors. All directors agreed to pass all proposals without objection. (Directors Wong, Wei-Chyun、Chen, Shiang-Li、Chou, Wen-Chih and Chen, Aurora recused themself from voting in Proposal 2 due to the conflict of interest.)

Date	Content of Resolution	Result of Resolution
	employee remuneration amount.	(Directors Chou, Wen-Chih recused themself from voting in Proposal 5 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors : None.
4th Meeting of the Board of Directors in 2023 (August 10, 2023)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of director liability insurance. 4.Report of internal audit. 5.Report of Greenhouse gas inventory and third-party verification progress Discussion Items : 1.The Company's consolidated financial statements for the second quarter of 2023. 2.Handle cash capital increase and issue new shares. 3.Formulate methods for employee stock subscription for cash capital increase. 4.Revised Financial Statement Preparation Management Measures. 5. Apply to the bank for a comprehensive credit line.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
5th Meeting of the Board of Directors in 2023 (October 6, 2023)	Report Items : Minutes and execution of tne last meeting. Discussion Items : 1.112 years cash capital increase issuance of new shares manager stock subscription case. 2. Adjustment of DBO contract amount for Guanyin Plant wastewater treatment facility.	All directors agreed to pass all proposals without objection. (Directors Chou, Wen-Chih recused themself from voting in Proposal 5 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors : None.
6th Meeting of the Board of Directors in 2023 (November 10, 2023)	Report Item : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of Greenhouse gas inventory and third-party verification progress Discussion Item : 1.The Company's consolidated financial statements for the third quarter of 2023. 2.The independent evaluation of CPAs and fees. 3.Extension of bank credit lines. 4.Providing bank loan guarantee to Framosa Co., Ltd.. 5.Overdue accounts receivable are not in the nature of capital loans.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.
7th Meeting of the Board of Directors in 2023 (December 18, 2023)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of ESG implementation. 5.Report of Risk Management Policy、Procedure and implementation. 6.Report of Information security management and implementation. 7.Report of Intellectual Property Management Plan	

Date	Content of Resolution	Result of Resolution
	and implementation. Discussion Items : 1.2023 Operational Review and 2024 Budget. 2.Finalize the internal audit plan for 2024. 3.Approved manager's the Remuneration.	All directors agreed to pass all proposals without objection. (Directors Wong, Wei-Chyun and Chou, Wen-Chih recused themself from voting in Proposal 3 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors : None.
1st Meeting of the Board of Directors in 2024 (March 12, 2024)	Report Items : 1.Minutes and execution of tne last meeting. 2.Report of important financial and business. 3.Report of internal audit. 4.Report of ethical corporate management. 5.Report of the performance evaluation of the board of directors. 6.Report of Greenhouse gas inventory and third-party verification progress Discussion Items : 1.The compensation for employees and directors. 2.The 2023operation report and financial statements. 3.Distribution of retained earnings. 4.Statement of internal control system. 5.Convention of 2024 general shareholders' meeting. 6.Terminate the non-compete of directors 7.Amendment to Article of Incorporation. 8.Amendment to Rules and Procedures of Board of Director Meetings. 9.Amendment to Audit Committee's Charter. 10.Amendment to Rules and Procedures of Shareholders Meeting. 11. Added new sustainability report preparation and verification procedures. 12. Change visa accountant. 13. Bank credit line extension.	All directors agreed to pass all proposals without objection. Opinions of independent directors: None. Disposal of opinions of independent directors : None.

（4）List of proposals of the Audit Committee :

Date	Content of Resolution	Result of Resolution
1st Meeting of the Audit Committee in 2023. (March 14, 2023)	Discussion Items : 1. The 2023 operation report and financial statements. 2. Distribution of retained earnings. 3.Turn surplus and employee bonus into capital increase and issue new shares. 4.Statement of internal control system. 5. Intending to replace the visa accountant. 6. General principles for proposed pre-approval of non-assured service policies.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
2st Meeting of the Audit Committee in 2023. (May 12, 2023)	Discussion Items : 1. The Company's consolidated financial statements for the first quarter of 2023. 2.Revised Risk Management Policies and Procedures.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.

Date	Content of Resolution	Result of Resolution
3th Meeting of the Audit Committee in 2023 (August 10, 2023)	Discussion Item : 1.The Company's consolidated financial statements for the second quarter of 2023. 2.Handle cash capital increase and issue new shares. 3.Revised Financial Statement Preparation Management Measures.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
4th Meeting of the Audit Committee in 2023 (November 10, 2023)	Discussion Item : 1.The Company's consolidated financial statements for the third quarter of 2023. 2.The independent evaluation of CPAs and fees. 3. Providing bank loan guarantee to Framosa Co., Ltd.. 4.Overdue accounts receivable are not in the nature of capital loans.	All members agreed to pass all proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
5th Meeting of the Audit Committee in 2023 (December 18, 2023)	Report Items : Report of Risk Management Policy、Procedure and implementation. Discussion Item : Finalize the internal audit plan for 2024.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.
1th Meeting of the Audit Committee in 2024 (March 12, 2024)	Discussion Item : 1.The 2023operation report and financial statements. 2.Distribution of retained earnings. 3.Statement of internal control system. 4. Amendment to Audit Committee's Charter. 5.Added new sustainability report preparation and verification procedures. 6.Change visa accountant.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Audit Committee : None.

（5）List of proposals of the remuneration committee :

Date	Content of Resolution	Result of Resolution
1st Meeting of the Remuneration Committee in 2023 (March 14, 2023)	Discussion Item : The compensation for employees and directors in 2022.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
2st Meeting of the Remuneration Committee in 2023 (May 12, 2023)	Discussion Item : Salary structure adjustment.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
3th Meeting of the Remuneration Committee in 2023 (July 5, 2023)	Discussion Item : Through manager position adjustment and employee remuneration amount.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
4th Meeting of the Remuneration Committee in 2023	Discussion Item : 112 years cash capital increase issuance of new shares manager stock subscription case.	All members agreed to pass this proposals without objection.

Date	Content of Resolution	Result of Resolution
(October 6, 2023)		Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
5th Meeting of the Remuneration Committee in 2023 (December 18, 2023)	Discussion Item : Approved manager's the Remuneration.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.
1st Meeting of the Remuneration Committee in 2024 (March 12, 2024)	Discussion Item : Discussion Item : The compensation for employees and directors in 2023.	All members agreed to pass this proposals without objection. Opinions of members : None. Disposal of opinions of Remuneration Committee : None.

3.3.12 Any dissenting opinions on record or stated in a written statement made by Directors regarding key resolutions of the Directors' Meeting in the most recent year up to the publication date of this report: None.

3.3.13 Any resignation or dismissal of company personnel related to the financial report (such as chairman, directors, president, principle accounting officer, principle financial officer, internal audit officer and principle research and development officer) in the most recent fiscal year up to the publication date of this report: None.

3.4 Information on the CPA's fees:

3.4.1 The CPA's fees:

Unit: NT$

Name of the accounting firm	Name of CPA	CPA's Audit period	Audit Fee	Non- audit Fee	Total	Note
KPMG	Serena Hsin Swimming Hsu	Jan. 1, 2023 to Dec. 31, 2023	1,880,000	497,000	2,377,000	

Non- audit Fee				
Tax Compliance Audit	Business Registration	Recapitalization of retained earnings	Others	Subtotal
400,000	64,000	33,000	0	497,000

3.4.2 Where accounting firm was replaced and the accounting fee paid for the year was less than that of the previous year : Not Applicable.

3.4.3 The audit fee decreased by more than 10% compared with the previous year : Not Applicable.

3.4.4 The Company implements regular evaluate the independence and compliance every year :

The company's management authorities regularly evaluate the independence and competency of the CPAs every year. The evaluation procedures are:

1. Self-evaluation by the CPAs : fill in the CPAs' independence and competency evaluation form, and issue a declaration of detachment and independence.
2. Initial evaluation of managers.
3. CPAs report AQIs to the board of directors.
4. Review and resolution of the Audit Committee and Board of Directors:
   The overall evaluation results were submitted to the audit committee and the board of directors for review and resolution, and the company passed the CPAs' independence and competency evaluation on November 10, 2023.

Included evaluation items:
The CPAs, the spouses of CPAs, and the minor children of CPAs having no investment or sharing a financial interest with the company, and the CPAs, the spouses of CPAs, the minor children of CPAs having no financial debt with the company, etc. and AQIs.

3.4.5 The board of directors of the company expects to refer to the audit quality indicators (AQIs) when assessing the independence and suitability of certified accountants once a year, and disclose the assessment procedures on the company website.

3.5 Replacement of CPA information :

3.5.1 About the former accountant：

<table>
<tr><td>Replacement date</td><td colspan="3">March 14, 2023、March 12, 2024</td></tr>
<tr><td>Replacement reasons and instructions</td><td colspan="3">KPMG internal work adjustment</td></tr>
<tr><td rowspan="3">Indicates that the appointing person or accountant has terminated or refused to accept the appointment</td><td>Party
Condition</td><td>Accountant</td><td>Appointed person</td></tr>
<tr><td>Voluntary termination of appointment</td><td>V</td><td></td></tr>
<tr><td>Not accepting (continuing) appointment</td><td></td><td></td></tr>
<tr><td>Opinions and reasons for audit reports other than unqualified opinions issued within the latest two years</td><td colspan="3">None</td></tr>
<tr><td rowspan="7">Disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td>Accounting Principles or Practices</td></tr>
<tr><td></td><td>Disclosure of financial reports</td></tr>
<tr><td></td><td>Check scope or steps</td></tr>
<tr><td></td><td>Other</td></tr>
<tr><td></td><td></td></tr>
<tr><td>No</td><td colspan="2">V</td></tr>
<tr><td colspan="3">Illustrate</td></tr>
<tr><td>Other disclosures</td><td colspan="3">1. The previous accountant had informed the company that it lacked a sound internal control system, making its financial reports unreliable: None.
2. The previous accountant had informed the company that it could not rely on the company's statement or was unwilling to have any connection with the company's financial report: None.
3. The previous accountant had notified the company that the scope of the audit must be expanded, or the information indicated that expanding the scope of the audit may damage the credibility of the previously issued or upcoming financial reports, but the former accountant did not expand the scope of the audit due to the change of accountants or other reasons : None.
4. The former accountant had informed the company that based on the information collected, the credibility of the financial report issued or to be issued may be damaged, but due to the change of accountant or other reasons, the former accountant did not deal with this matter: None.</td></tr>
</table>

3.5.2 About Successor Accountants：

Firm name	KPMG	
Accountant name	Hsin, Yu-Ting	Huang, Keng Chia
Date of appointment	March 14, 2023	March 12, 2024
Consultation matters and results of accounting treatment methods or accounting principles for specific transactions and possible issuance of financial reports before appointment.	None	
Written opinion of the successor accountant on matters with different opinions from the predecessor accountant.	None	

3.5.3 Reply letter from the former accountant to item 1 and item 3 of Item 6 of Article 10 of this Standard: None.

3.6 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all relevant information should be disclosed : None.

3.7 Equity transfer or changes to equity pledge of directors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report :

3.7.1

List of changes to the equity of directors, managerial officers, and major shareholders

Unit: Shares

Title	Name	2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director & more than 10% shareholding	Mercuries & Associates Holding,	5,307,419	0
Director	Wei-Chyun Wong	143,590	0
Director	Shiang-Li Chen	0	0
Director	Te-cheng Tu	0	0
Director	Chia-Chun Jay Chen	0	0
Director	Vincent Wang	1,352	0
President	Wen-Chih Chou	55,650	0
Business Div. Vice President	Michele Seah	34,923	0
Technical Div. Vice President	Jinun Ban Yeh	52,957	0
FA Div. Vice President	Deiter Yang	14,971	0
Operating Div. Assistant Vice President	Wei-Song Yin	33,507	0
Quality Div. Assistant Vice President	Bo-Fong Chen	30,583	0
PDM/EH Manager	Ricky Liu	397	0
QA Manager	Vincent Chiang	29,017	0
BA Manager	Nancy Lee	14,409	0
EN Manager	Chung-Lung Su	20,341	0
RD Deputy Manager	Andy Lee	18,245	0
PD Deputy Manager	Jimmy Chang	27,144	0
QC Deputy Manager	JoJo Lu	8,814	0

3.7.2 Shares Trading with Related Parties : None.

3.7.3 Shares Pledge with Related Parties : None.

3.8 Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree :

Relationship information between the 10 largest shareholders

Name	Shares held by the person		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship		Note
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
Mercuries & Associates Holding, Ltd.	30,283,358	31.75%	None	None	None	None	Mercury Fu Bao Mercuries & Associates Co., Ltd.	Note2 (A)	
Institutional representative：Chen, Shiang-Li	None	None	None	None	None	None	Mercuries & Associates Holding, Ltd Shanglin-Hsu, Chang-Hui Mercury Fu Bao Mercuries & Associates Co., Ltd.	Chairman The first degree of kinship. Director Director	
Zhan, Li-Wei	6,738,000	5.64%	None	None	None	None	None	None	
CTBC Bank is entrusted to SCI PHARMTECH, INC. Employee Shareholding Association Trust Property Special Account.	3,083,447	2.58%	None	None	None	None	None	None	
Mercury Fu Bao Co., Ltd.	2,839,592	2.38%	None	None	None	None	Mercuries & Associates Holding, Ltd	Note2 (B)	
Chen, Chun-Fang	1,468,900	1.23%	None	None	None	None	None	None	
Mercuries & Associates Co., Ltd.	1,439,485	1.20%	None	None	None	None	Mercuries & Associates Holding, Ltd	Note2 (B)	
Shuren Investment Co., Ltd. representative：Wong, Chau-Shi	1,270,125	1.06%	None	None	None	None	Wong, Wei-Chyun	The first degree of kinship.	
Chou, Yong-Cong	961,983	0.80%	None	None	None	None	None	None	
Shanglin Investment Co., Ltd. representative：Hsu, Chang-Hui	714,166	0.60%	None	None	None	None	Mercuries & Associates Holding, Ltd-Chen, Shiang-Li	The first degree of kinship.	
Wong, Wei-Chyun	670,560	0.56%	68,829	0.06	None	None	Mercuries & Associates Holding, Ltd Shuren – Wong, Chau-Shi	Director The first degree of kinship.	

Note 1: The 10 largest shareholders shall be listed. For corporate shareholders, the title of the corporate shareholder as well as the name of the representative shall be indicated.

Note 2: A.The investee company evaluated by the equity method for the enterprise.
B. It is an investor who evaluates the investment of the company by the equity method.

3.9 Number of shares held and percentage of stake of investment in other by the companies company, the company’s director, managerial officer, or an entity directly or indirectly controlled by the company, and calculations for the consolidated shareholding percentage of the above categories : Not Applicable.

4、Capital Overview

4.1 Capital and Share

4.1.1 Source of Captial

Month/ Year	Issuance Price Per Share (NT$)	Authorized Capital		Paid-in Capital		Note		
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
September 1987	100	495	49,500	148	14,801	Funded	—	—
January 1988	100	495	49,500	495	49,500	Issuance of common stock	—	—
August 1990	100	800	80,000	800	80,000	Issuance of common stock	—	—
February 1991	100	1,200	120,000	1,200	120,000	Issuance of common stock	—	—
September 1991	100	2,000	200,000	1,600	160,000	Issuance of common stock	—	—
January 1993	100	2,000	200,000	2,000	200,000	Issuance of common stock	—	—
November 1995	100	1,200	120,000	1,200	120,000	Capital reduction	—	—
April 1996	10	20,000	200,000	20,000	200,000	Issuance of common stock	—	Note1
April 2002	10	30,000	300,000	22,800	228,000	Issuance of common stock & Recapitalization of retained earnings	—	Note2
January 2003	10	30,000	300,000	26,800	268,000	Issuance of common stock	—	Note3
June 2003	10	39,600	396,000	30,129	301,290	Recapitalization of retained earnings	—	Note4
July 2004	10	39,600	396,000	32,511	325,107	Recapitalization of retained earnings	—	Note5
June 2008	10	39,600	396,000	36,162	361,617	Recapitalization of retained earnings & employee bonus	—	Note6
July 2009	10	60,000	600,000	40,121	401,212	Recapitalization of retained earnings & employee bonus	—	Note7
November 2009	10	60,000	600,000	40,351	403,512	Issuance of stock from exercise of employee stock option	—	Note8
March 2010	10	60,000	600,000	40,462	404,622	Issuance of stock from exercise of employee stock option	—	Note9
July 2010	10	60,000	600,000	44,871	448,706	Issuance of stock from exercise of employee stock option	—	Note10
August 2010	10	60,000	600,000	44,991	449,906	Issuance of stock from exercise of employee stock option	—	Note11
November 2010	10	60,000	600,000	45,235	452,351	Issuance of stock from exercise of employee stock option	—	Note12
March 2011	10	60,000	600,000	45,267	452,671	Issuance of stock from exercise of employee stock option	—	Note13
July 2011	10	60,000	600,000	49,030	490,298	Recapitalization of retained earnings & employee bonus	—	Note14
December 2011	10	60,000	600,000	49,166	491,662	Issuance of stock from exercise of employee stock option	—	Note15
March 2012	10	60,000	600,000	49,191	491,913	Issuance of stock from exercise of employee stock option	—	Note16
November 2012	10	60,000	600,000	49,282	492,823	Issuance of stock from exercise of employee stock option	—	Note17
March 2013	10	60,000	600,000	49,317	493,173	Issuance of stock from exercise of employee stock option	—	Note18
August 2013	10	90,000	900,000	53,700	537,001	Recapitalization of retained earnings & employee bonus	—	Note19
September 2013	10	90,000	900,000	65,700	657,001	Issuance of common stock	—	Note20
March 2014	10	90,000	900,000	66,206	662,061	Restricted employee stocks & Convertible Bond	—	Note21
August 2014	10	90,000	900,000	69,690	696,905	Recapitalization of retained earnings & employee bonus / Cancellation of restricted employee stocks for a capital reduction	—	Note22

January 2015	10	90,000	900,000	69,652	696,525	Cancellation of restricted employee stocks for a capital reduction	—	Note23
August 2015	10	90,000	900,000	73,298	732,981	Convertible Bond	—	Note24
December 2015	10	90,000	900,000	75,121	751,213	Convertible Bond	—	Note25
April 2016	10	90,000	900,000	76,289	762,896	Convertible Bond	—	Note26
September 2016	10	90,000	900,000	79,485	794,853	Convertible Bond	—	Note27
September 2021	10	120,000	1,200,000	95,382	953,824	Recapitalization of retained earnings	—	Note28
August 2023	10	120,000	1,200,000	107,509	1,075,086	Recapitalization of retained earnings & employee bonus	—	Note29
September 2023	10	120,000	1,200,000	119,509	1,195,086	Issuance of common stock	—	Note30

Note 1：Approved by the MOEA Ching-(85)-Shou-Tzu Document No. 104652 of April 12, 1996.

Note 2：Approved by the MOEA Ching-(91)-Shou-Tzu Document No. 09101187210 of May 29, 2002.

Note 3：Approved by the MOF Tai-Cai-Zheng-Yi-Tzu Document No. 09100168605 of January 7, 1993.

Note 4：Approved by the MOF Tai-Cai-Zheng-Yi-Tzu Document No. 0920123426 of May 28, 1993.

Note 5：Approved by the FSC Jin-Guan-Zheng-Yi-Tzu Document No. 0930130746 of July 12, 2004.

Note 6：Approved by the FSC Jin-Guan-Zheng-Yi-Tzu Document No. 0970032412 of June 30, 2008.

Note 7：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 0980033622 of July 7, 2009.

Note 8：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09833408300 of November 10, 2009.

Note 9：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09931817460 of March 25, 2010.

Note 10：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 0990035314 of July 8, 2010.

Note 11：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09932503770 of August 26, 2010.

Note 12：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 09932819330 of November 12, 2010.

Note 13：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10031763320 of March 18, 2021.

Note 14：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 1000031659 of July 8, 2011.

Note 15：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10032829090 of September 2, 2011.

Note 16：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10131774560 of March 19, 2012.

Note 17：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10132725810 of November 16, 2012.

Note 18：Approved by the MOEA Ching-Shou-Chung-Tzu Document No. 10233283510 of March 20, 2013.

Note 19：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 1020025591 of July 2, 2013.

Note 20：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10201196540 of September 25, 2013.

Note 21：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301046450 of March 27, 2014.

Note 22：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10301172650 of August 27, 2014.

Note 23：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401008270 of January 15, 2015.

Note 24：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401148370 of August 19, 2015.

Note 25：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10401250530 of November 30, 2015.

Note 26：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10501075640 of April 22, 2016.

Note 27：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10501215700 of September 2, 2016.

Note 28：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 11001163710 of September 15, 2021.

Note 29：Approved by the MOEA Ching-Shou-Shang-Tzu Document No. 11230153980 of August 10, 2023.

Note 30：Approved by the FSC Jin-Guan-Zheng-Fa-Tzu Document No. 1120355636 of September 22, 2023.

4.1.2 Category of shares

April 1, 2024 Unit: Share

Category of shares	Authorized Capital Stock			Note
	Outstanding Shares	Unissued Shares	Total	
Registered common shares	119,508,634	491,366	120,000,000	Outstanding stock of a listed company

4.1.3 Shareholder Structure

April 1, 2024 Unit: Share

Shareholder Structure / Quantity	Governmental Institution	Financial Institution	Other Legal Persons	Natural Person	Foreign Institutions and Foreign Individuals	Total
Number of Persons	1	4	240	27,797	55	28,097
Shareholding	24,675	111,101	46,479,643	65,059,272	7,833,943	119,508,634
Shareholding ratio	0.02	0.09%	38.90%	54.43%	6.56%	100.00%

4.1.4 Shareholding Distribution Status

1. Common shares :

April 1, 2024 Unit: Share

Shareholding range	Number of Shareholders	Shareholding	%
1 ～ 999	17,914	1,080,762	0.90%
1,000 ～ 5,000	7,698	15,690,074	13.13%
5,001 ～ 10,000	1,258	9,093,559	7.61%
10,001 ～ 15,000	449	5,618,410	4.70%
15,001 ～ 20,000	202	3,578,601	2.99%
20,001 ～ 30,000	251	6,176,133	5.17%
30,001 ～ 40,000	94	3,266,140	2.73%
40,001 ～ 50,000	60	2,727,431	2.28%
50,001 ～ 100,000	100	6,878,428	5.76%
100,001 ～ 200,000	44	6,142,181	5.14%
200,001 ～ 400,000	17	4,479,880	3.75%
400,001 ～ 600,000	0	0	0%
600,001 ～ 800,000	2	1,384,726	1.16%
800,001 ～ 1,000,000	1	961,983	0.80%
1,000,001 以上	7	52,430,326	43.88%
Total	28,097	119,508,634	100.00%

2. Preferred stock : No preferred stock issued.

4.1.5 List of major shareholders :

April 1, 2024 Unit: Share

Name of major shareholder \ Shares	Shareholding	%
Mercuries & Associates Holding, Ltd. Institutional representative：Chen, Shiang-Li	35,590,777	29.78%
Zhan, Li-Wei	6,738,000	5.64%
CTBC Bank is entrusted to SCI PHARMTECH, INC. Employee Shareholding Association Trust Property Special Account.	3,083,447	2.58%
Mercury Fu Bao Co., Ltd.	2,839,592	2.38%
Chen, Chun-Fang	1,468,900	1.23%
Mercuries & Associates Co., Ltd.	1,439,485	1.20%
Shuren Investment Co., Ltd. representative：Wong, Chau-Shi	1,270,125	1.06%
Chou, Yong-Cong	961,983	0.80%
Shanglin Investment Co., Ltd. representative：Hsu, Chang-Hui	714,166	0.60%
Wong, Wei-Chyun	670,560	0.56%

4.1.6 Market Price, Net Value, Eearings and Dividends per Share in the last two fiscal years :

Item \ Year			2022	2023
Market price per share	Max		105.5	134.5
	Min		78.1	86.6
	Average		86.33	105.43
Net value per share	Before Distribution		38.05	42.67
	After Distribution (Note 1)		37.80	—
Earning Per Share (Note 2)	Weighted average (thousand shares)		95,382	109,309
	EPS before retrospective		3.24	2.70
	EPS after retrospective		2.88	—
Dividend per share	Cash Dividend		0.25	1.25
	Stock Dividend	Stock Dividend from Retained Earnings	1.25	—
		Stock Dividend from Capital Reserve	—	—
	Cumulative Un-paid Dividend (Note 3)		—	—
Return on investmen t analysis	Price-Earnings (P/E) Ratio (Note 4)		29.87	39.05
	Price-Dividend(P/D) Ratio (Note 5)		57.55	84.34
	Cash dividend yield (Note 6)		0.003	0.012

Note 1 : The distribution is filled in based on the resolution of the Board of Directors or the shareholders' meeting of the following year.

Note 2 : If there retroactive adjustments are required in the event of share grants or other reasons , the EPS before and after the adjustment shall be listed.

Note 3 : If the conditions of issuing the equity securities provide that the unpaid dividend of the year may be accumulated to the years with earnings, the accumulated unpaid dividend until the present year shall be disclosed separately.

Note 4 : P/E = Average closing price for each share of the year / Earnings per share

Note 5 : P/D = Average closing price for each share of the year / (Cash dividend and stock dividend per share)

Note 6 : Cash dividend yield = Cash dividend / Average closing price per share of the year

Note 7 : The earnings distribution of 2023 was proposed to be resolved in the Shareholders' meeting.

4.1.7 Dividend Policy and Implementation Status

1. Dividend Policy:

Article 23 of the Articles of Incorporation：
If there is any surplus in the corporation's general annual report, such surplus should be firstly used for paying various withholding taxes and covering the accumulated losses, and then 10% of such surplus should be withdrawn and deposited to serve as the statutory surplus reserve. In addition, a special surplus reserve shall be set aside in accordance with the provisions of the "Securities and Exchange Law". If there are still any surplus profits after the remaining surplus have been used for distributing and paying dividends, the board of directors shall formulate an allocation proposal in accordance with the corporation's Dividend Policy, and submit it to the shareholders' meeting for a resolution to distribute bonuses to shareholders.

Article 23-1 of the Articles of Incorporation：
The Dividend Policy of the corporation is stipulated according to the provisions of the Company Act and the articles of incorporation and will be determined depending on the factors such as the corporation's capital and financial structure, operating conditions, surplus profits, and its industry peculiarities and cycles. All the allocation will be conducted based on conservatism principle. The surplus profits shall be allocated in accordance with the provisions of the preceding article; what's more, the allocation of shareholders' dividends/bonuses in the current year should not be less than 50% of the after-tax surplus of the current year in principle, given that no special circumstances should be taken into account. The allocation of cash dividends will not be less than 10% of the total amount of dividends distributed.

2 . Dividend payout plans proposed during the most recent shareholder's meeting：

Table of 2023 Earnings Distribution

Unit: NT$

Item	Amount		Note
	Subtotal	Total	
Undistributed earnings at the beginning of the period		712,764,458	
Actuarial gains and losses included retained earning		(2,657,228)	
Adjustments to retained earnings on disposal of equity instruments measured at fair value through other comprehensive profit or loss		124,498,695	
Changes in affiliated enterprises and joint ventures recognized using the equity method		(670,067)	
Undistributed earnings adjusted		883,415,895	
Add: Profit	294,720,892		
Minus: Legal reserve appropriated	(41,589,229)		
Minus: Reversal of special reserve	54,726,502		
		307,858,165	
Earnings available for distribution		1,141,794,023	
Distribution Item－			
Cash dividend		(149,385,793)	NT$ 1.25/per share
Undistributed earnings at the end of the period		992,488,230	

3. Explanation of expected major changes in dividend policy:

The company does not major changes in dividend policy.

4.1.8 Impact to the company's business performance and earnings per share (EPS) for free allotment of shares proposed by this shareholder's meeting : Not applicable.

4.1.9 Remuneration for employees and directors :

1. The information regarding the remuneration of the employees and Directors is specified in the company's Articles of Incorporation are as the following:

   If the company gains profits within the fiscal year, it shall allocate part of it for the remuneration for employees and Directors. The profits allocated as the remuneration for employees shall be no less than 3%, and the profits allocated as the remuneration for Directors shall be no more than 2%. However, if the company had accumulated loss, the amount to offset such loss shall be allocated in advance.

2. If the basis for estimating the amount of the employees' and Directors' remuneration and calculating the number of shares to be distributed as employee remuneration, as well as the actual distributed amount, is different from the estimated figure in the current period, the CPAs will conduct the following process:

   The estimated employees' and Directors' remuneration payable in 2023 was allocated under the Article of Incorporation and the regulation related to remuneration, which was from utilizing the net income before tax without the deduction of the employees' and Directors' remuneration multiplied by the percentage of employees' and Directors' remuneration specified in the Article of Incorporation as the basis for distribution, and it was listed as the operating costs or the operating expense of that specific period. If the Board of Directors decided to distribute employees' remuneration via shares, the numbers of shares of the remuneration are to be calculated with the closing price of the common shares on the day before the resolution of the Board of Directors was made.

3. The status of remuneration distribution approved by the Board of Directors:

   (1) The approvals of the Board of Directors' meeting on March 12, 2024, are as follows:
   Employee remuneration : NT$ 24,407,466
   Director's remuneration : NT$ 3,936,000

   (2) The amount of the employees' remuneration distributed through shares and its proportion in the after-tax net income stated in the individual or independent financial reports and the total employee compensation of the current period: NA

4. The distribution of employees' and Directors' remuneration in 2022:

   (1) The distribution of employee's and Directors' remuneration for the specific year is as follows:
   Employee remuneration : NT$ 26,091,471
   Director's remuneration : NT$ 4,250,000

   (2) The discrepancy between the actual and estimated amount of the employees' and Directors' remuneration shall be listed with the reason and troubleshooting progress specified: No discrepancy was found.

4.1.10 Repurchase by the Company of its own shares : None.

4.2 Status of corporate bond : None.

4.3 Status of preferred share: None.

4.4 Status of global depositary receipt: None.

4.5 Status of employee stock option and restricted employee share : None.

4.6 Status of Mergers, Acquisitions, and Spin-Offs : None.

4.7 Financing plans and implementation status :
112 years of cash capital increase and new shares issued

4.7.1 Original plan content：

1. Sources of funds：

(1) Total funds required for this project: NT $1,074,000,000

(2) Sources of funds:

This cash capital increase issued 12,000 ordinary shares, with a face value of NT$10 per share and an issuance price of NT$80 per share. The total amount raised was NT$960,000, and the remaining NT$114,000 will be financed by its own funds.

(3) Planned projects and scheduled fund utilization progress:

Unit: Thousand NT$

Planned projects	Estimated completion date	Total funds required	Estimated fund utilization progress			
			2023	2024		
			Q4	Q1	Q2	Q3
Purchase machinery and equipment	2024Q3	1,074,000	474,000	250,000	200,000	150,000
Total		1,074,000	474,000	250,000	200,000	150,000

(4) Enter the date of the public information observatory： September 25, 2023

4.7.2 Plan execution status:

1. The execution status of the plan as of the first quarter of 2024 is as follows:

Unit: Thousand NT$

Planned projects	Execution status			Reasons why progress is ahead or behind and improvement plans
	actual progress	schedule	%	

Purchase machinery and equipment	130,009	474,000	27.43	Due to the delay in obtaining the usage license, some equipment and facilities cannot be installed. After the usage license is obtained, the construction of the equipment will be gradually spent.
Total	130,009	474,000	27.43	

2. Comparison of expected benefits:

In response to the company's long-term operational development and improvement of overall production capacity, the company is constructing the Guanyin factory and at the same time diversifying production bases to ensure customers the stability of the supply chain. In this financing plan, it is estimated that 1,074,000 yuan will be used to purchase machinery and equipment to establish There are 4 production lines. The Guanyin factory building is expected to apply for a license and acceptance by the end of 2011. Air conditioning, electromechanical, pure water system and wastewater system engineering will be carried out in 2013. The entry and verification of the main production equipment will be carried out in the middle of 2013. Product testing will be carried out in early 2014. Production verification and GMP factory inspections were carried out, and GMP certification was obtained in mid-2014. It is expected that from the second half of 2014 to 2013, it will increase operating income by RMB 7,106,301,000 and increase operating profits by RMB 1,337,538,000. The estimated investment payback years are approximately 9.42 Year, the relevant expected benefits are as follows:

Year	Operating revenue	Operating margin	Operating profit (A)	Depreciation expense (B)	Operating cash flow (A)+(B)	cumulative cash flow
2025	350,000	(7,211)	(17,711)	164,711	147,000	147,000
2026	402,500	16,414	4,339	164,711	169,050	316,050
2027	462,875	43,583	29,697	164,711	191,143	507,193
2028	532,306	74,827	58,858	164,711	211,797	718,990
2029	612,152	110,758	92,393	164,711	238,625	957,615
2030	703,975	152,078	130,959	164,711	269,478	1,227,093
2031	809,571	199,596	175,309	164,711	304,958	1,532,051
2032	931,007	254,242	226,312	164,711	345,761	1,877,812
2033	1,070,658	317,085	284,965	164,711	392,683	2,270,495
2034	1,231,257	389,355	352,417	164,711	446,644	2,717,139

Note: The Guanyin Factory is expected to invest 2,440,000 yuan, so the calculation of the investment recovery years includes depreciation of the overall estimated investment.

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5、Operational Highlights

5.1 Business Activities

5.1.1 Business scope :

1. Primary business operated by the Company :
   (1) Research and development, production, and sales of active pharmaceutical ingredients (API), API intermediates, and specialized and fine chemicals.
   (2) Supporting for Quotation, bidding, and distribution of products from domestic and overseas manufacturers as a local partner.
   (3) Represent for research and development of the aforesaid products.

2. Proportion of primary business :

Unit: NT$ Thousand

Item of Primary Product	2023	%
APIs	718,312	59.65%
API Intermediates	471,644	39.17%
Other	14,203	1.18%
Total	1,204,159	100.00%

3. Current products (services) offered by the Company :

Product Item	Name of Primary Product
APIs	VA Probucol Divalproate Sodium Propafenone Hydrochloride Duloxetine Hydrochloride Allopurinol Clindamycin palmitate HCl Articaine Hydrochloride HOCLQ-Sulfate Brinzolamide Sodium Valproate Pentobarbital Sodium Methylphenidate HCl Biso-FA Thiopental acid Loxoprofen Sodium Hydrate Atomoxetine HCl Cannabidiol Adenine Buprenorphine
API Intermediates	DEDPM PENT-2 AL-1 S-2 NBE EPMA-wet PEC Aminazole BHA PGA 2-BFAA BHZ

API Intermediates	3-Azetidinol Hydroxifenone 5T(Ritalinic acid) 5TC 5-HMT BOV ZP-3 (S)-MMAA HOCLQ BPPCE-HCL Prop-3 Thiazole acid Isopropenyl MgBr Chiral Aux DPAEE EPA Olivetol PMDOL
Specialty chemicals	7 chemicals, including diethyl ketone (DEK)

4. Development projects for new products (services) :

Name of Primary Product	New Product Description
Benserazide	API (Parkinson's disease treatment drugs)
ADC	Intermediates (antineoplastic drugs)

Note: Besides the aforementioned R&D projects will go forward, all production lines for the existing products will undergo replacement and modification.

5.1.2 State of the industry :

1. The current status and development of the industry:
   (Referenced from the 2023 Biotechnology Industry White Paper)

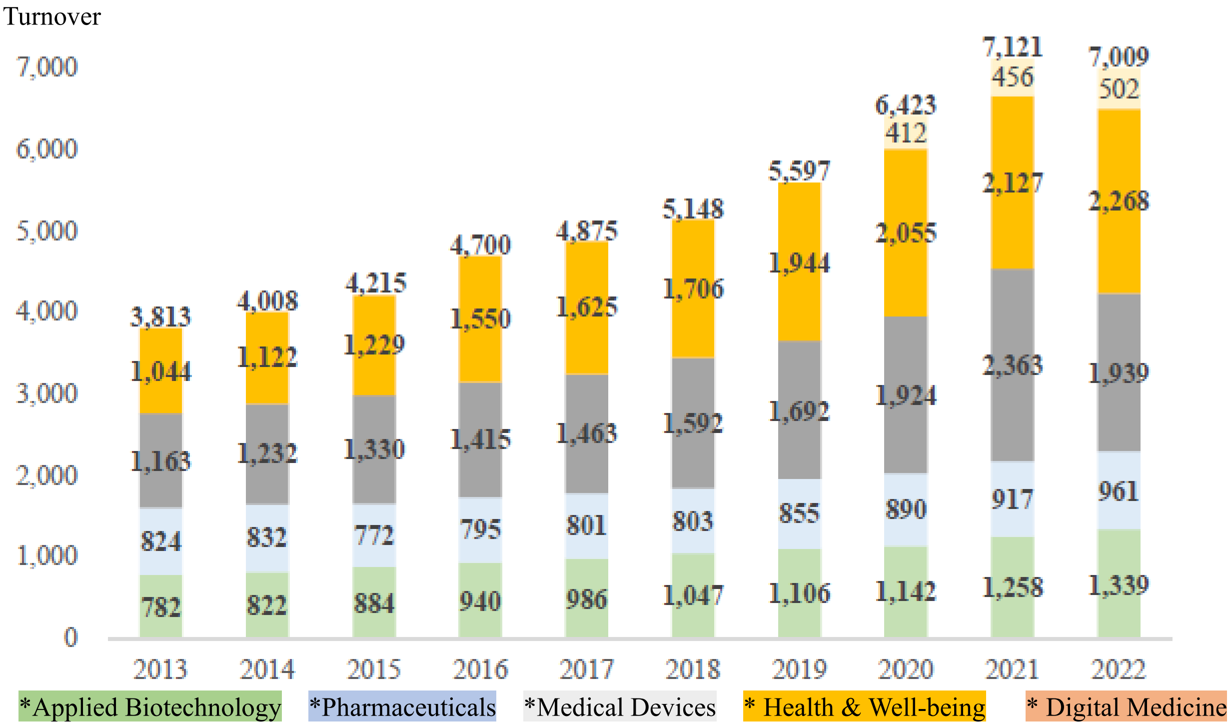
In 2022, the global COVID-19 epidemic will be brought under control with the popularization of vaccines and testing products, and its impact on the global economy will no longer be as important as factors such as the Russia-Ukraine war, the Sino-US supply chain confrontation, and the accelerated interest rate increases in various countries due to inflation. . The World Health Organization (WHO) has also officially lifted the global health emergency of COVID-19 in May 2023, allowing epidemic prevention and control to return to normal.

According to statistics from IQVIA, excluding COVID-19 vaccines and therapies and other related costs, the global pharmaceutical market size in 2022 will be approximately US$1.48 trillion, an increase of 4.2% from US$1.42 trillion in 2021, of which the market size in advanced countries will be approximately US$1.09 trillion. trillion US dollars, accounting for approximately 73.42% of the global pharmaceutical market. The pharmaceutical market size of the top ten advanced countries in 2022 is approximately US$968.9 billion, accounting for 65.36% of the global pharmaceutical market; the pharmaceutical market size of emerging pharmaceutical markets in 2022 is US$370.8 billion, accounting for approximately 25.02% of the global pharmaceutical market. As for low-income countries, drug sales were US$23.2 billion..

According to a survey by IQVIA in April 2023, the global pharmaceutical market will increase at a compound annual growth rate of 5.4% in the next five years, and is expected to reach US$1.8 trillion in 2027. Among them, growth in regions such as North America, Western Europe and Japan will slow down, while Asia-Pacific, Latin America, India, Africa and the Middle East will experience higher growth due to population growth. In addition, it is believed that the key factors currently affecting the development of the pharmaceutical industry include the medical system's ability to withstand cost increases, commercial insurance and the government's financial pressure and cost control, and the strengthening of the review of the value of drugs, aging and epidemic infectious diseases, which require more investment. Dedicate more resources to preventive medicine and early detection.

The biomedical industry of Taiwan covers five main fields: Pharmaceuticals, medical devices, applied biotechnology, health & well-being, and Digital Medicine. Along with the continuous development of new products and the expansion in the international market of the domestic biotechnology and pharmaceutical companies, increases have been seen in the exports of the Taiwanese biotechnology and pharmaceutical industry, which further expands the scale of the domestic industry. The 2022 turnover of the biotechnology and pharmaceutical industry in our country has NT$700.9 billion, with a decrease of 1.57% compared to the NT$712.1 billion in 2021. With the domestic pharmaceutical industry actively expanding in the international market in recent years, the growth of turnover has continued from NT$91.7 billion in 2021 to NT$96.1 billion in 2022.

Unit: NT$ Hundred Million



Source: Biotechnology and Pharmaceutical Industries Promotion Office, MOEA; Medical and Pharmaceutical Industry Technology and Development Center; Industry, Science and Technology International Strategy Center (ISTI), ITRI (2023)

The pharmaceutical industry in our country is categorized into the manufacture of drugs and medicines, Chinese prescriptions, biopharmaceuticals, and APIs. The steady growth over the years has been the result of the increasing domestic market demand and the successful expansion in the export market. The production value of the overall pharmaceutical industry was NT$82.12 billion in 2021with a growth of 4.1%, driven by the growth of the production value of biopharmaceuticals and APIs. Visioning the future, with the pandemic became under control, the demand for pharmaceutical products recovered, new medicines launched and the continuous growth in exports, the total production value of the domestic pharmaceutical industry will reach NT$100.40 billion in 2026 with the CAGR between 2022 to 2026 will be 4.4%, according to the estimation published by the Industrial Information Section ITIS research team of the Development Centre for Biotechnology (DCB).

The domestic API market scale is rather humble, which is why the domestic APIs companies are mainly exporting. According to the statistic on export and import tape data from the Taiwanese customs, the number of countries exporting APIs from Taiwan has in 2022.Q3 with a total export value of NT$4.5 billion, reaching 12.1% growth compared to 2021.Q3. The main reason is that domestically produced chemical products and organic compounds for the synthesis of raw materials have achieved remarkable results in expanding the markets of India, the United States and Japan. In addition, the APIs import value of Taiwan reached NT$5.9 billion with a 3.6% growth compared to 2020, this is because my country's import demand for animal and specific human antibiotics produced in China and Japan has increased significantly. The top five countries Taiwan imported from are Mainland China, Japan, USA, India and South Korea, with the import value from Mainland China reaching NT$2.458 billion, covering 41.85% of the total API import value. This indicates that the API import was overly concentrated in one single country, which does not benefit the dilution of risks and the development of the domestic pharmaceutical industry.

Statistics on Import and Export Value of Taiwan's API Industry

Unit: NT$100 million; %

Year / Item	Export Value				
	2018	2019	2020	2021	2022
APIs	45.9	40.5	44.9	48.2	54.2

Unit: NT$100 million; %

Year / Item	Import Value				
	2018	2019	2020	2021	2022
APIs	65.2	63.2	65.4	56.7	58.5

Source: Import and export statistical tape data of the Customs of the Republic of China, collated by the Industrial Economics Database of Taiwan Institute of Economics (2022.12).

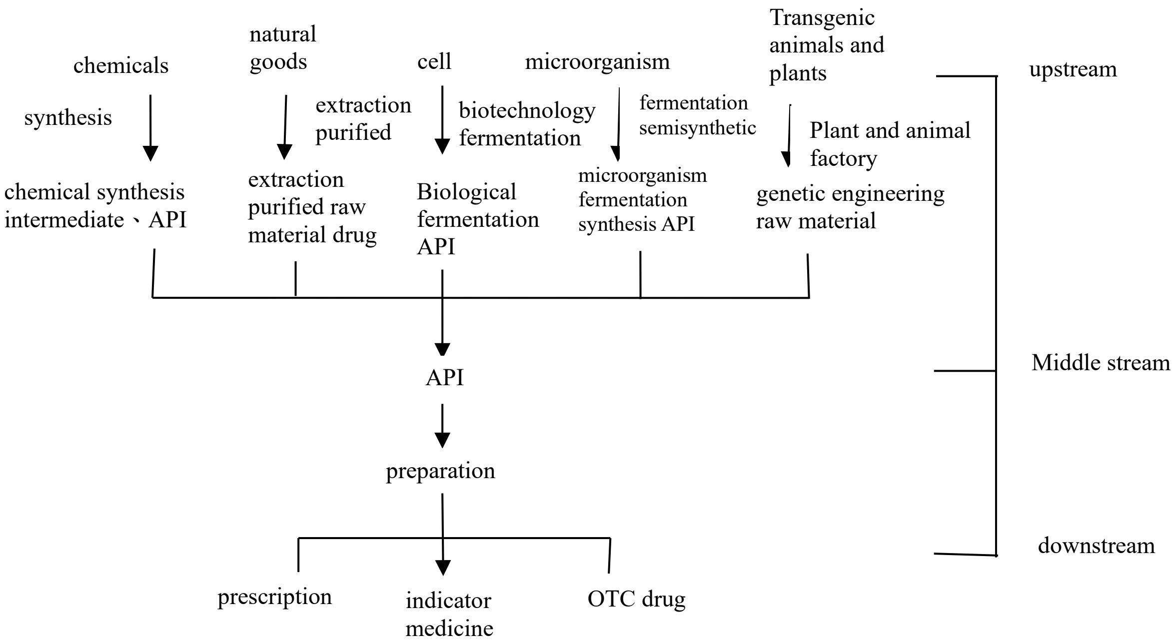
According to the statistic from the Biotechnology and Pharmaceutical Industries Promotion Office, MOEA, the investments in Taiwanese biotechnology and pharmaceutical industries has reached NT$56.029 billion in 2022 with a decrease of 8% compared to the NT$60.895 billion in 2021. If classified by industries, the investment in the pharmaceutical industry rosed to first place in the same category, and the amount increased to NT$30.922 billion in 2022 with a growth of 36.65% compared to the NT$22.628 billion in 2021, which is mainly driven by the promotion of the three programs welcoming returning overseas Taiwanese businesses expanding the scale of investment for the domestic private companies. In addition, the investment in the pharmaceutical industry still reached NT$30.922 billion in 2022, under the trade adversary of the two major economic powers, the US and China, the emergence of multiple coronavirus variants, inflation, as well as uncertainties of the geopolitical status, which indicates that the investing companies are especially optimistic in the future developments of the pharmaceutical industry.

The Taiwan government has continued to nurture the biotech industry. Since the Taiwan government proposed the 5+2 industrial innovation plan in 2017, the biomedical industry will drive Taiwan's next-generation industry. In order to grow, the combination of biotechnology, medical care, ICT and emerging technologies has been proposed to expand the application field and strengthen the kinetic energy of the biomedical industry and development, kicked off the domestic industrial flipping innovation, and continued to focus on the integration of cross-domain technology to promote the development of emerging technologies In addition to improving the construction of the ecosystem, we are looking forward to assisting the transformation and innovation of my country's biotechnology and pharmaceutical industry with a forward-looking layout. Given that our country has the full with the advantages of the world's top medical system, complete health insurance database, abundant human resources and good research and development environment, in 2021 from The extension and expansion of the ecological environment created by the "5+2 Industrial Innovation Plan" will promote the introduction of digital and scientific technology into the existing biotechnology and pharmaceutical industries. Technology elements, strengthen the combination of my country's biotechnology-information and communication (Bio-ICT), and guide the domestic industry to enter the development opportunities of emerging technologies, to promote the development of the industry towards a healthy vision of all ages covering health care, prevention, diagnosis, treatment, and care, and to increase national. While providing positive feedback on human health care, it also enhances the international competitiveness of the industry. Finally, it is hoped that by 2030, to achieve the vision of health for all ages.

Schedule	2002	2009	2013	2017	2021
Policy	Two trillion double star industry development plan	Taiwan Biotech take-off diamond action plan	Taiwan's biotech industry take-off action plan	5+2 Industrial Innovation	
				Biomedical Industry Innovation	Taiwan Precision Health

Source: Board of Science and Technology, Executive Yuan - Biomedical Industry Innovation Program

2. Correlation with upstream, midstream, and downstream sections of the industry



(1) Upstream

The upstream offers the raw material of the drug and medicine, including natural substances and common chemicals, intermediates and APIs mainly synthesized by chemical methods or prepared by the semi-synthesized method, as well as other raw materials or APIs obtained from plants, minerals, animal organs, microbial strains, and its related tissue cells. With the recent development of biotechnology, the production of medicine can be conducted by use of gene transfer, tissue culture technology, directly planting or animal culture.

(2) Midstream

The midstream is mainly the API industry. The majority of the API industry is the organic chemistry business, in which the products are commonly synthesized via biological or chemical methods. The characteristics of chemical methods are their convenience, fast speed, cheap prices, etc., therefore the industry majorly adopts chemical methods. In addition, different sources of raw materials require different methods of manufacturing. For raw materials obtained from natural substances, besides preparation processes such as fermentation, the main production technologies lie in extraction, isolation & hydrogenation, alcoholysis, esterification, saponification, alkylation, and purification (e.g. distillation, abstraction, crystallization, etc.).For those prepared from common chemicals, the main processing technologies are organic synthesis and isolation & purification. For those prepared from genetic engineering, utilized technologies include purification, recovery engineering, and others.

(3) Downstream

The downstream is the medicine manufacturing industry, where the main process is adding adjuvants to the APIs, such as an excipient, disintegrant, adhesive, lubricant, emulsifier, and others, and processing it into a convenient form for dosage, examples include tablets, capsules, creams, and others. The medicine can also be applied by injection, and depending on the nature of the contents, the injections can be divided into the liquid for injection or powder for injection. The production of liquid for injection requires the APIs, adjuvants, acidity regulators, and others to dissolve in a solvent, then bottling for packaging and distribution. The physicochemical properties of certain solvents are unstable, and products with the risk of decomposition or deterioration in the manufacture, distribution, and storage process shall be desiccated in advance to maintain the stability of the products' quality.

3. Product development trends and competition

(1) Production development trends

The overall demand for pharmaceuticals is closely related to population growth. There has been a steady growth in sales of pharmaceuticals which are less affected by the overall economic environment. Besides, the emerging countries have rapidly developed their economies in which the medical care expenses grew alongside the GDP. Therefore, driven additionally by the demand of the emerging countries, it is anticipated that the global pharmaceutical market will continue to grow. The global sales of pharmaceutical products in 2022 was US$1.48 trillion, which represented a growth of 4.2% compared to 2020. According to IQVIA, the 2023 to 2027 CAGR for pharmaceutical sales will be about 5.4%, reaching US$1.8 trillion in 2027.

(2) Conditions of competition

The production value of the global pharmaceutical industry will reach US$1.8 trillion in 2027, with 60% to 70% of the products being generic drugs. The production value of the generic drug market will increase every year due to several proprietary drugs losing their market share to generic drugs when their patents expired, another reason is that medical institutions are switching to generic drugs to reduce costs. In recent years, mergers and acquisitions have been an important way for major pharmaceutical companies to supplement their research and development lines and enter new fields. In March 2023, the American pharmaceutical company Pfizer announced that it planned to raise US$31 billion in debt to acquire cancer drugs for a total price of US$43 billion. The company Seagen has attracted much market attention. According to Zicheng statistics, in 2022 alone, the global biomedical industry M&A transaction value will reach more than 100 billion U.S. dollars. The previous year's M&A transaction value was even more impressive, exceeding 500 billion U.S. dollars. The M&A power of Taiwan's biomedical industry cannot be underestimated. The amount of M&A transactions in 2022 was NT$74.8 billion, a new high in recent years.

Intense competition in the pharmaceutical preparations market also affected the development of API companies. The primary cause was price competitions between Chinese and Indian API companies. Companies from both countries enjoy advantages of a massive domestic market and planned support from the government, and their price competition may lead to reduced sales and competitiveness of API companies in other countries.

5.1.3 Technologies and R&D efforts

1. Research and development :

The personnel principle of the company in 2022 was "no replacement for vacancies". Hence, some colleagues in R&D department still supported production in the rented factory as in the previous year while others assisted with IQ, OQ, PQ required for new equipment in an effort to speed up factory overall resumption. The task of optimizing the manufacturing processes of old products continued to be carried out in order to save energy, reduce waste and conform to the ESG trend. The newly developed product, Buprenorphine, which is an anti-addiction drug, has its manufacturing process scaled up by the R&D department so that it could be smoothly mass-produced in the near future. The API of an Alzheimer's drug manufactured for a new drug developer several years ago has an excellent process and quality, which is highly recognized by the customer. Clinical trial data of the new drug now shows significant efficacy and it is hoped that this product would bear fruit in the near future.

2. R&D goals :

（1）Establish self-developed technologies to create entry barriers and enhance competitiveness.

Self-developed technologies mostly take a form of trade secrets. Considering business strategies, SCI applies for patents on some technologies.

Existing and applying patents are as follows:

No.	Product name	Patent No.	Country	Patent expiration date
1	(S)-MMAA	US 7,829,731 B2	USA	2010/11/09 ~ 2028/8/14
2	Duloxetine	EP 2,228,372 B1	Europe Union	2012/02/29 ~ 2030/03/10 Quit UPC(06/27/2023)
3	Duloxetine	US 8,148,549 B2	USA	2013/04/03 ~ 2030/05/06
4	(S)-MMAA	US 8,168,805 B2	USA	2012/05/01 ~ 2030/01/13
5	Baclofen	US 8,273,917 B2	USA	2012/09/25 ~ 2031/01/27
6	Atomoxetine	US 8,299,305 B2	USA	2012/10/30 ~ 2030/12/16
7	Duloxetine	JP 5,143,167 B2	Japan	2010/03/11 ~ 2030/03/11
8	(S)-MMAA	US 8,420,832 B2	USA	2013/04/16 ~ 2027/10/29
9	Di-VANa	US 8,729,300 B2	USA	2014/05/20 ~ 2030/05/14
10	Duloxetine	US 8,530,674 B2	USA	2013/09/10 ~ 2031/06/02
11	Duloxetine	US 8,614,336 B2	USA	2013/12/24 ~ 2031/10/16
12	Duloxetine	EP 2,386,549 B1	Europe Union	2014/03/19 ~ 2030/05/10 Quit UPC(06/27/2023)
13	Duloxetine	US 8,957,227 B2	USA	2015/02/17 ~ 2030/05/05
14	Duloxetine	JP 5,830,245 B2	Japan	2015/10/30 ~ 2031/01/04
15	PR-038	US 9,718,765 B1	USA	2017/08/01 ~ 2036/06/21
16	PR-038	EP 3,260,442 B1	Europe Union	2019/05/01 ~ 2037/06/21 Give up maintenance (02/01/2021)
17	MARAVIROC	US 10,556,899 B2	USA	2020/02/11 ~ 2038/02/09
18	CANNABIDIOL	US 10,981,849 B1	USA	2021/04/20 ~ 2040/02/20
19	CANNABIDIOL	I 738,586	Taiwan	2021/09/01 ~ 2040/12/10
20	CANNABIDIOL	JP 6984054 B2	Japan	2021/11/26 ~ 2041/02/10
21	PMDOL	Applying	Taiwan	
22	PMDOL	Applying	Europe Union	
23	CANNABIDIOL	EP 3868736 B1	Europe Union	2022/11/30 ~ 2040/02/21 退出 UPC(07/07/2023)
24	PMDOL	JP 7,367,147 B2	Japan	2023/10/13 ~ 2042/08/15
25	CANNABIDIOL	CA 3093271 C	Canada	2021/11/30 ~ 2040/09/16
26	(S)-MMAA	Applying	Europe	
27	Lisdexamfetamine	US 11608312 B1	USA	2023/03/21 ~ 2041/11/10
28	Lisdexamfetamine	EP 4122914 B1	Europe Union	2023/08/16 ~ 2041/07/22
29	PMDOL	US 11739050 B2	USA	2023/08/29 ~ 2041/10/08
30	Lisdexamfetamine	Applying	Europe Union	

（2）Respond to customers' questions and provide effective solutions quickly.

（3）Seek for R&D projects with potential and commercialize them efficiently.

3. R&D strategies :

（1）Recruit experienced R&D personnel to improve the capacity for R&D.

（2）Seek for complementary partners to expand the R&D fields and strengthen cooperation.

（3）Cooperation with the new drug development companies to enter the development of pharmaceutical products in their early stage.

4. Key R&D projects :

（1）Develop the manufacturing processes and technologies of niche products.

（2）Expand and commercialize manufacturing processes of new drugs under R&D.

5. R&D expenses invested in the most recent year up to the date of publication of the Annual Report :

Unit: NT$ Thousand

Year / Item	2023
R&D expenses	49,094

6. Products successfully developed in the most recent year up to the date of publication of the Annual Report :

Trial Production of New Product	Commercialized Mass Production of New Product	Improvement in Production Process
Adenine LMTM UDP-Glu-NAz	Buprenorphine Cannabidiol	PGA Pentobarbital Pimobendan Buprenorphine Brinzolamide

5.1.4 Short-term、Mid-term and Long-term business developing plans :

1. Short-term plans :

（1）Plan production schedule to process the current orders.

（2）Maintain good relations with the existing customer base and actively develop new customers to increase each product's growth momentum.

（3）Improve capacity utilization.

2. Mid-term plan :

（1）Continue to introduce more intermediates and APIs and reinforce the development of APIs because APIs have high entry barriers and are subject to stringent regulations so that further development of the API market will increase the Company's competitiveness in the future.

（2）Optimize the product lineup and eliminate products that contribute little.

（3）Optimize the production process, lower costs, and increase competitiveness.

（4）Optimize production scheduling and reduce production line replacement cost.

（5）Construct the factory complex at the Guanyin Industrial Park to dilute the risk of concentration of production lines.

3. Long-term plans :

（1）Develop and secure new businesses related to new drugs, capturing business opportunities from the early stage of development.

（2）Develop new production capacities while growing the business and introduce the latest technologies and equipment.
（3）Continue to improve and refine the production process and secure patents on those for niche products to improve production efficiency.
（4）Cultivate talents with global perspectives for the Company’s future growth.
（5）Promote circular economy and reduce the environmental impact of business operations while lowering operating costs and increasing competitiveness.

5.2 Market and Sales Overview

5.2.1 Market analysis

1. Areas of sales (provision) of primary products (services) :

Unit: Thousand NT$

Business Areas \ Year		2022		2023	
		Sales	%	Sales	%
Export	Europe	426,034	47.35	636,052	52.82
	America	127,441	14.16	183,510	15.24
	Asia	205,548	22.85	246,601	20.48
	Others	31,395	3.49	41,758	3.47
	Subtotal	790,418	87.85	1,107,921	92.01
Domestic Sales		109,320	12.15	96,238	7.99
Total		899,738	100.00	1,204,159	100.00

2. Market share
   (1) The Company is one of the world's leading manufacturers of PEB.Na, PGA, VA, NaVA, Di-VNa and HOCLQ.
   (2) The Company is the only supplier of intermediates for controlled drugs, such as Pent-2, NBE, S-2, and AL-1.
   (3) Due to limited information, it is difficult to estimate market share of other Products.

3. State and growth of market supply and demand

   Overall demand for pharmaceuticals will continue to grow given the medical advances and increasing population in emerging countries as well as aging populations and rising medical expenses in developed countries. The compound annual growth rate is estimated at 5.4% from 2023 to 2027, and the scale of the global pharmaceutical market is estimated to reach US$1.8 trillion in 2027. Currently, the biggest market remains North America. API are active chemical components with pharmacological action, and the chemical structure must conform to the pharmacopoeia. Pharmaceuticals are basically composed of APIs and excipients. Operational strategies for this year as well as short-term and mid-term business plans of SCI Pharmtech focus on APIs, key intermediates, and other upstream products of the pharmaceutical industry. SCI Pharmtech will optimize product portfolio, develop new products, expand customer base, and develop extensive partnerships in order to reduce the impact of business fluctuations, achieve better profitability, and improve its position within the sector.

4. Positive and negative factors affecting competitive niches and long-term development, as well as response strategies
   (1) Competitive niches

   A. Professional R&D team :
   The R&D personnel specializes in chemical synthesis. SCI's R&D team is capable of timely developing the products within the stringent requirements as demanded by the customers, which helps the Company to innovate and capture business opportunities.

B. Quality products :

The quality of products must meet the requirements of health authorities and customers. As the business success and performance depends on the quality of products, the Company has strived to improve the quality management system and obtained ISO9001 verification in 2001. APIs and intermediates are produced based on the GMP standards, and products are reviewed and licensed by the Ministry of Health and Welfare, FDA of the U.S., EDQM in Europe, and health authorities in other countries. In 2023, 32 customers conducted audits and the auditing process well.

C. Advanced production technology and equipment

The Company has laid a solid foundation for establishment of plants, such as API plants. Currently, the plant establishment team is able to add and expand production lines in the most efficient way at any time within the given time limit and cost.

With more than 30 years of experience in production research and development,the Company has established operating technologies, such as alkylation, hydrogenation, condensation, Fridel-Crafts, Chapman, and Dieckmann reaction, and developed dozens of products. The solid foundation for technology is beneficial to the development of future business opportunities.

D. Adequate cost management

SCI has developed and refined process technologies to achieve competitive costs and has patented some of the technologies in the US and Europe to gain competitive advantages in those markets. Assisted by a complete supply chain, SCI Pharmtech timely meets the customers' demands and has gradually raised the profit in the recent years in the global market in which competition has been getting ever more intense. The accomplishment is truly remarkable.

E. Marketing

Products were mainly exported to Europe, the U.S., Japan, India, and Taiwan . Over the past 30 years, the international business network has been established. The Company worked with international drug manufacturers to develop new drugs, which was highly beneficial to the future development of international markets.

(2) Positive factors for development vision :

A. Aging population and gradually increasing living standards

The world’s population is moving toward aging society. Demand for various drugs will continue to increase as the population ages, providing API companies located upstream or mid-stream of the pharmaceutical supply chain with a growing market scale. More and more countries are placing greater importance on healthcare. Governments had enacted policies or legislation to lower and control drug prices and medical expenses, so as to improve the overall medical quality. Such policies and legislation will lead to increased demands for generic drugs. API developers would also continue to search for low cost solutions and collaborate with API producers that could achieve processing quality that complies with international standards. This measure would help future marketing and development efforts within SCI.

B. Government focus and consultation

To improve the quality of APIs, governments have strengthened control over APIs, such as DMF and GMP implemented in the U.S. and China, respectively, increasing the threshold for API production. Overall, M&A among global API manufacturers will be sped up to eliminate less competitive small and medium manufacturers. In the end, manufacturers with a large scale, and premium quality stay in the market. In addition, the pharmaceutical policies of developing countries (the Middle East and Southeast Asia) support domestic preparations, and Xufu API supply is expected to benefit.

C. Friendly drug review environment of FDA and TAA "Trade Agreement Act"

The U.S. FDA has provided a friendly drug approval process which is conducive to the development of the medical industry. As the FDA had accelerated the review process, there were a record of 55 new drugs in 2023. The U.S. TAA "Trade Agreement Act" requires the U.S. government to only purchase end products made in the U.S. or designated countries. Taiwan's positive list of countries indirectly restricts the purchase of APIs from China, India (and other) production locations.

(3) Positive and negative factors affecting competitive niches and long-term development, as well as response strategies :

A. Negative factors :

a. The small scale of API companies in Taiwan and the limited capacity of the domestic market meant that the competitive niche offered in Taiwan could not compare to competitors from Mainland China and India. Competitive costs among peers in Mainland China and India are strong and their supply chains are complete.

b. The global API market faced challenges, such as increases in stringent requirements, on-site audits, Drug supervision, environmental awareness, industrial competitiveness, prices of raw materials, no room for product prices increase (The health insurance system in the regulatory market requires preparations to be reduced in price every year.), Low birthrate and lack of jobs, which would cause less competitive small and medium manufacturers to reduce or terminate production.

c. Large molecule drugs (protein, RNA/DNA) have become mainstream, and there are opportunities for the development of traditional small molecule drugs decreased, and the overall market sales value was compressed.

d. The science-isolationism intensified by the state of the global politics has versely affected the cooperation and sharing of the scientific and medical researches.

B. Response strategies :

a. Establish a quality system compliant to international quality standards and select products carefully to segregate the market.

b. Work with the original drug developers to enter the patented drug market which offered greater profits.

c. Recruit R&D talents around the world and solidify capability in R&D to meet customers’ needs.

d. The Company should sign the API production contracts with new drug developers to increase long-term cooperation in clinical experiments.

e. The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.

f. Continually evaluate the raw materials supply chain and establish alternative suppliers in different countries to avoid the risk of supply chain interruption.

g. In planning for new production lines , emphasize on automation and the concept of smart factory to increase production efficiency.

h. We will actively coordinate with our client in response to the increase in production costs and increase the price of our products timely.

5.2.2 Primary purpose of primary product and production process

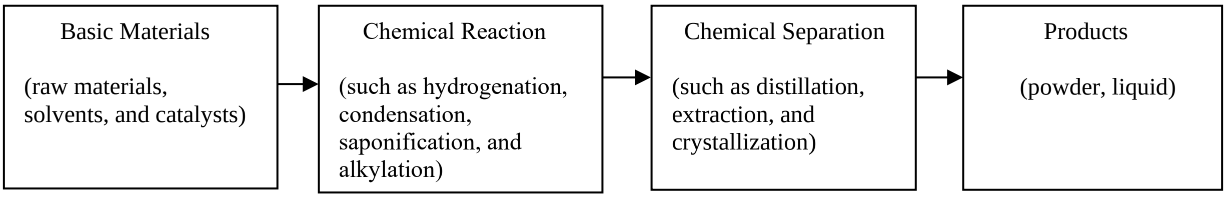
1. Major uses of the primary products:

	Name of Primary Product	Primary Purpose
APIs	VA	Antiepileptic and anticonvulsant
	Probucol	Antiatherascloresis
	Divalproate Sodium	Antiepileptic and anticonvulsant
	Propafenone Hydrochloride	Arrhythmia
	Duloxetine Hydrochloride	Anti-depression
	Allopurinol	Gout
	Clindamycin palmitate HCl	Antibiotics
	Articaine Hydrochloride	Anesthetics
	HOCLQ-Sulfate	Malaria, rheumatoid arthritis, and lupus erythematosus
	Brinzolamide	Glaucoma
	Sodium Valproate	Antiepileptic and anticonvulsant
	Pentobarbital Sodium	Anesthetics
	Methylphenidate HCl	Anti-ADHD
	Biso-FA	High blood pressure and angina pectoris
	Thiopental acid	Anesthetics
	Loxoprofen Sodium Hydrate	Heat-relieving pain relief
	Atomoxetine HCl	ADHD
	Cannabidiol	Epileptic rarely in children、Multiple sclerosis
	Buprenorphine	Acute and chronic pain
	Adenine	Leukopenia
API Intermediates	Pent-2	Anesthetics
	PGA	Antiparkinson medication
	NBE	Sleeping pills and anesthetics for surgical use
	5-HMT	Anti-AIDS
	BOV	Steroid

	(S)-MMAA	Anti-depression
	HOCLQ	Anti-malaria
	Prop-3	Heart rhythm disintegration
	Thiazole acid	Antitumor agent
	Olivetol	Antiepileptic
	PMDOL	Antiepileptic

2. Production process:

All these products were produced using chemicals available on the market as raw materials. Various chemical processing (such as hydrogenation, alcoholysis, esterification, saponification, and alkylation) were employed to create unrefined products which would then undergo purification (such as distillation, extraction, and crystallization) to create purified products of an acceptable grade. The following describes the production process:



5.2.3 Main Material State of Supply

Raw materials used by SCI are chemicals sold in the market without any risk of supply monopoly. The following table shows the supply of main materials:

Main Material	Name of the Main Supplier	State of Supply
Chemical Material	a	Good
Chemical Material	b	Good

5.2.4 Primary suppliers and customers e in the most recent 2 years

1. Primary customers

Unit: Thousand NT$

	2022				2023			
Item	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relation ship with the Issuer
1	Client C	204,824	22.76	None	Client C	305,762	25.39	None
2	Client W	114,653	12.74	None	Others	898,397	74.61	None
3	Others	580,261	64.50	None				None
4								
5								
	Net Sales	899,738	100.00		Net Sales	1,204,159	100.00	

Note: Where sales to the customer exceed 10% of the total sales value in the most recent 2 years, the name, sales value, and proportion of the said salesshall be disclosed.However, contractual terms dictate that the names of such customer or trading counterparty cannot be disclosed if the said customer or trading counterparty is anindividual and unrelated party, and may be suitably replaced by codes.

2. Reason for changes : In 2023, the sales amount of Client W did not reach 10%.

3. Primary goods supplier

Unit: Thousand NT$

	2022				2023			
Item	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Year (%)	Relationship with the Issuer
1	d	185,899	41.88	None	d	81,921	23.68	None
2	a	79,641	17.94	None	a	48,435	14.00	None
3	Others	178,308	40.18	None	b	36,875	10.66	None
4					Others	178,780	51.66	
	Net Purchase	443,848	100.00		Net Purchase	346,011	100.00	

Note: Where procurement acquired from a supplier exceed 10% of total procurement for the most recent two years, the name of the said supplier, procurement value, and proportion of the procurement shall be disclosed. However, contractual terms dictate that the name of such a supplier or trading partner cannot be disclosed if the said supplier or trading partner is an individual and unrelated party, and codes may be used to replace the names instead.

4. Reason for changes : In 2023, due to changes in product mix, Supplier b's net purchase ratio increased to 10.66%, ranking third.

5.2.5 Production value in the most recent 2 years

Production Volume/Value in the Most Recent Two Years

Unit: Ton / Unit: thousand NT$

Year / Production Volume/ Value / Primary Product	2022			2023		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
APIs	400	216.94	402,872	500	267.47	530,198
API intermediates		173.88	274,157		190.64	425,115
Others		0	0		0	0
Total	400	390.82	677,029	500	458.11	955,313

Note：Production capacity for each individual product was not listed as production equipment can be employed for the production of any product. Only rough estimates of production capacity was provided in the table above as the required capacity may differ for differentproducts.

5.2.6 Sales volume/value in the most recent 2 years

Sales volume/value in the most recent 2 years:

Unit: Ton / Unit: thousand NT$

Year / Sales Volume/ Value / Primary Product	2022				2023			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs	50.16	101,413	133.90	348,810	51.03	83,461	200.80	634,852
API intermediates	0.40	1,166	123.81	432,196	0	0	121.96	471,643
Others	181.66	6,740	(18.98)	9,413	125.27	12,777	0	1,426
Total	232.22	109,319	238.73	790,419	176.30	96,238	322.76	1,107,921

Note：The others export sales value is service income in 2023.

5.3 Human Resources

Information of employees for the 2 most recent years

Mar. 31, 2024

Year		2022	2023	2024Q1
Number of Employees	Managerial Level or Above	14	14	14
	General Employees	203	203	211
	Foreign Employees	37	37	37
	Total	254	254	262
Average Age		43.03	41.76	41.85
Average Years of Service		12.22	10.13	10.11
Education Distribution (%)	PhD	3.47	3.54	3.44
	Master	17.82	16.54	17.18
	University/College	61.39	50.39	50.00
	Senior or Vocational High School	15.84	13.39	13.74
	Below High Schoo	1.48	16.14	15.64

5.4 Environmental Protection Expenditure

5.4.1 SCI is a professional API manufacturer and focuses greatly on environmental protection. Waste reduction processing would be considered as early as the process development phase. All controlled chemical ingredients, unless required, would be avoided in order to reduce the potential sources of pollution. Disposal of any waste (such as wastewater、exhaust gas、waste solvent、etc.) generated during production would be undertaken by processing equipment and professional personnel, or subcontracted to professional waste management agencies. The following describes the details of waste management :

1. Status on applications for setup permits for polluting facilities or pollution release permits ：

A. Wastewater treatment

Part of the waste generated in the production process was processed by an in-house wastewater treatment system operated by specialty personnel, and once processed past the regulatory standard, the effluent would then be released to the water cycle outside the factory. SCI has obtained a wastewater/sewage release permit from the Taoyuan County government, numbered "Fu-Huan-Shui-Tzu No. 1090199881, Tao-Hsien-Huan-Pai-Hsu-Tzu No. H0558-07," effective from Aug. 11, 2020, to Aug. 10, 2025. SCI Pharmtech has also laid underground drain water pipelines so that the drain water would not contaminate the irrigation ditches for the farmlands.

B. Exhaust gas treatment

The company has acquired the Stationary Pollution Source Operating Permit and appointed a dedicated air pollution control specialist as required by the Air Pollution Control Act.

Fixed source of pollution	Permit No.	Valid date
Pharmaceutical production/general production process M01	Fu-Huan-Kong-Tzu No.1110245400, permit number for operations: H6175-02	Dec. 6, 2022 - Dec. 5, 2027
Boiler and steam generating processes M02	Fu-Huan-Kong-Tzu No.1110132366, permit number for operations: H4714-06	June 12, 2023 - June 12, 2028

C.Waste solvent handling

(a) SCI has established solvent distillation and recycling towers in order to recover as much organic solvent as possible from the various processes for recycling and reuse. The treatment of un-recyclable waste was subcontracted to qualified and professional agencies.

(b) SCI has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs.

D.General waste

Treatment of general wastes produced during the production process was subcontracted to qualified professional agencies for regular handling.

2. Payment of pollution prevention fees :

In 2023, fees paid amounted to NT$129,035; Subcontracted Processing fees amounted to NT$48,621,999; internal processing expenses amounted to NT$23,374,674.

3.Conditions for setting up dedicated units for environmental protection A total of 9 employees were assigned to the environmental protection department.

Item	Description
Air Pollution Control Specialists	Class A Air Pollution Control Specialist (85) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. FA090525 Class B Air Pollution Control Specialist (92) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. FB010012 Class B Air Pollution Control Specialist (98) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. FB080462
Wastewater And Sewage Treatment Specialists	Class A Wastewater And Sewage Treatment Specialist (85) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA120070 Class A Wastewater And Sewage Treatment Specialist (94) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA060315 Class A Wastewater And Sewage Treatment Specialist (100) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. GA450783
Toxic Chemical Control Specialists	Class B Professional and Technical Control Specialists of Toxic Chemical (89) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. JB280970
Waste Processing Specialist	Class A Waste Disposal Technician (92) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA020737 Class A Waste Disposal Technician (94) Huan-Shu-Hsun-Cheng-Tzu (EPA Training Permit) No. HA170156

5.4.2 Any losses suffered by the Company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

5.4.3 Possible disbursements for future responsive measures (including corrective measures) :

1. The Company attaches great importance to environmental protection and has invested no small efforts in the setup of pollution prevention facilities, employee training programs for

improving awareness for environmental protection, active provision of on-job training, and development of waste reduction processes for the purposes of preventing environmental protection issues.

2. The Company has made relevant preparations as the government established stronger controls for various sources of pollution. We are technically capable of fulfilling these requirements, and provided the needed budgetary allocations to setup relevant equipment.
3. Environmental protection expenses have always been part of operational costs and were adequately reflected in product sales prices.
4. Seek support from external research institutions and adopt advanced treatment equipment to improve waste treatment capabilities at lower costs.
5. Use equipment that consumes clean energies to reduce the impact and effects upon the environmental and business aspect of the pollution.
6. The Company has set up a new business and introduced the advanced Veolia technology to purify and reuse the chemical solvents used in the pharmaceutical process, while promoting the development of a circular economy and reducing the impact of operations on the environment, so as to increase the Company's operating capacity while reducing operating costs
7. Potential current and future losses : None.

5.4.4 Response to RoHS : Products are not affected by the Restrictions of Hazardous Substances Directive (RoHS) of the EU.

5.5 Labor Relations

5.5.1 The systems and implementation status of the company’s employee welfare policies, continuing education, training, and retirement, as well as the labor-management agreements, and the measures protecting employees’ rights and interests:

1. In addition to the basic protection of labor insurance and health insurance, the company provides comprehensive employees’ group insurances, including life insurance, medical insurance, casualty insurance, cancer insurance, etc. The employee’s benefits include trip activities, wedding gift money, childbirth gift money, funeral condolence money, hospitalization allowance, work-related injury leave, emergency aids, end-of-the-year dinner party lucky draw, employees’ dormitory, nursery room, and complimentary meals. Employees can also receive bonuses and performance bonuses for the operational results of the company each year. The average salary for non-executive full-time employees was NT$841,000 in 2022, ranking 41rd of the 113 public listed biomedical companies.
2. The company continuously promotes the educational training and continuous learning of the employees to improve the quality of human resources and the development advantage to consolidate the foundation of sustainable management and development. The company enacted procedures for employees’ educational training, which can be classified as internal training, external training, and overseas learning, as the annual educational training plan for each department is enacted by each department and uploaded to the internal network with regular records and updates. The internal training accumulated 37,941 session participants in 2023, with 13,343 session participants from the Production Department, 1,695 session participants from the Quality Assurance Department, 15,662 session participants from the Quality Control Department, 192 session participants from the Safety Office, and 141 session participants joining the external training program in 2023, achieving outstanding results. The expenses for the external training program in 2023 are NT$669,547.
3. The company enacted the Employees’ Pension Procedures as required by the Labor

Standard Act, with 5% of the total monthly salary allocated as the fixed proportion for pension, which is deposited in the trust department of the Bank of Taiwan for fructus civiles. The company also contributes 6% as pension to the personal account of the employees monthly as required by the Labor Pension Act. In addition, the criteria for the employees' retirement application shall comply with the requirement of the Labor Standard Act, and the application form of retirement shall be signed and approved by the General Manager.

4. The employees' shareholding trust is implemented. The current major shareholder of the company is the Conference of Share Holding Employees to increase the security for employees' retirement.
5. The Board of Directors approved the purchase of employees' annuity on March 30, 2016, to increase the security of employees' retirement life.
6. The company adopts an open and two-way communication approach in disseminating the company's policies and understanding the opinions of the employees, the labor-management meetings are also held regularly in the hope to maintain the concordances between management and employees. There have been no records of labor-management disputes as of today.
7. The outdoor basketball court shall be converted into a dual-purpose indoor basketball and badminton court to provide a leisure sports venue for the employees.
8. Implementation situations : SCI were implemented according to the regulations in 2023.

5.5.2 List any losses suffered by the Company in the most recent years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken :

1. Disposition :

Disposition dates	Disposition reference numbers	The articles of law violated	The substance of the legal violations	The content of the dispositions
Jan. 31,2023	Taoyuan City Government Lao-Chien-Tzu No. 1100026295	Occupational Safety and Health Act	Facilities such as protective covers were not installed at the equipment hanging openings on the 2nd floor of Area 11B, and workers who entered the site were not sure to wear safety helmets.	NT$ 100,000 Fine

2. The Company always attaches great importance to employee benefits, two-way communication, and compliance with relevant laws and regulations; therefore, the labor-management relations are quite harmonious. Since the incorporation of the Company, there has been no labor dispute resulting in any loss. In the future, the Company will continue to improve labor-management communication and do its best to provide employee benefits properly to enhance the harmony of labor-management relations.
3. Potential current and future losses : NT$ 0

4. Response measures : N/A

5.5.3 Protective measures for the safety of the workplace and personal safety of the employees :

SCI is a chemical industry. In the manufacturing process, failure to follow standard operating procedures may cause employees' personal injury; therefore, the following measures are taken to safeguard the personal safety of employees:

1. Conduct preventive maintenance every month.
2. Carry out hazard awareness training for new employees.
3. Write up SOPs and strictly require employees and contractors to follow.
4. Require employees to wear protective devices, such as goggles, safety shoes, and safety helmets.
5. Set up emergency rescue devices, such as eye wash devices and AED.
6. Conduct industrial safety training every half a year.
7. Promote environmental protection, safety, and health.
8. Organize the employee health examination in the middle of every year and arrange special examinations for employees working in special operations.
9. Hold an environmental safety meeting every two weeks to review deficiencies found in the environmental safety and health inspections.
10. Organize a meeting of the Occupational Safety and Health Committee every quarter to assess the risks of occupational safety and health.
11. Conduct the survey of musculoskeletal symptoms, personal overwork scale, and survey of violence and risk assessment every two years.
12. Encourage employees to provide recommendations for improvement through the environmental feedback form.
13. The were pedestrian passes laid out in each factory to separate pedestrians from vehicle traffic.
14. Implementation status: In 2023, all the above-mentioned measures were taken in accordance with the regulations.

5.6 Infocomm security management

The Infocomm security risk management framework, Infocomm security policy, concrete management programs, and resource investments for Infocomm security management:

1. Infocomm security risk management framework:
   - 1.1 The Information Office under the President’s Office is in charge of the matters related to managing infocomm security, and the Audit Office has enacted internal control procedures and conducted internal audits regularly.
   - 1.2 Information supervisor entrusts Head of Corporate Governance to report to the board of directors on the implementation of infocomm security risk management in December every year.
   - 1.3 Considering the company's scale and operating conditions, currently, one supervisor and one employee are staffed.

2. Infocomm Security Policies: Revised on Jan. 10, 2024. Please refer toAttachment 3.
3. Concrete Management Programmes:
   A. To ensure the company’s infocomm security, the Information Office has subscribed to the Intrusion Prevention System services provided through Hinet by Chunghwa Telecom to block the network-based virus and intrusion attacks, which is further strengthened with the installation of the firewall, blocking attacks targeting the internal network. Another internal firewall was installed on the internal network to increase server protection.For the user end, Windows Update will automatically update and fix the bugs for Windows users through the Windows Update Services Server, preventing viruses and hackers from exploiting the bugs of the window system. In addition, the company installed the enterprise anti-virus software Symantec and Palo Alto Traps Advanced Endpoint Protection, enhancing the protection for all user ends. Irregularly through information security cases, the company raises employees' awareness of information security to reduce the occurrence of information security incidents.
   B. The company's official website is managed by a professional hosting company to reduce the risk of cyber attackers invading the company's internal network environment through the company's official website.
   C. The server room is locked at all times. Non-IT personnel must be accompanied by IT personnel when entering the server room, and must fill in the registration form.
   D. Use Master Control system to control access to the company's important data files. Except for document management personnel, other users only have read-only and no printing permissions to reduce the risk of sensitive data leakage.
   E. Important information system files and databases are set to be backed up daily, and a system restoration drill is performed at least once a year to verify the integrity and availability of the backup data.
   F. The Information Office will also evaluate the necessity of information security insurance for reducing operational losses.
   G. For the rest of the concrete management programs, please refer to Attachment 3 (Infocomm security policy).
4. Resource investments for information security management :
   A. Applied and implemented the Intrusion Prevention System service provided by Chunghwa Telecom.
   B. Built perimeter and internal firewalls.
   C. Built a log server to record the company's internal and external network activities.
   D. Installed Antivirus Software.
   E. Installed Endpoint Protection Software.
   F. Joined the Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC).
   G. Constracted an information security company to perform system vulnerability detection, web page vulnerability detection and penetration testing on the company's information system to correct information security vulnerabilities and risks.

5.6.2 The list of any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and countermeasures. Immeasurable incidents shall be specified with the reason of the incident being immeasurable: None.

5.7 Important Contracts

The parties, major contents, restrictive terms, and start/end dates of major contracts that could affect the shareholders' equity, such as supply contracts, technical partnership contracts, construction contracts, and long-term loan contracts that are still effective by the printing date of this annual report or have expired in the most recent fiscal year :

Nature of the agreement	Parties	The commencement and termination dates of the agreements	Major Content	Restrictive Provisions
Pharmaceutical Commissioning Manufacturing Agreement	Energenesis Biomedical Co., Ltd.	Jan. 14, 2019 ~ Jan. 14, 2024	Energenesis Biomedical Co., Ltd. commissioned the company for producing and manufacturing the APIs.	Non-Disclosure Agreement
Shareholders' Agreement	Veolia	Aug. 12, 2020	Introducing advanced technology of Veolia, purifying and re-using the chemical solutions in the pharmaceutic process, also promoting the circular economic development.	
Agreement of commissioning construction on the land owned by the company	ECO Technical Service CO.	Oct. 19, 2021 ~ Aug. 23, 2025	Service Agreement on the construction of the plant in Guanyin.	
Mid-Term Loan Agreement	Mega International Commercial Bank, Tao Hsin Branch	Five years since the first loan draw date	Signed a mid-term loan agreement with the Tao Hsin Branch of the Mega International Commercial Bank.	
Land Lease Agreement	Yushan Pharmaceuticals Inc.	Aug. 10, 2022~ Aug. 9, 2027	Acquire right-of-use assets.	
Wastewater Treatment Facility Contract	Framosa Co, Ltd.	Sep. 28, 2022~ Sep. 28, 2027	This facility is entrusted by Framosa to be responsible for the design, construction and operation (DBO).	

Agreement of commissioning construction on the land owned by the company	ECO Technical Service CO.	Mar. 1, 2023 ~ Dec. 31,2024	Guanyin factory new project - fire engineering	
Agreement of commissioning construction on the land owned by the company	ECO Technical Service CO.	Mar. 1, 2023 ~ Dec. 31,2024	Guanyin factory new project - automatic storage system	
Agreement of commissioning construction on the land owned by the company	ECO Technical Service CO.	Mar. 1, 2023 ~ Dec. 31,2024	Guanyin factory new project - mechanical and electrical engineering	

6、Financial Information

6.1 Most Recent 5-Year Financial Information

6.1.1 Individual financial information

Condensed Balance Sheet

Unit: Thousand NT$

Item \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		1,905,404	1,888,734	1,367,820	1,025,618	1,946,544
Available-for-sale financial assets		---	---	---	---	---
Non-current financial assets at fair value through profit or loss		---	667,955	---	---	---
Non-current financial assets at fair value through other comprehensive income		137,329	85,697	72,521	66,723	96,814
Investment accounted for using equity method		349,723	349,186	401,046	476,237	470,106
Property, plant, and equipment		1,557,790	1,180,943	1,778,788	3,101,947	3,815,796
Right-of-use assets		2,974	2,568	2,134	77,736	84,003
Intangible assets		47,661	41,319	60,290	54,582	46,147
Other assets		80,496	353,436	507,196	233,550	310,156
Total assets		4,081,377	4,569,838	4,189,795	5,036,393	6,769,566
Current liabilities	Before distribution	584,164	1,122,114	747,837	771,219	570,771
	After distribution	1,045,179	1,161,857	747,837	795,065	Note
Non-current liabilities		22,573	125,502	121,327	635,950	1,098,842
Total liabilities	Before distribution	606,737	1,247,616	869,164	1,407,169	1,669,613
	After distribution	1,067,752	1,287,359	869,164	1,431,015	Note
Total equity attributable to owners of the parent		3,474,640	3,322,222	3,320,631	3,629,224	5,099,953
Common stock		794,853	794,853	953,824	953,824	1,195,087
Capital surplus		1,348,339	1,348,339	1,348,339	1,357,127	2,233,590
Retained earnings	Before distribution	1,309,194	1,208,408	1,067,397	1,373,000	1,645,819
	After distribution	848,179	1,009,695	1,067,397	1,229,926	Note
Other equity interest		22,254	(29,378)	(48,929)	(54,727)	25,457
Treasury stocks		---	---	---	---	---
Non-controlling interest		---	---	---	---	---
Total equity	Before distribution	3,474,640	3,322,222	3,320,631	3,629,224	5,099,953
	After distribution	3,013,625	3,282,479	3,320,631	3,605,378	Note

Note：The earnings distribution of 2023 was proposed to be resolved in the Shareholders' meeting.

Individual Condensed Statement of Comprehensive Income

Unit: Thousand NT$；earnings per share NT$

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	2,355,747	2,689,222	864,217	899,738	1,204,159
Operating margin (loss)	935,770	1,274,328	208,089	291,179	350,323
Net operating income (loss)	697,849	1,052,240	74,316	119,045	159,461
Non-operating income and expense	13,311	(597,025)	(8,810)	268,775	204,729
Profit (loss) before tax	711,160	455,215	65,506	387,820	364,190
Income tax expense	140,059	95,091	9,810	79,040	69,469
Net profit (loss) from continuing operations	571,101	360,124	55,696	308,780	294,721
Income from discontinued operations	---	---	---	---	---
Net profit (loss) for the year	571,101	360,124	55,696	308,780	294,721
Other comprehensive income (loss) (income after tax)	27,146	(51,528)	(17,544)	(8,870)	202,026
Total comprehensive income for the year	598,247	308,596	38,152	299,910	496,747
Earnings per share	5.99	3.78	0.58	2.88	2.70

6.1.2 Consolidated financial information

Consolidated Condensed Balance Sheet

Unit: Thousand NT$

Item \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		1,936,018	1,918,811	1,397,310	1,042,398	1,953,239
Available-for-sale financial assets		---	---	---	---	---
Non-current financial assets at fair value through profit or loss		---	667,955	---	---	---
Non-current financial assets at fair value through other comprehensive income		137,329	85,697	72,521	66,723	96,814
Investment accounted for using equity method		---	---	52,447	141,317	144,808
Property, plant, and equipment		1,876,999	1,500,152	2,097,997	3,193,144	3,906,993
Right-of-use assets		2,974	2,568	2,134	1,013	4,772
Investment Property		---	---	---	228,012	228,012
Intangible assets		47,661	41,319	60,290	54,582	46,147
Other assets		80,496	353,436	507,196	233,350	309,956
Total assets		4,081,477	4,569,938	4,189,895	4,960,539	6,690,741
Current liabilities	Before distribution	584,264	1,122,214	747,937	770,315	569,887
	After distribution	1,045,279	1,161,957	747,937	794,161	Note
Non-current liabilities		22,573	125,502	121,327	561,000	1,020,901
Total liabilities	Before distribution	606,837	1,247,716	869,264	1,331,315	1,590,788
	After distribution	1,067,882	1,287,459	869,264	1,355,161	Note
Total equity attributable to owners of the parent		3,474,640	3,322,222	3,320,631	3,629,224	5,099,953
Common stock		794,853	794,853	953,824	953,824	1,195,087
Capital surplus		1,348,339	1,348,339	1,348,339	1,357,127	2,233,590
Retained earnings	Before distribution	1,309,194	1,208,408	1,067,397	1,373,000	1,645,819
	After distribution	848,179	1,009,695	1,067,397	1,229,926	Note
Other equity interest		22,254	(29,378)	(48,929)	(54,727)	25,457
Treasury stocks		---	---	---	---	---
Non-controlling interest		---	---	---	---	---
Total equity	Before distribution	3,474,640	3,322,222	3,320,631	3,629,224	5,099,953
	After distribution	3,013,625	3,282,479	3,320,631	3,605,378	Note

Note : The earnings distribution of 2023 was proposed to be resolved in the Shareholders' meeting.

Consolidated Condensed Statement of Comprehensive Income

Unit: Thousand NT$；earnings per share NT$

Item / Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	2,355,747	2,689,222	864,217	899,738	1,204,159
Operating margin (loss)	935,770	1,274,328	208,089	291,179	350,323
Net operating income (loss)	697,121	1,051,578	73,658	118,970	160,300
Non-operating income and expense	14,039	(596,363)	(8,152)	268,850	203,890
Profit (loss) before tax	711,160	455,215	65,506	387,820	364,190
Income tax expense	140,059	95,091	9,810	79,040	69,469
Net profit (loss) for the year	571,101	360,124	55,696	308,780	294,721
Other comprehensive income (loss) (income after tax)	27,146	(51,528)	(17,544)	(8,870)	202,026
Total comprehensive income for the year	598,247	308,596	38,152	299,910	496,747
Earnings per share	5.99	3.78	0.58	2.88	2.70

6.1.3 Names of the CPAs for the 5 most recent fiscal years and audit opinions

Year	Name of the CPA	Audit opinions
2019	KPMG　Daisy Kuo and Swimming Hsu	Unqualified opinion
2020	KPMG　Daisy Kuo and Swimming Hsu	Unqualified opinion emphasizes special matters
2021	KPMG　Daisy Kuo and Swimming Hsu	Unqualified opinion
2022	KPMG　Daisy Kuo and Swimming Hsu	Unqualified opinion
2023	KPMG　Serena Hsin and Swimming Hsu	Unqualified opinion

6.2 Five-year financial analysis

6.2.1 Individual Financial Analysis

Item analyzed \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	14.87	27.30	20.74	27.94	24.66
	Ratio of long-term capital to property, plant and equipment	224.50	291.95	193.50	137.50	162.45
Solvency (%)	Current ratio	326.18	168.32	182.90	132.99	341.04
	Quick ratio	231.82	131.43	138.84	64.65	243.70
	Interest earned ratio (times)	13,677.15	10,587.40	1,598.71	242.18	49.03
Operation performance	Accounts receivable turnover (times)	6.34	7.79	4.11	7.01	5.01
	Average collection period	58	47	89	52	73
	Inventory turnover (times)	2.76	3.12	1.94	1.51	1.64
	Accounts payable turnover (times)	15.48	16.15	11.45	14.77	18.38
	Average days in sales	132	117	188	242	223
	Property, plant, and equipment turnover (times)	1.51	1.96	0.58	0.37	0.35
	Total asset turnover(times)	0.60	0.62	0.20	0.20	0.20
Profitability	Return on total assets (%)	14.51	8.33	1.27	6.72	5.10
	Return on equity (%)	17.09	10.60	1.68	8.89	6.75
	Profit ratio (%)	24.24	13.39	6.44	34.32	24.48
	Earnings per share (NT$)	5.99	3.78	0.58	3.24	2.70
Cash flow	Cash flow ratio (%)	135.59	86.63	37.55	38.32	36.63
	Cash flow adequacy ratio (%)	126.83	128.48	112.51	83.96	64.71
	Cash reinvestment ratio (%)	9.47	16.57	6.51	6.31	2.74
Leverage	Operating leverage	1.34	1.21	2.80	2.45	2.20
	Financial leverage	1.00	1.00	1.00	1.01	1.05

Description of causes for changes in financial ratios in the most recent two years.
(Analysis is not required if the change is within 20 %.)

1. Increase in current ratio & quick ratio: Due to the cash capital increase and revenue growth in 2023, current assets such as cash equivalents and accounts receivable increased significantly. Additionally, the settlement of the compensation for damages from the neighboring factory accident was concluded in 2023, resulting in a decrease in current liabilities such as compensation payable and provision for liabilities.

2. Decrease in interest earned ratio: In 2023, the amount of bank borrowings increased by approximately 490 million, leading to an increase in borrowing interest expenses.
3. Decrease in accounts receivable turnover and increase in average collection period:The main reason for the significant increase in accounts receivable at the end of 2023 was primarily due to increased revenue in the fourth quarter compared to the same period last year. Additionally, there was approximately 69 million in accounts receivable due to products with a high sulfur content that were not collected by the end of 2023 (although these accounts receivable were later collected). This situation led to a substantial increase in accounts receivable at the end of 2023. Consequently, while there was an increase in revenue, the larger increase in average accounts receivable caused the overall increase.
4. Increase in accounts payable turnover: In 2023, COGS increased by NT 245,277 thousand, representing a 40.3% increase compared to 2022. Additionally, the average accounts payable in 2023 increased by NT 5,236 thousand, marking a 12.71% increase compared to 2022. The primary reason for these increases is the growth in revenue in 2023. Although both COGS and average accounts payable increased, the greater increase in manufacturing expenses and labor costs resulted in a larger percentage increase in COGS.
5. Decrease in return on total assets: The main reason for the decrease in non-operating income is primarily due to a reduction in insurance claims and foreign exchange gains. Additionally, the increase in cash capital and the construction of factories in 2023 resulted in an increase in assets such as cash equivalents and property, plant, and equipment.
6. Decrease in return on equity : The main reason is the decrease in non-operating income, as well as the increase in equity amounts such as share capital and capital surplus due to the cash capital increase in 2023.
7. Decrease in profit ratio: The gross profit margin performance is affected by price competition in the product market, as well as the decrease in non-operating income.
8. Decrease in cash flow adequacy ratio & cash reinvestment ratio: The significant increase in capital expenditure due to the construction of Guanyin plant and the reconstruction of Luzhu plant, combined with the impact of the fire accident, resulted in a significant decrease in net cash flow from operating activities.

1. Financial structure
   (1) Debt Ratio = Total liabilities / Total assets
   (2) Ratio of long-term capital to Property, plant, and equipment = (Net shareholder equity + Long-term liabilities) / Net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current asset – inventory-prepaid expense) / Current liabilities
   (3) Interest earned ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period
3. Operating performance
   (1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / Average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant, and equipment turnover = Net sales / Average net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
   (7) Total asset turnover = Net sales / Average total asset
4. Profitability
   (1) Return on total assets = [Net income + Interest expenses x (1 - tax rate)] / Average total asset
   (2) Return on equity = Net income / Average total equity
   (3) Profit ratio = Net income / Net sales
   (4) Earnings per share (EPS) = (Net income - preferred shares dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
   (2) Cash flow adequacy ratio = Net cash flow from operating activities within five year / (Capital expenditure + Inventory increase + Cash dividend) within five year
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Total fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net operating income - Operating variable cost and expense) / Operating income
   (2) Financial leverage = Operating income / (Operating income - Interest expense)

6.2.2 Consolidated Financial Analysis

Item analyzed \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	14.87	27.30	20.75	26.84	23.78
	Ratio of long-term capital to property, plant and equipment	186.32	229.82	164.06	131.23	156.66
Solvency (%)	Current ratio	331.36	170.98	186.82	135.32	342.74
	Quick ratio	237.02	134.10	142.76	66.91	245.25
	Interest earned ratio (times)	13,677.15	10,587.40	1,598.71	362.77	58.90
Operation performance	Accounts receivable turnover (times)	6.34	7.79	4.11	7.01	5.01
	Average collection period	58	47	89	52	73
	Inventory turnover (times)	2.76	3.12	1.94	1.51	1.64
	Accounts payable turnover (times)	15.48	16.15	11.45	14.77	18.38
	Average days in sales	132	117	188	242	223
	Property, plant, and equipment turnover (times)	1.25	1.59	0.48	0.34	0.34
	Total asset turnover(times)	0.60	0.20	0.20	0.20	0.21
Profitability	Return on total assets (%)	14.51	8.33	1.27	6.77	5.15
	Return on equity (%)	17.09	10.60	1.68	8.89	6.75
	Profit ratio (%)	24.24	13.39	6.44	34.32	24.48
	Earnings per share (NT$)	5.99	3.78	0.58	3.24	2.70
Cash flow	Cash flow ratio (%)	135.49	86.57	37.47	38.50	37.86
	Cash flow adequacy ratio (%)	126.53	128.32	112.37	83.92	64.87
	Cash reinvestment ratio (%)	9.46	16.55	6.49	6.77	2.98
Leverage	Operating leverage	1.34	1.21	2.83	2.45	2.19
	Financial leverage	1.00	1.00	1.00	1.01	1.04

Description of causes for changes in financial ratios in the most recent two years.
(Analysis is not required if the change is within 20 %.)
1.Increase in current ratio & quick ratio: Due to the cash capital increase and revenue growth in 2023, current assets such as cash equivalents and accounts receivable increased significantly. Additionally, the settlement of the compensation for damages from the neighboring factory accident was concluded in 2023, resulting in a decrease in current liabilities such as compensation payable and provision for liabilities.
2.Decrease in interest earned ratio: In 2023, the amount of bank borrowings increased by approximately 490 million, leading to an increase in borrowing interest expenses.

3.Decrease in accounts receivable turnover and increase in average collection period:The main reason for the significant increase in accounts receivable at the end of 2023 was primarily due to increased revenue in the fourth quarter compared to the same period last year. Additionally, there was approximately 69 million in accounts receivable due to products with a high sulfur content that were not collected by the end of 2023 (although these accounts receivable were later collected). This situation led to a substantial increase in accounts receivable at the end of 2023. Consequently, while there was an increase in revenue, the larger increase in average accounts receivable caused the overall increase.
4.Increase in accounts payable turnover: In 2023, COGS increased by NT 245,277 thousand, representing a 40.3% increase compared to 2022. Additionally, the average accounts payable in 2023 increased by NT 5,236 thousand, marking a 12.71% increase compared to 2022. The primary reason for these increases is the growth in revenue in 2023. Although both COGS and average accounts payable increased, the greater increase in manufacturing expenses and labor costs resulted in a larger percentage increase in COGS.
5.Decrease in return on total assets: The main reason for the decrease in non-operating income is primarily due to a reduction in insurance claims and foreign exchange gains. Additionally, the increase in cash capital and the construction of factories in 2023 resulted in an increase in assets such as cash equivalents and property, plant, and equipment.
6.Decrease in return on equity : The main reason is the decrease in non-operating income, as well as the increase in equity amounts such as share capital and capital surplus due to the cash capital increase in 2023.
7.Decrease in profit ratio: The gross profit margin performance is affected by price competition in the product market, as well as the decrease in non-operating income.
8.Decrease in cash flow adequacy ratio & cash reinvestment ratio: The significant increase in capital expenditure due to the construction of Guanyin plant and the reconstruction of Luzhu plant, combined with the impact of the fire accident, resulted in a significant decrease in net cash flow from operating activities.

1. Financial structure
   (1) Debt Ratio = Total liabilities / Total assets
   (2) Ratio of long-term capital to Property, plant, and equipment = (Net shareholder equity + Long-term liabilities) / Net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current asset – inventory-prepaid expense) / Current liabilities
   (3) Interest earned ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period
3. Operating performance
   (1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / Average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant, and equipment turnover = Net sales / Average net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
   (7) Total asset turnover = Net sales / Average total asset
4. Profitability
   (1) Return on total assets = [Net income + Interest expenses x (1 - tax rate)] / Average total asset
   (2) Return on equity = Net income / Average total equity
   (3) Profit ratio = Net income / Net sales
   (4) Earnings per share (EPS) = (Net income - preferred shares dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
   (2) Cash flow adequacy ratio = Net cash flow from operating activities within five year / (Capital expenditure + Inventory increase + Cash dividend) within five year
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Total fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net operating income - Operating variable cost and expense) / Operating income
   (2) Financial leverage = Operating income / (Operating income - Interest expense)

6.3 Audit Committee’s review report for the most recent year

SCI PHARMTECH, INC.

Audit Committee’ Review Report

2023 Consolidated Financial Statement and Individual Financial Statements of the Company submitted by the Board of the Directors, have been audited by CPA Serena Hsin and Swimming Hsu of KPMG. All Audit Committee members of the Company have verified the above along with the Company's Business Report and Earnings Distribution, and we are of the opinion that misstatement has not been found. Hence, we have issued the above statement for your reference and inspection in accordance with Article 14-4 of Securities and Exchange Act. and Article 219 of the Company Act.

To

2024 Annual Shareholders’ Meeting

Audit Committee Convenor: Te-cheng Tu

March 12, 2024

6.4 The Audited Consolidated Financial Report for the most Recent Fiscal Year：
Please refer to attachment 10.

6.5 The Audited Parent Company only Financial Report for the most Recent Fiscal Year：
Please refer to attachment 11.

6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation : None

7、Review of Financial Conditions, Operating Results, and Risk Management

7.1 Financial Status:

Analysis of financial situation

Unit: Thousand NT$

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	1,953,239	1,042,398	910,841	87.37%
Non-current financial assets at fair value through profit or loss	96,814	66,723	30,091	45.09%
Non-current financial assets at fair value through other comprehensive income	144,808	141,317	3,491	2.47%
Property, plant, and equipment	3,906,993	3,193,144	713,849	22.35%
Right-of-use assets	4,772	1,013	3,759	371.07%
Investment Property	228,012	228,012	0	0.00%
Intangible assets	46,147	54,582	(8,435)	-15.45%
Deferred tax assets	153,277	167,252	(13,975)	-8.35%
Other non-current assets	156,679	66,098	90,581	137.04%
Total assets	6,690,741	4,960,539	1,730,202	34.87%
Current liabilities	569,887	770,315	(200,428)	-26.01%
Non-current liabilities	1,020,901	561,000	459,901	81.97%
Total liabilities	1,590,788	1,331,315	259,473	19.48%
Common stock	1,195,087	953,824	241,263	25.29%
Capital surplus	2,233,590	1,357,127	876,463	64.58%
Retained earnings	1,645,819	1,373,000	272,819	19.87%
Other equity	25,457	(54,727)	80,184	-146.51%
Total equity	5,099,953	3,629,224	1,470,729	40.52%

Analysis of changes in ratios :

1. Increased current assets: Due to the cash capital increase and revenue growth in 2023, the amounts of cash equivalents and accounts receivable increased.
2. Increased Non-current financial assets at fair value through profit or loss: Energenesis Biomedical Co. was originally an emerging stock company. The company's stock was publicly listed on the stock exchange in June 2023, resulting in a change in the valuation method of financial instruments to reflect quoted market prices in an active market..
3. Increased property, plant, and equipment: Due to the construction of the Guanyin plant and the reconstruction of the Luzhu plant resulted in an increase in Property, plant, and equipment.

4. Increased other non-current assets: The main reason for the increase in other non-current assets is the increase in prepaid equipment payments generated from equipment procurement at the Guanyin plant.
5. Increased assets: Due to the increase in current assets, other non-current assets, and property, plant, and equipment.
6. Decreased current liabilities: The main reason is that the compensation for damages from the disaster in 2020 was settled in 2023, leading to a significant decrease in compensation payable and provision for liabilities.
7. Increased non-current liabilities: Due to the need for constructing factories and purchasing equipment, which led to an increase in long-term borrowings in 2023.
8. Increased common stock: Due to the cash capital increase and the conversion of profits and employee bonuses into capital.
9. Increased capital surplus: Due to the issuance of new shares through cash capital increase premium.
10. Increased other equity: The main reason is the increase in gains from the disposal and fair value measurement of financial assets measured at fair value through other comprehensive income.
11. Increased equity: Due to the increase in share capital, capital surplus, and other equity amounts.

Note : The analysis would not be required if the change is within 20% with the amount exceeding NT$10 million.

7.2 Operation Results:

7.2.1 Analysis of financial performance

Unit: Thousand NT$

Item	2023	2022	Difference amount	Proportion of change %
Operating revenue	1,204,159	899,738	304,421	33.83
Operating cost	853,836	608,559	245,277	40.30
Operating margin	350,323	291,179	59,144	20.31
Operating expenses				
Selling expenses	61,736	50,404	11,332	22.48
Administrative expenses	79,193	82,156	(2,963)	(3.60)
R&D expenses	49,094	39,649	9,445	23.82
Net operating income	160,300	118,970	41,330	34.73
Non-operating income and expense	203,890	268,850	(64,960)	(24.16)
Profit before tax	364,190	387,820	(23,630)	(6.09)
Income tax expense	69,469	79,040	(9,571)	(12.10)
Net profit for the year	294,721	308,780	(14,059)	(4.55)

Other comprehensive income	202,026	(8,870)	210,896	(2,377.63)
Total comprehensive income for the year	496,747	299,910	196,837	65.63

Analysis of changes in ratios :

1. Increase in operating revenue、operating cost、operating margin & net operating income: The revenue growth in 2023 is mainly attributed to the gradual recovery of production capacity, leading to increased revenue from the main products.
2. Increase in selling expenses: The increase in revenue in 2023 is mainly attributed to an increase in licensing fees and commission expenses compared to the previous year. Additionally, there was an increase in variable salary expenses such as employee compensation.
3. Decrease in non-operating income and expense : The main reasons are the decrease in insurance claims income, reversal of estimated losses from neighboring factory compensations, and reduced foreign exchange gains.
4. Increase in other comprehensive income: The main reason for the increase is attributed to the increase in gains from the fair value measurement of financial assets measured at fair value through other comprehensive income.

Note : The analysis would not be required if the change is within 20% with the amount exceeding NT$10 million.

7.2.2 Estimated sales volume and its basis:

1. Estimated sales volume:

Item	Sales Volume (Ton)
APIs	277
API Intermediate	115
Others	225
Total	617

2. Estimated sales basis:

The expected sales volume in the above chart is based on the company's 2024 Annual Budget approved by the board of directors. The estimation is mainly based on the demands from customers. With the capacity completely restored, the sales revenue is expected to grow compared with the previous year.

7.2.3 Possible impact on the future finance of the Company and response measures :

The Luchu plant has completed its reconstruction, and its production capacity has fully recovered. As supply volume increases, addressing external competition to improve capacity utilization becomes a top priority. During the interruption in supply from the company, some customers may have established relationships with new suppliers, potentially leading to the risk of customer attrition. Upon the operational commencement of the Guanyin plant in 2025, challenges related to the utilization of its production capacity will emerge.

The following is the response measures:

1. Maintain close relationships with existing customers while actively expanding the customer base to enhance the continuous growth momentum of the products.
2. Build up the connection with medications' originators and expand CDMO businesses. Expand our business operations and continuously improve and optimize our product processes to enhance

production efficiency.
3. Promote circular economy and reduce the environmental impact of business operations while lowering operating costs and increasing competitiveness.

7.3 Cash flow:

7.3.1 Analysis and explanations of changes in cash flow in the 2 most recent fiscal years (if the change is within 20%)

Item \ Year	December 31, 2023	December 31, 2022	Proportion of change %
Cash flow ratio %	37.86	38.50	(1.66)
Cash flow adequacy ratio %	64.83	83.92	(22.75)
Cash reinvestment ratio %	2.98	6.77	(55.98)
Analysis of changes in ratios : Decrease in Cash flow adequacy ratio & Cash reinvestment ratio :The significant increase in capital expenditure due to the construction of Guanyin plant and the reconstruction of Luzhu plant, combined with the impact of the fire accident, resulted in a significant decrease in net cash flow from operating activities.			

7.3.2 Analysis of cash liquidity in 2023

Unit: Thousand NT$

Cash at beginning of year (1)	Cash flows from operating activities for the entire year (2)	Cash outflow for the entire year (3)	Sum of cash surplus (inadequacy) (1)+(2)-(3)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
166,828	215,767	(559,462)	942,057	—	—

1. Analysis of the cash flow changes of the year: (1) Operating activities: The net cash inflow from operating activities is NT$215,767 thousand , which is less than the net profit after tax of NT$294,721 thousand. However, the positive net cash inflow from operating activities indicates that the quality of the company earnings is still decent maintained. (2) Investment activities: The net cash inflow from investing activities is NT$866,203 thousand , which is mainly due to expenditures on rebuilding production lines, equipment, and constructing the Guanyin plant. (3) Funding activities: The net cash outflow from funding activities is NT$1,425,665 thousand. In 2023, cash capital increase and increased bank borrowing were carried out due to the needs of constructing factories, purchasing equipment, and working capital. 2. Remedial actions for cash shortfall and the liquidity analysis: The company has already completed cash capital increase and utilized bank borrowing limits in 2023.

7.3.3 Cash liquidity analysis for the following year

Unit: Thousand NT$

Cash at beginning of year (1)	Expected cash flows from operating activities for the entire year (2)	Expected cash outflow for the entire year (3)	Expected sum of cash surplus (or inadequacy) (1)+(2)-(3)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
942,057	666,000	1,397,000	211,057	—	—

1. Analysis of the projected cash flow changes for 2024: (1) Projected net cash flow from operating activities within the year: The projected cash outflow from operating activities is NT$666,000 thousand. (2) Projected net cash outflow within the year: The main expenditure is for the purchase of machinery and equipment for the Guanyin Factory 2. Projected Remedial Actions for Cash Shortfall and the liquidity analysis: NA

7.4 Impact of major capital expenditures on the financial business in the most recent year :

The major capital expenditures in 2023 were for the construction of the Guanyin plant and the reconstruction of factory buildings and equipment in the Luzhu plant.

7.4.1 Expected benefits :

1. Considering the growing demand in the pharmaceutical market and the risk of relying on a single factory, the company has decided to construct the Guanyin plant to maintain its sustainable

development momentum. The Guanyin plant will introduce an automated warehousing system and packaging equipment, and its level of intelligence will be higher than that of the Luzhu plant. Currently, plans are in place to construct four production lines, with a maximum capacity expected to provide approximately 50% of the Luchu Factory's equivalent output. Production is scheduled to commence in early 2025. For further details, please refer to the company's 2023 cash capital increase prospectus.

2. The company continues to rebuild the factory buildings and equipment damaged by fire and gradually recover production capacity. By 2023, production capacity has gradually recovered, with revenue increasing by 33.83% compared to 2022. In early 2024, the reconstruction of the Luchu plant has been completed, and its production capacity has been restored to 100%.

11.4.2 Possible risks : If the utilization rate of the production capacity is not high enough after the operation started, it will affect the profitability of the company’s main business.

11.4.3 Response measures :By strengthening the business team, expanding operational reach, exploring CDMO services, and optimizing product portfolios to enhance profitability.

7.5 Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year :

7.5.1 Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan :

1. The reinvestment policy of the company is to invest in related fields of the medical and pharmaceutical industries, or businesses that can generate synergy with the major business of the company.
2. The main reasons for the company's profit or loss from reinvestment, and the improvement plan:

Name of investee	Original investment amount (thousands)	Percentage of ownership	Share of profit or losses of investee (thousands)	Major factors behind gain or loss	Strategy for improvement
Yushan Pharmaceuticals Inc.	351,900	100%	4,607	The land in Guanyin has been rented out since 2022, resulting in an increase in rental income for the company.	N/A
Framosa Co.	143,750	25%	(10,068)	The construction of the plant is underway according to the planned schedule, and it is expected to commence operation in 2025.	After the company starts operating, it is expected that profitability will improve.
HoneyBear Biosciences, Inc.	33,000	11.54%	(3,771)	The company was founded in 2021 and focused on developing antibody-drug conjugate (ADC) research.	The principle is to invest with a long-term strategic approach and to continuously evaluate with prudence.

7.5.2 Investment plans for the upcoming fiscal year :

The board of directors approved the additional budget proposal for the Guanyin plant on July 5, 2023, with a total construction budget of NT$2.44 billion. In 2024, the Guanyin plant will undergo air conditioning, pure water system, and wastewater system engineering. It is anticipated that installation of production equipment will commence gradually in the second quarter of 2024. Product trial production verification and GMP facility inspections are scheduled for early 2025, with GMP certification expected to be obtained by mid-2025. The Guanyin plant plans to construct four production lines, with a maximum capacity expected to provide approximately 50% of the Luchu Factory's output.

7.6 For risks, the following items shall be analyzed and assessed for the most recent year up to the printing date of this annual report :

7.6.1 The policies and organizational structure of risk management: The Risk Management Policy and Procedure please refer to Attachment 6.

1. Policies: The company's risk management policy is to establish a risk management mechanism to identify, evaluate, supervise, and control risks following the company's operating policies, and to achieve the goals of rationalizing the risks and the reward within the tolerable scope of risk.

2. Authority and responsibilities of each unit in the organisation:

(1) Board of Directors:
This is the highest authority of the company's risk management, and is in charge of approving, reviewing, and supervising the company's risk policies, ensuring the management structure and the operation of risk control functions.

(2) Audit Committee:
Serves as the supervisory unit for the company's risk management related operational mechanisms. It is responsible for reviewing risk management policies, procedures, and frameworks to ensure that risk management mechanisms can fully address the risks faced by the company. It also designates personnel (at least once a year) to report to the board of directors on the implementation of risk management.

(3) President Office:
The unit is in charge of planning the operational strategy, also supervising and implementing its execution to fulfill the effectiveness and efficiency of the operation, reducing the operational and strategic risks. This unit is also in charge of legal risk management, compliance with the government monitoring measures, and determining possible agreement disputes or legal disputes to reduce the legal risks; responsible for the related risks of climate change and exploring the opportunities that arise from them.

(4) Audit Office:
The unit is in charge of evaluating the key risks matters, which shall be referenced for the audit plan operation. This unit is also in charge of enacting or amending the related control procedures and practices for possible risks.

(5) IT Office:
The unit is in charge of overall planning and set-up of the ERP information equipment and the enterprise network, and is also responsible for managing the Internet information security to reduce the information security risks.

(6) Safety Office:
The unit is in charge of the planning and execution of the industrial safety and health practices to comply with the related laws and regulations, and reduce the related risks.

(7) Business Department:
In the aspect of business:
The unit is in charge of the development of clients and products, as well as enacting the

transaction terms and conditions based on the relationship with the client, the client's financial condition, and the political and economic condition of the client's location to prevent the risks of unable to receive the account receivables.

In the aspect of purchasing:

The unit is in charge of the management of a decent supply chain, ensuring the stable supply of raw materials, their qualities meeting the specification, and the stability of the price, to reduce the risks of daily operations.

(8) Research & Development Department:

The unit is in charge of evaluating and ensuring the development of new products does not involve the risk of violating others' patents and intellectual properties. This unit is also in charge of the management of patents and intellectual properties.

(9) Quality Assurance and Quality Control Department:

The unit is in charge of ensuring the products are manufactured following the GMP and standards demanded by the clients, while also complying with the regulations of health competent authorities in different countries, to reduce the risks of relating to decreases in quality and client complaints.

(10) Production Department:

The unit is in charge of ensuring the production operation is following the schedule and related SOP to prevent the risks of delayed shipments or production disruptions.

(11) Production Management Department:

The unit is in charge of optimizing the quantities of raw materials and final products to control the inventory cost while preventing the shortage of raw materials and finished products. The unit is also in charge of managing the production schedule to improve production efficiency and planning for the requirements of sufficient future capacity to avoid the risk of production capacity shortage.

(12) Environmental Protection Department:

The unit is in charge of planning and implementing the environmental protection policies to maintain compliance with related laws and regulations and reduce the related risks.

(13) Engineering Department:

The unit is in charge of the design and execution of the plant construction to ensure the plant and equipment meet the standard of the clients and the health-related authorities of different countries. This unit is also responsible for the preventive maintenance of the plant and equipment to reduce the risk of ceasing production due to the damaged production equipment.

(14) Finance and Administration Department:

The unit is in charge of the risk management for assets and compliance with the related laws and regulations from the government to ensure the sustainable operation of the company and the security of its assets. This unit is also responsible for evaluating the medium- and long-term investment performance, the financial operations and adjustment, the establishment of a hedging mechanism, and achieving the reliability of financial reports and compliance with laws and regulations to reduce the financial-related risks.

3. The company reports to the Board of Directors with the operational condition regularly every year, the latest company report to the Board of Directors have been conducted on December 18, 2023, and the operational conditions are as follows

(1) Operational risks - Supply chain risks:

A. Evaluate: a. Due to factors such as unstable policies in China, factories are prone to suspensions and closures, leading to unstable supply and delayed delivery schedules.

b. Due to the economic downturn, coupled with excessive purchasing during the lockdown in 2022, raw material prices experienced a significant drop in 2023.

c. Suppliers have been gradually destocking throughout 2023, with expectations for improvement in the second quarter of 2024.

B. Impact: In 2023, there was a significant drop in raw material prices, leading to reduced manufacturing costs. However, corresponding decreases in finished product prices resulted, making the impact on profit and loss less apparent.

C. Response: a. Diversify the supply chain and increase backup sources of supply.

b. Maintain 2-3 suppliers and closely monitor their operational status and market trends.

c. Adjust inventory according to order demands and market trends.

(2) Operational risks - EHS risks:

A. Evaluate: a.Being in the chemical manufacturing industry carries high potential for fire and toxicity.

b.Equipment damage or employee death or injuries due to negligent operations that might lead to suspension of operations.

c.Environmental pollution due to negligent operations that might lead to suspension of operations.

d.Net zero carbon impact.

B. Impact: : a. In 2023, the company recognized insurance claim income of NT$210 million. After assessing the compensation details submitted by the neighboring factory that suffered damage, the reversal of compensation losses amounted to approximately NT 0.37million.

b. The company's fire insurance premium has increased fourfold.

c. Taiwan is about to impose a carbon fee, and products exported to Europe and the United States will be subject to CBAM.

C. Response: a.To execute standard operational procedures faithfully, ensuring adherence to ISO45000 and ISO14001.

b.To conduct educational training and fire drills and include environmental pollution and work safety incidents as factors for performance awards and punishments.

c.To have fire insurance, the current combined insurance amount of which is about NT$3.3 billion (including insurance for interruption of operations).

d.To have Insurances for public accident liability and employer liability.

e. Establishment of a Greenhouse Gas Inventory Promotion Task Force to gradually complete inventory and internal and external verification, thereby formulating policy objectives and control mechanisms.

(3) Operational risks - Quality risks:

A. Evaluate: Failing a client audit or health authority inspection or receiving warning letters, which create issues in product quality that necessitate remake or scrapping.

B. Impact: In 2023, the loss of inventory scrapping was about NT 11.8 million, and the amount of returns and allowances was about NT 17.92 million.

C. Response: a.To implement quality assurance policies and good manufacturing practice, ensuring adherence to ISO9001.

b.To have introduced the SAP ERP and Master Control softwares for data integrity and launch the Laboratory Information Management System (LIMS).

c. To have a product liability insurance for US$2 million.

(4) Financial risks - Exchange rates risks:

A. Evaluate: 90% of the company's revenue is derived from exports. The quoted price is mainly in US dollars, and the appreciation or depreciation of the currency impacts the company’s revenue significantly.

B. Impact: The appreciation and depreciation of NT$1 in the foreign exchange between US dollars and New Taiwan dollars approximately impact 2% of the gross margin. The position of US dollars generates non-operating exchange gains and losses, NT$ 2.37 million of non-operating exchange gains in 2023, affecting NT$0.02 in EPS after tax.

C. Response: a.Based on developments in the international political and economic situation as well as trends in exchange rate fluctuations, determine the appropriate timing to buy or sell foreign currencies.

b.To undertake Forward Foreign Exchange to reduce exchange gains and losses.

(5) Financial risks - FVP&L:

A. Evaluate: The current amount of financial assets at fair value through profit or loss is NT $ 89 million, mainly consisting of preferred stocks of financial institutions.

B. Impact: a. In the year 2023, dividend income was approximately 2.7 million.

b. The valuation gains or losses from the investment positions, generate the valuation losses of NT$ 1.87 million in 2023.

C. Response: Dispose of assets as necessary based on the utilization of operating funds.

(6) Financial risks － PVOCI:

A. Evaluate: Currently, the financial asset measured at fair value through othe comprehensive income is Energenesis Biomedical Co., Ltd., with an amount of approximately NT$ 96.8 million.

B. Impact: In the year 2023, other comprehensive income generated a profit of approximately 200 million, primarily from the disposal and revaluation gains of financial assets measured at fair value through other comprehensive income.

C. Response: As the investments in those companies are part of a long-term strategy, there is currently no disposal plan.

(7) Financial risks - Credit risks:

A. Evaluate: a.For the default risk of account receivables, the current account balance is NT$ 307 million.

b.For the default risk of cash and cash equivalent, the current balance is NT$ 942 million.

B. Impact: There was no bad debt loss in 2023.The interest income of cash and cash equivalent generated is approximately NT$ 3.45 million.

C. Response: a.The company shall implement proper client credit investigation, prepayment transactions shall be requested to the clients with concerning status, and factoring of accounts receivables and insurance shall be implemented when necessary.

b. The company’s cash deposits are in financial institutions with high credit ratings, which are mainly E.SUN Bank and Taipei Fubon Bank, for USD fixed deposits.

(8) Financial risks－Others:

A. Evaluate: a. Interest rates risks.

b. Liquidity risks.

c. Inflation risks.

d. Endorsement / Guarantees risks.(Framosa Co.)

B. Impact: a. As of the end of 2023, the accumulated capitalization amount of interest on the five-year loan from Mega Bank is approximately NT$ 11 million, which will be amortized after the operation of the Guanyin plant.

b. Interest expense for 2023 was approximately NT$ 6.29 million.

c. In 2023, inflation did not have a significant impact, but depreciation expenses in 2024 will have a significant impact.

d. If the endorser of the guarantee fails to fulfill their debt obligations, a loss must be recognized. As of the end of 2023, the actual disbursed amount is approximately NT$ 77 million.

C. Response: a. Interest rates : Closely monitor changes in the financial market and adjust the borrowing period accordingly

b. Liquidity : In November 2023, to meet the capital requirements for the construction of the Guanyin plant, cash was increased by NT$ 960 million through equity financing, with additional utilization of medium to long-term loans. This included a NT$ 10 billion credit line from Mega Bank (5-year term), a NT$ 130 million credit line from Shanghai Commercial & Savings Bank, (3-year term), and a NT$ 100 million credit line from E.SUN Bank (3-year term).

c.Inflation : Closely monitor developments in relevant situations and adjust product prices moderately as needed.

d. Endorsement / Guarantees: Record relevant matters in the reference book and monitor the utilization of guarantee limits. Internal audit personnel will audit the endorsement guarantee operation procedures and their execution at least quarterly.

(9) Strategy risks:

A. Evaluate: a.The company joint venture with Veolia to establish the Framosa Co., Ltd in the hope to reduce the consumption and the outsourced processing of chemical solvent, enhancing the competitiveness in operation and meeting the global trend of ESG, thus the company support Framosa to construct its plant and operate within the schedule.

b. Construction of a second plant: The plant in Guanyin is to decentralize the production locations and stabilize the relationships with clients.

B. Impact: a. The company is holding 25% of the shares of Framosa Co., Ltd., allowing it to become one of the company’s affiliated companies. The shareholding ratio will be utilized to recognize the loss on investment (NT$ 10 million of losses recognized in 2023). The decrease in consumption and the outsourced processing of chemical solvent will reduce the operating costs and increase the gross profit margin of products.

b. The total investment for the Guanyin Plant is expected to be NT$2.44 billion, if the utilization rate of the production capacity is not high enough after the operation started, it will affect the profitability of the company’s main business.

C. Response: a.To support the construction and operation of the Framosa Co., Ltd. under the schedule to secure the solvent processing service agreements within the industry and establish economic scale.

b.To strengthen the business team to maintain good relationships with existing customers while actively expanding to acquire new customers. This approach aims to enhance the sustained growth momentum of the products and subsequently improve capacity utilization.

(10) Hazard risks－Natural disaster risks:

A. Evaluate: a. Taiwan is easily impacted by natural disasters such as typhoons, earthquakes, etc.

b. Risks of emerging infectious diseases.

B. Impact: No losses related to natural disasters occurred in 2023.

C. Response: a.To enact the continuous operation plan of the company.

b.To enact the reporting and protection measures of infectious diseases, and implement them accordingly.

c.To purchase property insurance, currently the total coverage amounts of insurance is approximately NT$3.3 billion (the scope of insurance includes the stock, machinery equipment, buildings, and the interruption in operation.)

(11) Law risks :

A. Evaluate: a.Compliance with government laws and orders.

b.Investment agreement signed by the President's Office.

c.Non-disclosure agreement and supply agreement signed by the Business and Purchase Department.

d.Service agreement and equipment agreement from other departments.

B. Impact: None in 2023.

C. Response: a.Each department shall assign personnel to review the amendment of laws and regulations and review its impact and the corresponding measures that shall be taken by the company.

b.Each department shall review all agreements carefully, and strictly enforce the internal control procedures requiring signatures and seals.

c.To commission services from legal firms for special and significant events.

d.To consult the opinions of General Counsel from the parent company for special and significant events.

(12) Others risks – Market risks:

A. Evaluate: a.The market for pharmaceuticals grows steadily each year under population growth, aging, and economic growth.

b.The risk of losing clients.

c.The risk of having excessive ratios of a single product and a single client in the company's revenues.

B. Impact: Due to the impact of a fire accident, the reconstruction schedule is delayed compared to expectations, resulting in the inability to restore capacity as planned. This may lead to the risk of losing customers in the future.

C. Response: a.To continuously enhance the relationship with the clients, speed up the processes of reconstruction, returning to production, and the construction of Guanyin Plant to restore the confidence of our clients.

b.To continuously develop new products with the goal of reducing the ratio of a singleproduct to the company's revenue to below 15%.

c.To continuously develop new clients with the goal of reducing the ratio of a single client to the company's revenue to below 10%.

7.6.2 Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures:

1. Policy : The Company always focuses on its scope of business and does not engage in high-risk or highly-leveraged investment activities. In order to effectively manage special

matters arising from actual business needs, the company has established internal management measures and operational procedures based on sound financial and operational practices, in accordance with the relevant laws and regulations of the Securities and Futures Commission. These include procedures such as " Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," and " Regulations Governing the Acquisition and Disposal of Assets by Public Companies." Derivative transactions undertaken by the company are solely for hedging purposes. In the future, the company will strictly adhere to the relevant transaction processing procedures of regulatory authorities and the company itself. In addition to carefully evaluating execution, it will further strengthen control mechanisms. As of the end of 2023, the situation regarding the company's fund loans to others, endorsement guarantees, and derivative transactions is as follows:

(1) Loans to other parties: N/A.

(2) In response to the operational funding needs of our affiliated companies, banks have requested shareholders to provide guarantees in proportion to their capital contributions to ensure creditor rights. Below are the details of the endorsement guarantees:

Company Name	With a relationship to our company	As of December 31, 2023, the amount of endorsement guarantees
Framosa Co., Ltd.	The affiliated enterprises.	NT$ 77,098 thousand

2. Cause of profit or loss: N/A.

3. Future response measures: None.

7.6.3 Future R&D plans and expected R&D investments:

R&D Project Name	Current Progress	Expected Completion Time Mass Production Time	Key Factors Influencing R&D Success	Expected R&D Investments
Pentobarbital	Process optimization	Mar. 2024	Key technology	Investment of about NT$ 45million
BZA	Process optimization	Jun. 2024	Key technology	
Benserazide	Process development and optimization	Sep. 2024	Key technology	
ADC	Development of novel molecular structures and process optimization	Dec. 2024	Key technology	

7.6.4 Changes in local and overseas policies and laws, impact on the Company’s finances and operations, and response measures:

The business operation is faced with numerous laws and regulations. The pharmaceutical industry is more subject to the pharmaceutical laws and regulations, such as the Pharmaceutical Affairs Act and Pharmaceutical Good Manufacturing Practice Regulations. As the regulatory environment continues to change and improve, each department of SCI has designated personnel to be responsible for management of changes in laws and regulations. In addition, APIs are related to the quality of preparations, so the Ministry of Health and Welfare implements source management and continuously promotes policies related to API management to ensure that domestic API companies fully comply with PIC/S GMP standards.

7.6.5 Changes in technology and industry, impact on the Company’s finances and operations, and response measures: None.

7.6.6 Changes in the corporate image, impact on the Company’s risk management, and response measures: None.

7.6.7 Expected benefits and possible risks of mergers and response measures: None.

7.6.8 Expected benefits and possible risks of expanding factory buildings and response risks:

The major capital expenditures in 2023 were for the construction of the Guanyin factory and the reconstruction of factory buildings and equipment in the Luzhu factory.

1. Expected benefits:

(1) Considering the growing demand in the pharmaceutical market and the risk of relying on a single factory, the company has decided to construct the Guanyin factory to maintain its sustainable development momentum. The Guanyin factory will introduce an automated warehousing system and packaging equipment, and its level of intelligence will be higher than that of the Luzhu factory. The plan is to construct 4 production lines, with a maximum capacity equivalent to approximately 50% of the Luzhu factory 's output. Production is expected to commence in early 2025, and further information can be found in the company's Cash Increase Prospectus for the year 2023.

(2) Continued efforts have been made to rebuild the factory and equipment damaged by the fire. By 2023, production capacity has gradually recovered, with revenue increasing by 33.83% compared to 2022. Additionally,as of early 2024, the Luzhu Plant has completed reconstruction, with production capacity fully restored to 100%.

2. Possible risks: If the utilization rate of the production capacity is not high enough after the operation started, it will affect the profitability of the company’s main business.

3. Response measures:. By strengthening the business team, expanding operational reach, exploring CDMO services, and optimizing product portfolios to enhance profitability.

7.6.9 Risks resulting from the concentration of purchases or sales and response measures:

Most suppliers and customers of SCI are trading partners with long-term and close relationships resulting in low risk levels. In 2023, the largest supplier accounted for 23.68% of total purchases, while the largest customer accounted for 25.39% of net sales. Compared to 2022, where the largest supplier accounted for 41.88% of total purchases and the largest customer accounted for 22.76% of net sales, there is a noticeable decrease in the proportion of purchases. This is primarily because the production capacity gradually recovered in 2023, allowing us to offer more product varieties. Consequently, the company adjusted the types and quantities of raw materials purchased according to production needs.In contrast, the sales proportion slightly increased in 2023. This is primarily because the main products experienced growth in sales, such as intermediates for Parkinson's disease, sedative-hypnotic drugs, and glaucoma medications, all of which have returned to pre-disaster sales levels. Therefore, the increase in sales volume to the largest customer is due to the corresponding increase in sales. Our future goal is to reduce the revenue share from any single customer to 10%.

7.6.10 Impacts, risks, and response measures pertaining to major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than ten percent (10%) of the Company's shares : None.

7.6.11 Impacts, risks, and response measures pertaining to changes in ownership: None.

7.6.12 Any litigious or non-litigious matters or administrative disputes up to the printing date of this annual report where the Company and its Directors, President, actual person in charge, and major shareholders holding more than 10% of the Company's shares, and affiliated companies that have been concluded by means of a final judgment or are still under litigation, to be a party thereof, and where the results thereof could materially affect shareholders' equity or prices of the Company's securities, as well as the facts of the dispute, amount of money at stake, start date of litigation, and main parties to the litigation: None.

7.7 Other important issues: None.

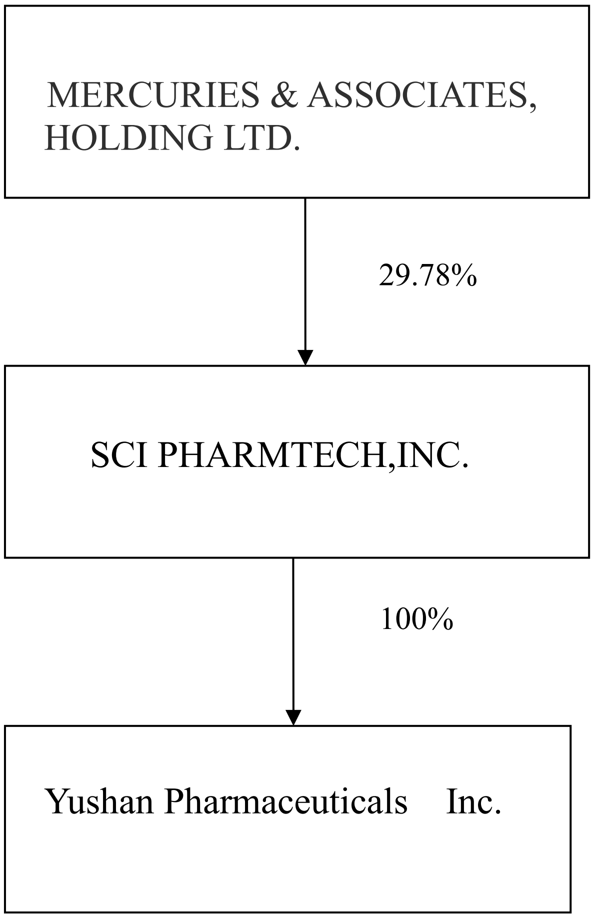
8、Special Disclosure

8.1 Affiliated enterprises:

8.1.1 Consolidated business report of affiliated companies

1.Overview of affiliated companies

(1) Organization chart of affiliated companies (December 31, 2023)



(2) Basic information on affiliated companies :

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business orProducts	Note
Yushan Pharmaceuticals Inc.	2013/6/24	No.61, Ln. 309, Haihu N. Rd., Luzhu Dist., Taoyuan City	NT$ 351,900,000	Research and development, production, and sales of API and preparation.	

(3) Overall business scope of every affiliated enterprises:

Research and development, production, and sales of active pharmaceutical ingredients (API), API intermediates, and specialized and fine chemicals. The basic chemical industry, other chemical materials manufacturing industry, other chemical product manufacturing industry, except for licensed business, may operate business that is not prohibited or restricted by law.

(4) Directors, supervisors, and presidents of affiliated enterprises :

Company Name	Title	Name or Representative	Hold shares	
			number	%
Yushan Pharmaceuticals Inc.	Chairman / President	Wei-Chyun Wong	35,190,000	100%
	Director	Wen-Chih Chou、Aurora Chen		
	Supervisor	Deiter Yang		

2.Business operating conditions of the affiliated enterprises :

Unit: Thousand NT$

Company Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating income (loss)	Profit (loss) Before tax	Endorsed by the Company investment gains and losses
Yushan Pharmaceuticals Inc.	351,900	353,896	1,392	10.02	0	(743)	3,820	4,607

3. Information on endorsements and guarantees, capital loans to other parties, and other derivative products for the affiliated enterprises:

Company Name	Endorsements and guarantees	Capital loans to other parties	Derivatives
Yushan Pharmaceuticals Inc.	None	None	None

8.1.2 Consolidated financial statements of affiliated enterprises：Please refer to attachment 8.

8.2 Private placement of securities of the most recent year up to the publication date of this report printed: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries of the most recent fiscal year up to the publication date of this report printed: None.

8.4 Other items that must be included:

8.4.1 Employee output value in 2023. (Productivity):

The annual revenue of 2023 was NT$ 1,204,159 thousand , the average number of employees was 228, and the average output value (productivity) of employees in 2023 was NT$ 5,281 thousand.

8.4.2 The annual report was sent to the accountant for reading on Apr. 08, 2024.

8.4.3 Professional training for directors:

Title	Name	Year	Trained
Chairman	Wei-Chyun Wong	2023	Jun. 30 /Case Analysis of Trends and Patterns in Suspected Money Laundering or Terrorist Financing Risks in Corporate Governance / TWSA / 3 hours Jul. 27 /After the conversion to IFRS 17 abroad, changes in product strategy, asset allocation, and risk management / EY / 3 hours Aug. 11 /Board Governance under ESG / CGA / 3 hour Aug. 11 / Recent Trends in ESG Development and Case Studies on Corporate Governance / CGA / 3 hour Aug. 17 / Fair hospitality and financial consumer protection / CCLAW / 3 hours
Director	Shiang-Li Chen	2023	Apr. 27 / International Anti-Corruption and Whistleblower Protection Practices and Discussion on Money Laundering Prevention / TII / 3 hours Jul. 27 /After the conversion to IFRS 17 abroad, changes in product strategy, asset allocation, and risk management / EY / 3 hours Aug. 17 / Fair hospitality and financial consumer protection / CCLAW / 3 hours Oct.26 / Sharing Trends in International Carbon Management Practices and the Net-Zero Transformation in the Financial Industry / TWIOD / 3 hours
Director	Aurora Chen	2023	May 3 / Regulations and Common Deficiencies in Corporate Financial Reporting Preparation / ARDF / 3 hours Sep. 13/ Analyzing Key Points of Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to / SFI / 3 Hours
Director	Wen-Chih Chou	2023	Apr. 13 / Opportunities and Challenges in the Net-Zero Trend / TWIOD / 3 hours Jun. 30 /Case Analysis of Trends and Patterns in Suspected Money Laundering or Terrorist Financing Risks in Corporate Governance / TWSA / 3 hours
Independent Director	Te-cheng Tu	2023	Apr. 13 / Opportunities and Challenges in the Net-Zero Trend / TWIOD / 3 hours Jun. 30 /Case Analysis of Trends and Patterns in Suspected Money Laundering or Terrorist Financing Risks in Corporate Governance / TWSA / 3 hours Aug.15 /After the conversion to IFRS 17 abroad, changes in product strategy, asset allocation, and risk management / EY / 3 hours Aug. 17 / Fair hospitality and financial consumer protection / CCLAW / 3 hours Oct.26 / Sharing Trends in International Carbon Management Practices and the Net-Zero Transformation in the Financial Industry / TWIOD / 3 hours
Independent Director	Hung-Chin Wu	2023	Jun. 30 /Case Analysis of Trends and Patterns in Suspected Money Laundering or Terrorist Financing Risks in Corporate Governance / TWSA / 3 hours Oct. 2 / Discussion on Thinking and Resilience in the International New Order / TWIOD / 3 hours
Independent Director	Chia-Chun Jay Chen	2023	Apr. 13 / Opportunities and Challenges in the Net-Zero Trend / TWIOD / 3 hours May 4 / Legal Compliance and Legal Responsibilities of Directors and Supervisors under Corporate Governance 3.0 / TWIOD / 3 hours

8.4.4Professional training for Accounting Supervisor、Accounting supervisorAgent、Audit officer and Audit officeragent:

Title	Name	Year	Trained
Accounting Supervisor	Deiter Yang	2023	Accounting supervisor continuing course / ARDF / 12 hours
Accounting supervisor agent	Lisa Kuo	2023	Accounting supervisor continuing course / ARDF / 12 hours
Audit officer	Jacky Hsu	2023	Analysis of Common Internal Control Management Deficiencies in Enterprises and Practical Case Studies / ARDF / 6hours The Development Trends of Internet Technology and New Perspectives for Internal Auditors / ARDF / 6hours
Audit officer agent	Renee Chen	2023	Latest Regulations on Information Security and Practical Discussions on Audit Practices / SFI / 6 hours Exploring the Latest Blueprint and Evaluation of Corporate Governance Development / SFI / 6 hours

8.4.5 Persons associated with transparency in financial information who have obtained the relevant certificates specified by the competent authorities :

Title	Name	License	License No.
Accounting Supervisor	Deiter Yang	CPA	FSC Zheny-Tzn N0.5467

8.4.6 Managers participate in training related to corporate governance :

Title	Name	Year	Trained
President	Wei-Chyun Wong	2023	Jun. 30 /Case Analysis of Trends and Patterns in Suspected Money Laundering or Terrorist Financing Risks in Corporate Governance / TWSA / 3 hours Jul. 27 /After the conversion to IFRS 17 abroad, changes in product strategy, asset allocation, and risk management / EY / 3 hours Aug. 11 /Board Governance under ESG / CGA / 3 hour Aug. 11 / Recent Trends in ESG Development and Case Studies on Corporate Governance / CGA / 3 hour Aug. 17/ Fair hospitality and financial consumer protection /CCLAW / 3 hours
President	Wen-Chih Chou	2023	Apr. 13 / Opportunities and Challenges in the Net-Zero Trend / TWIOD / 3 hours Jun. 30 /Case Analysis of Trends and Patterns in Suspected Money Laundering or Terrorist Financing Risks in Corporate Governance / TWSA / 3 hours
CG Officer	Deiter Yang	2023	Mar. 27 / Enhancing Corporate Resilience for Taiwan's Competitiveness /CNAIC / 3 hours Apr. 13 /Opportunities and Challenges in the Net-Zero Trend /TWIOD/ 3hours Sep. 21/ Domestic and International Trends in Net-Zero Transformation and Corporate Response Strategies / TWSA / 3 hours Sep. 22/ Issues Related to Carbon Reduction and their Accounting Treatment under IFRS /TWIOD / 3 hours

8.4.7 The Foundation for evaluating the method of recognizing the valuation account of assets and liabilities:

1. Notes and accounts receivable are processed with a simplified approach to estimate the expected credit losses, which means the measurement is conducted by using the expected credit losses within the duration. For such measurements, these notes and accounts receivable are grouped in

accordance with the common credit risks characteristics that represent the client's ability to pay all the amount due under the terms and conditions of the agreements while also incorporating the fair expectation of forward-looking information such as the historical credit losses experience and the future economic conditions, including the overall economic situation and the related industry information.

2. Following IAS 2 "Inventories", inventories and allowance for inventory write-down to be recognized are measured by the net realizable value. The company recognized the allowance for inventory valuation and obsolescence losses due to the inventory write-down reaching the net realizable value. In addition, obsolete inventory from disasters, sales, or write-offs are no longer the factors of the net realizable value of the inventory dropping below cost, resulting in the reversal inventory write-down, with the related expenses presented as the cost of sales. In 2023, the inventory impairment and obsolescence loss amounted to NT 19,806 thousand.
3. The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. Financial instruments trade in active markets is based on quoted market prices. Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

8.4.8 Key Performance Indicator for the company's Industry characteristics:

1. Capacity Utilisation:

Due to the impact of a fire accident on December 20, 2020, the company only resumed production at the end of December 2021. As the reconstruction schedule for 2023 lagged behind expectations, the average production capacity was approximately 50%, with capacity utilization reaching full capacity. By the beginning of 2024, repairs were completed, and production capacity had returned to 100%.

2. Authorized medicament license:

No.1	*API*	*DMF (USA)*	*CEP (EDQM)*	*KDMF (Korea)*	*MF (Japan)*	*DMF (Canada)*	*CGMP certified (TFDA)*	*GMP certificate (Brazil)*	*China DMF*	*Brazil DMF*
1	Adenine	2022								
2	Articaine Hydrochloride	2014	2014	2023			2013		2021	
3	Allopurinol	2011	2003				2004			
4	Atomoxetine Hydrochloride	2018	2018				2016			
5	Bisoprolol Fumarate						2006			
6	Brinzolamide	2015		2023	2017		2022 (GDP)	2023	2023	
7	Clindamycin Palmitate HCl	2011								
8	Divalproex Sodium	2005				2010	2022 (GDP)	2023	2010	
9	Duloxetine Hydrochloride	2011	2014		2017	2016	2022 (GDP)	2023	2013	
10	Hydroxychloroquine Sulfate	2014	2019			2014	2014	2023	2020	

No.1	*API*	*DMF (USA)*	*CEP (EDQM)*	*KDMF (Korea)*	*MF (Japan)*	*DMF (Canada)*	*CGMP certified (TFDA)*	*GMP certificate (Brazil)*	*China DMF*	*Brazil DMF*
11	Loxoprofen Sodium Hydrate				2011		2012	2023		2023
12	Methylphenidate HCl		2014				2022 (GDP)	2023		
13	Pentobarbital Sodium		2011				2022 (GDP)			
14	Probucol	2004			2017	2015	2022 (GDP)		2023	
15	Propafenone Hydrochloride	2010	2012		2012	2012	2022 (GDP)	2023	2018	
16	Sodium Valproate	2019	2006		2017		2022 (GDP)	2023	2014	
17	Thiopental						2020			
18	Valproic Acid	2003	2004		2008	2008	2022	2023	2023	
19	Cannabidiol (CBD)	2020					2020			
No.2	*API intermediate*	*DMF (USA)*	*CEP (EDQM)*		*MF (Japan)*	*DMF (Canada)*	*CGMP certified (TFDA)*			
1	Menthadienol (PMDOL)	2019								
2	Olivetol	2019								
3	Ethyl Olivetolate	2019								

8.4.9 The company disclosed the related information about financial instruments except for shares and depository receipts, please refer to the Consolidated Financial Statement of 2023.

8.4.10 The company has not enacted a code of conduct or the code of ethics for the employees, however, the current Work Rules, Ethical Corporate Management Best Practice Principles, Codes of Ethical Conduct, and related procedures are serving as the code of conduct for employees' behaviors, audits are also performed, with the implementations of such rules reported the to themanagement.
Inquiry method for the related procedures:
The company's website: www.sci-pharmtech.com.tw

8.4.11 The company has amended the related articles for a whistle-blowing system in the Ethical Corporate Management Best Practice Principles and has set up a stakeholder zone and complaint process flowchart on the website.
Inquiry method: The company's website: www.sci-pharmtech.com.tw

8.4.12 Descriptions for the Employees' salary and remuneration:
The company's salary and remuneration policy is to provide competitive salary standards to recruit and retain the required employees for the business operation to achieve stable growth and sustainable development. The salary and remuneration paid to the employees of the companycan be classified as fixed and variable salaries. Fixed salaries are the monthly salary paid to theemployees, with the payment standard referring to the statistics of industries and labor market,adding considerations for the job position, nature of the job, professional abilities, and the occupational supply & demand. Variable Salary consists of the end of year bonus and employees'remuneration. Part of the salary and remuneration are connected with the operational performance by the variable salary.
The company enacted the Salary Management Procedures and Performance Bonuses Procedures, which are thoroughly conveyed to all employees with the educational training for the new recruits and the internal mail system for a full understanding of the salary and remuneration system of the company. In addition, for the Managers, the company set up performance goals and enacted related procedures for the salary and remuneration policies,

system, standard, and structure. The salary and remuneration for personnel above the Manager level require the approval of the Salary and Remuneration Committee and the Board of Directors, which is to improve the transparency of the company's corporate governance, and the decisions for salary and remuneration.

1. Fixed salary: Monthly salary paid to the employees each month.
2. Variable salary: Connected to the operational performance.
   (1) End of the year bonus: Paid according to the performance with a minimum of 1.5 months and a maximum of 4 months of the monthly salary.
   (2) Remuneration of the employees: Approximately 3% to 10% of the annual profit.

Inquiry method: The company's website: www.sci-pharmtech.com.tw

8.4.13 Descriptions for the succession planning of the member of the Board of Directors and key executives:

The key executives are the employees above the Manager level, there are currently 14 people classified in such positions. Each of the key executives has completed their job description manuals and roadmap for duties, assigned the deputies for the jobs, and conducted further training on them. The company requested Managers to take all their annual leaves, giving their deputies adequate opportunities to experience managerial roles and prepare for future succession. There is a Manager and Deputy General Manager in all the key departments of the company, such as the R&D and Business departments, and the succession plan has basically been completed. As for the Production, Quality Control, Finance & Accounting, Engineering, and other departments, there are chief-level staff members qualified as the future successor to carry the duties of the key executives. Basically, the company has thoroughly implemented and completed the planning on the successions of the key executives, with periodic reviews and adjustments being performed. In addition, the company rotates the positions of key executives in different departments often in the hope to develop talents who are capable of managing in multiple fields, enabling flexible adjustments necessary when necessary, which shall strengthen the company's vast foundation of achieving a century-long business operation.

The company currently has 4 Directors, 2 of which are professionals in finance & accounting and operational management, and the other 2 are the professionals in chemistry .Of the 3 Independent Directors, 2 of them are a professional in finance & accounting, and the other one is professionals in chemistry and chemical engineering, which are required for the company's main business. The future composition and the experience backgrounds of the Directors will apply the structure same as the current Board of Directors.With regards to the succession plans of the Board of Directors, the legal representatives of the parent will be 2 senior executives from the parent and 2 senior executives of the company as planned in the foreseeing future. There are dozens of companies underneath Mercuries & Associates Holding, Ltd. and several of them are public listed companies, resulting in the numerous Directors and professionals in senior management, therefore Mercuries & Associates Holding has an abundant talent pool for the succession of the two Directors position, and as for the two Directors from the senior executives of the company, please refer to the aforementioned succession plan of key executives. As for the Independent Directors, 1 of them shall be a professional in finance & accounting by law, experts in this field are sufficient domestically, and the company has planned the successor of this position as a Director to be an individual with academic background. The other 2 Independent Directors shall be professionals in chemistry and chemical engineering, the company still plans to invite 1 individual with academic background and the other from the industry. The company has been conducting close industry-academia cooperation with the National Tsing Hua University and National Taiwan Normal University, and has also been maintaining close relationships with several professors, which shall provide sufficient candidates for the company's Independent Director. As for the

Independent Director from the industry, members of the domestic API industry have been actively differentiating each company's product portfolio to avoid excessive competition, and often held gatherings to exchange the industrial information and know-how while participating in overseas exhibitions in the same group. In addition, the company has been actively participating events such as the operations of the Taiwan Pharmaceutical Manufacturer Association and the Institute for Biotechnology and Medicine Industry to familiarize itself with other significant figures in the medical and pharmaceutical industry, providing suitable potential candidates for this Independent Director position.

In addition, the company arranges to report to the board of directors regarding succession planning for managers after each board election. On December 26, 2022, the governance officer presented succession planning reports for each department to the board of directors.

8.4.14 The Intellectual Property Management Plan and its implementation:

1. The Intellectual Property Management Plan: Please refer to Attachment 7.
2. Implementation status:The Implementation status shall be reported to the Board of Directors at least once per year. The implementation status report of 2023 has been delivered to the Board of Directors on December 18, 2023, by the Head of Corporate Governance.

8.4.15 Descriptions for the company's workplace diversity and gender equality policies:

1. Diversity and Inclusion: Our company adheres to the principle of equal employment and does not discriminate or provide differential treatment on the basis of race, nationality, age, gender, marital status, political views, religion, or any other factor. We also ensure the labor rights of vulnerable or marginalized groups such as indigenous peoples, women, migrant workers, contract workers, and people with disabilities. Employee promotion, salary, promotion, and rewards are based on job category, educational and professional background, expertise and technical skills, professional experience,and personal performance, without any differentiation based on age, gender, race, or other factors.

   As of the end of December 2023, there were 254 Taiwanese employees, 1 Italian employee, 1 Malaysian employee, and 37 Filipino employees.

Item	percentage of total employees （%）
Republic of China nationality	84.65%
Foreign nationals	15.35%

In 2023, there were 206 male employees and 48 female employees, with female employees accounting for 18.90% of the total workforce."

Item	Ratio （%）
Female employees as a proportion of the total workforce （%）	18.90%
Female executives account for all executives （%）	26.47%
Female senior executives account for senior executives (managerial level and above)（%）	21.43%

2. Providing a gender-friendly environment:

   We have set up Breastfeeding Room and provided friendly maternity leave policies, including prenatal and postnatal medical check-ups and parental leave. We have also established a

'Maternal Health Protection Plan' to take care of our employees' physical and mental health needs. In 2023, there were 4 employees who applied for parental leave.

3. Anti-sexual harassment policies:

The company has established a method to prevent, file complaints, and discipline sexual harassment, and has also set up a Sexual Harassment Complaints Committee to prevent unsafe and sexually harassing behavior in the workplace and maintain gender equality and personal dignity. In 2023, the company did not receive any reports of sexual harassment from its employees.

8.4.16 Descriptions for the company’s corresponding measures and tangible results regarding community risks or opportunities:

1. Community risks:

(1) Community risks:

Our company is in the chemical manufacturing industry and mainly engages in large-scale continuous production, chemical synthesis reactions, and other related activities. In the event of an accident, it may lead to chemical spills, emissions of pollutants such as exhaust gases and waste materials, or even dangerous incidents like fires and explosions, which could harm the health and safety of the community residents.

(2) Specific implementation measures:

A. Implement standard operating procedures to ensure effective operation of ISO45000 and ISO14001.

B. We have installed an oxidation-reduction scrubber to treat exhaust gases, reduce odor, and minimize volatile organic compound (VOCs) emissions. We have switched from heavy oil to low-pollution fuel natural gas for boiler combustion, significantly reducing air pollutant emissions. In addition, we have expanded our anaerobic tank capacity for wastewater treatment and installed dedicated pipelines to prevent industrial wastewater discharge into irrigation channels. Furthermore, we use a distillation recovery method to reduce waste generated during the production process and minimize the impact on the community environment.

C. We regularly conduct education and training as well as fire emergency drills to enhance the emergency response capabilities of our staff, strengthen the plant's disaster relief and response capabilities.

D. We regularly convene environmental safety meetings and occupational safety and health committee meetings to review and improve any deficiencies identified during environmental safety inspections and assess occupational safety and health risks.

(3) The effectiveness of implementation: The regulations were complied with in 2023, and detailed information can be found in Attachment 4 of our company's Sustainable Development Management Policy and Implementation Report.

2. Opportunities provided by the company to the community:

(1) Opportunities provided by the company to the community:

A. Provide employment opportunities for local residents.

B. Strengthen community involvement and maintaining close and harmonious interaction.

(2) Specific implementation measures:

A. Encourage employees to refer their relatives and friends for job interviews, and cultivate local relationships.

B. Sponsor and actively participate in local community events.

C. Cooperate with local public agencies.

(3) The effectiveness of implementation:

A. In 2023, there were 71 new employees (including 37 foreign colleagues). Among them, 15 people were domiciled in Taoyuan City, accounting for 21.13% of the total. Excluding foreign colleagues, the proportion would be 44.12%. The entire company had 112 employees domiciled in Taoyuan City, accounting for 44.09% of the total.

B. Sponsor nearby temples' religious ceremonies, offerings, cultural festivals, etc.

C. We actively participate in community events and maintain good interactions with residents. During the pandemic, we provided free alcohol for disinfection to assist the community in fighting against the pandemic.

D. We conducted with the Shan Jiao Fire Brigade for joint fire training exercises and provided facilities for military exercises.

8.4.17 Equipment Investment in Energy Efficiency or Green Energy for Environmental Sustainability:

1. Energy Conservation, Carbon Reduction, and Energy Management:
   The company primarily relies on electricity as its main energy source, followed by gas and steam. In 2023, the company underwent reconstruction of factory facilities and equipment updates. An investment of NT 2.35 million was made to replace energy-efficient heat exchangers and pumps. This initiative is expected to result in an annual electricity savings of 320,000 kWh and a reduction of 160 tons of CO2 emissions, ultimately enhancing energy efficiency.
2. Investment in Main Equipment for Preventing and Controlling Environmental Pollution and Applications:

Equipment Name	Quantity	Acquisition Date	The investment amount in 2023. (thousands)	Applications
Reduction-Oxidation Scrubber Tower at Plant A	1	Not yet inspected.	NT 9,623	Environmental exhaust and process gas treatment to reduce emissions of volatile organic compounds (VOCs).
Reduction-Oxidation Scrubber Tower at Plant B	1	Construction in progress.	NT 20,486	

8.4.18 Descriptions for the company’s progress in the post-fire accident reconstruction:

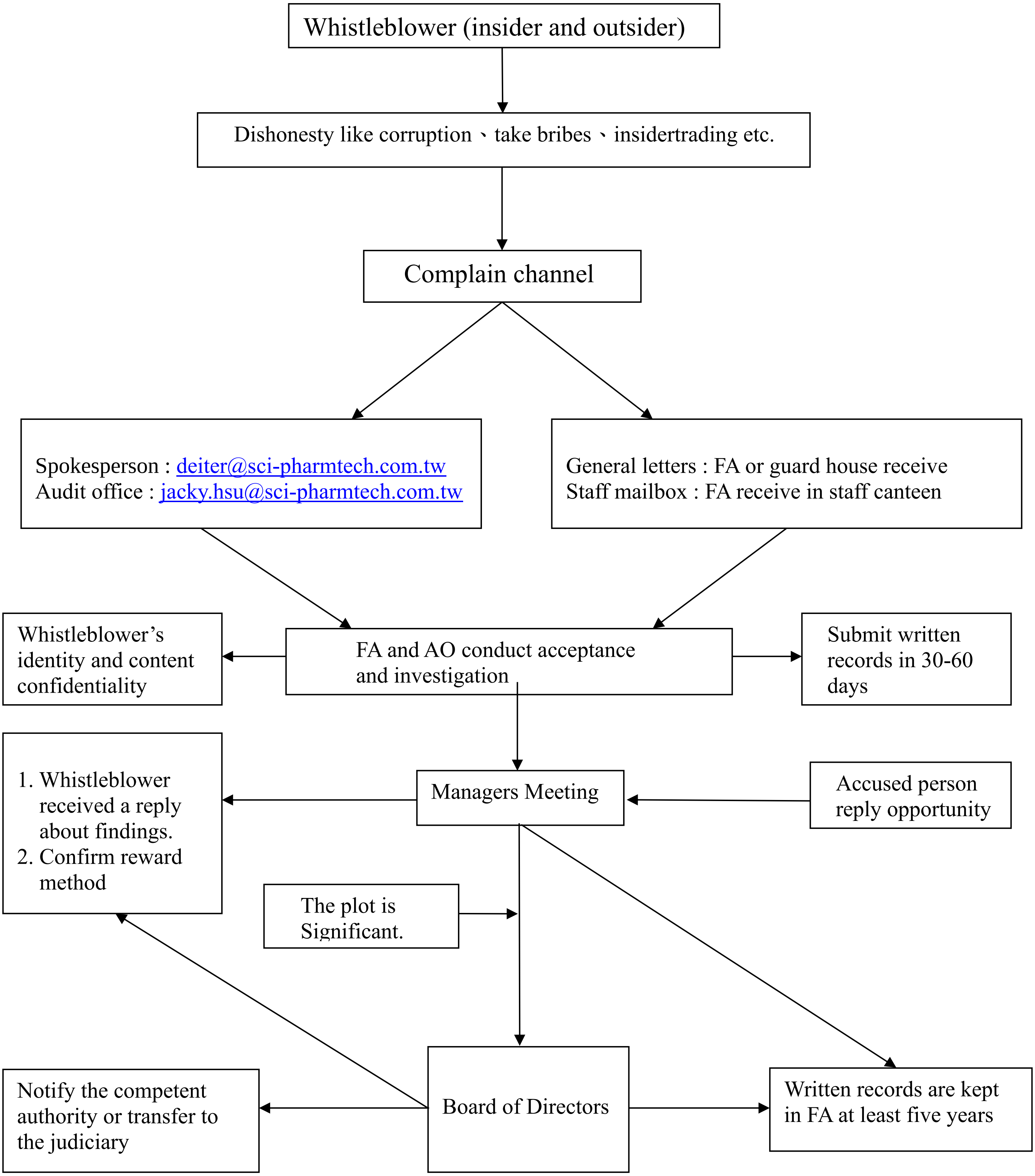
1. The production facility at Plant B was fully restored at the beginning of 2024, with production capacity restored to 100%.
2. Available on : SCI’s website : www.sci-pharmtech.com.tw/investors-05-112

8.4.19 Disclosure of Policies Linking Executive Compensation to ESG-Related Performance Assessments: Please refer to attachment 8.

8.5 Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year up to the printing date of this annual report:None.

Attachment 1 :

Complain (Report) Flowchart



Attachment 2 : Statement of Internal Control System

SCI PHARMTECH, INC.

Statement of Internal Control System

Date: March 12, 2024

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2023:

1. The Company has achieved full understanding that the establishment, implementation, and maintenance of the internal control system (ICS) are the responsibilities of the Company's Board of Directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the 3 objectives listed above. Changes to the environment and status will also affect the effectiveness of internal control systems. However, The Company's internal control system has been furnished with self-monitoring systems. The Company shall also initiate corrective actions for any verified defects.
3. The Company shall refer to the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "ICS Regulations") to stipulate assessment items for determining the effectiveness of the ICS as well as the performance of the designs and implementation of the system. The ICS is divided into 5 key components according to the process of management control to generate ICS assessment items used by ICS Regulations, namely: (1) Control environment; (2) risk assessment; (3) control activities; (4) information and communications and; (5) monitoring activities. Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions provided in the ICS Regulations.
4. The Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
5. The Company has referred to the results of the aforementioned assessments and determined that the Company's ICS of December 31, 2023(including monitoring and management of its subsidiaries), including the Company's understanding of the level of effectiveness and efficiency of business operations achieved, the reliability, timeliness, transparency, and regulatory compliance of reporting, the compliance with applicable laws, regulations, and by laws, are effectively designed and implemented and capable of reasonably ensuring the attainment of the aforementioned objectives.
6. This Statement shall be a major content of the Company's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contain misrepresentations, nondisclosures, or other illegal acts, the Company shall be subject to legal responsibilities provided in Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. We hereby declare that this Statement has been approved by the Board of Directors on March 12, 2024. Amongst the 7 Directors present in the meeting, none (0) held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

SCI PHARMTECH, INC.

Chairman : Wei-Chyun Wong

President : Wen-Chih Chou

Attachment 3 : Information security management policy

SCI PHARMTECH, INC.
Infocomm Security Management Policy

1. Explanation

SCI PHARMTECH, INC. (hereinafter referred to as “the company”) enacted this Infoccom Security Management Policy by taking into account the company’s business needs, in order to strengthen information security management, ensure the security of our company’s software, hardware and network management, for establishing various reliable information and communication systems, thereby enhancing the infocomm security and service quality of the operations related to the research and development, production and marketing of intermediates, APIs and specialty chemicals.

2. Purpose

The company aims to maintain the overall infocomm security, strengthen the security management of various infocomm assets, and ensure relevant confidentiality, integrity, and availability, to prevent any intentional or accidental threat and damage internally or externally that may result in any risks such as unauthorized business information alteration, disclosure, damage, loss, or others.

3. Scope of Applications

This policy applies to all the infocomm systems in the company as well as their relevant users. The infocomm users include formal employees, contractors, personnel related to business maintenance and operation, external units using infocomm resources, service providers, outsourced vendors, and other authorized personnel.

4. Definition

Generally, the basic requirements for infocomm security can be divided into three categories:

A. Confidentiality: Ensure that only the authorized personnel have the access to information.
B. Integrity: Ensure the correctness and integrity of information and processes.
C. Availability: Ensure that authorized users have access to information and related services if necessary.

In addition to the above-mentioned three basic requirements, the following requirements must be met according to the characteristics of various business sectors. Relevant explanations are as follows:

A. Authenticity: Ensure that an appropriate authentication process is required when a user logs in.
B. Accountability: Ensure that appropriate traceability is available for tracing the executor whenever a user executes any task.
C. Non-repudiation: Ensure that a user cannot deny the operations completed on the system.
D. Reliability: Ensure that the performed operations demonstrate consistent results.

5. Explanations about Authority and Responsibility

A. The Information Office governed by President is responsible for organizing and promoting infocomm security and relevant matters in the company. The Audit Office draws up relevant internal control procedures to conduct audit tasks regularly.
B. The company, as well as relevant personnel from corresponding authorities/institutions and vendors, shall comply with this policy.

6. Objectives of Infocomm Security Management

The company divides the objectives of information security management into two categories, which are qualitative and quantitative:

A. Qualitative Indicator
   a. Enhance internal control, to prevent unauthorized access, and ensure the confidentiality of the company’s business-related information.

b. Ensure the availability of the company's business-related infocomm equipment, and meet the needs for business operations regarding research and development, production, marketing, etc.
c. Ensure that no information leakage will reveal to any unauthorized third party in the process of information transmission or due to any unintentional behavior, so as to ensure the correctness and integrity of the company's business-related information and enhance operational performance and quality.

B. Quantitative Indicator
a. The management objective should be "no information security incident occurs" every year.
b. Conduct the drills of data backup and disaster recovery for important systems, at least once every year.
c. Ensure that important, confidential, and sensitive information will not leak out while data backup is in place. Internal audits shall be conducted once every year.

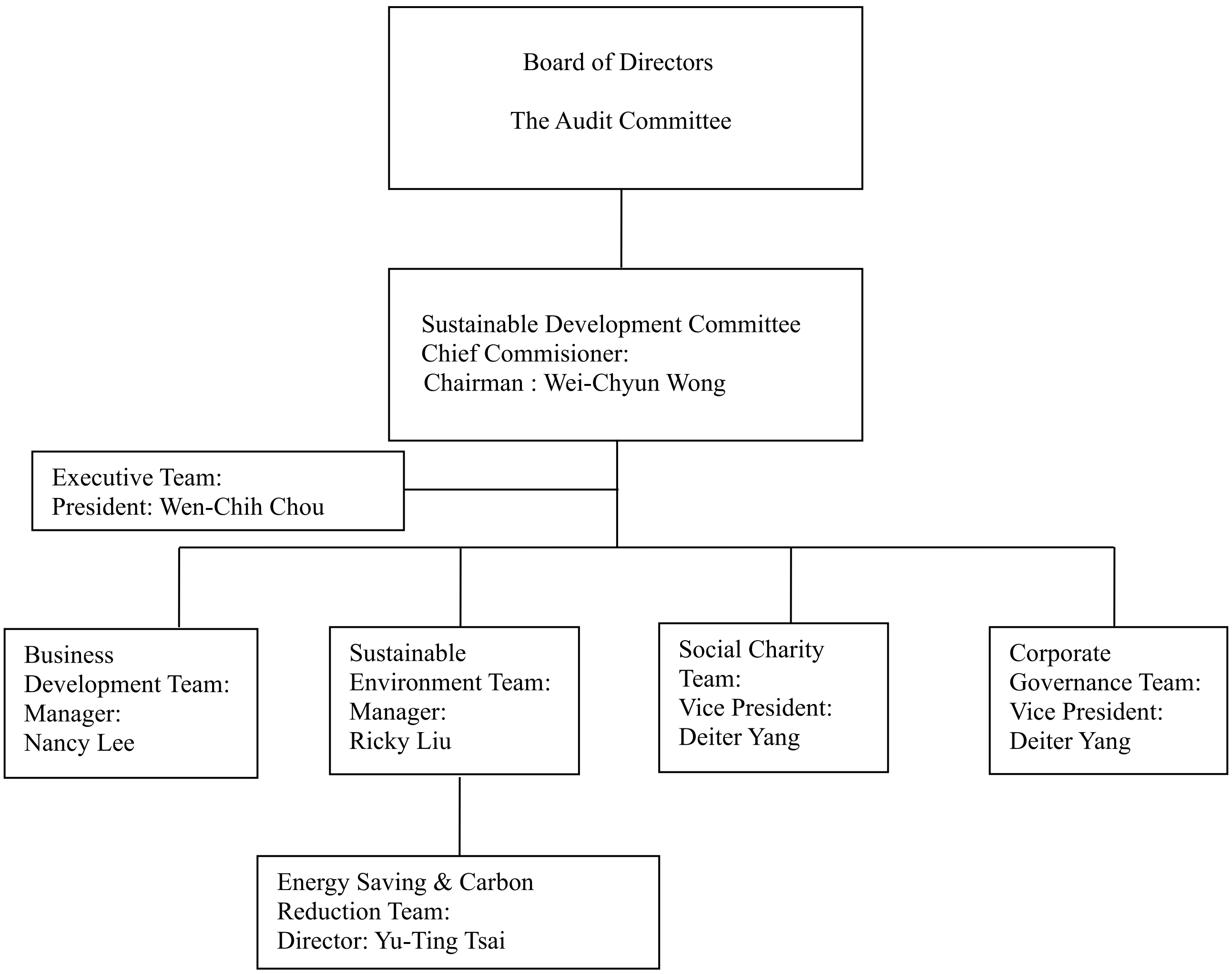
7. Responsibility of Infocomm Security
A. Senior executives should actively participate in the activities of infocomm security management and operation, to support infocomm security management systems.
B. The Information Office governed by President is in charge of the operations of infocomm security management. The Audit Office conducts internal audits according to relevant laws, regulations, and policies, to ensure the implementation and effectiveness of these systems.
C. Review and discuss the issues related to internal and external infocomm security, requirements from stakeholders/parties, and infocomm security operation activities from other organizations, to enhance the protection ability of infocomm security.
D. The Information Office should provide regular propaganda and training courses regarding infocomm security, to enhance the company personnel's awareness of information security.
E. Ensure all the information security incidents or suspicious information security weaknesses have been escalated following appropriate reporting systems to the upper management and that appropriate investigation and handling have been undertaken.

8. Review and Implementation of Infocomm Security Policies

These policies shall be reviewed regularly every year. In case of any changes in organizations, businesses,laws and regulations, environments, or other factors, appropriate amendments should be made to these policies and then approved by the President for further proclamation and implementation, to ensurethe validness of information security exercise and operation.

Attachment 4 : Sustainable Development

1. Sustainable Development Committee :



2. Sustainable development commitment and goals :
   (1) Company Vision - Contribute to Human Health.
   (2) Company Value - Sustainability, Trust, Innovation.

3. Sustainable Development Policies :
   (1) Comply with the laws and regulations, to implement integrity management.
   (2) Value employees' rights and benefits, to create happy workplaces.
   (3) Practice environmental protection policies, to contribute to society and communities.
   (4) Value shareholders' rights and benefits, to advocate activism.
   (5) Cooperate with suppliers, to improve product quality.
   (6) Protect customer rights, to contribute to human health.

4. Sustainable Development Management System :
   To be executed in following the company's Sustainable Development Principle.

5. The Implementation Status of Corporate Social Responsibility:
The Head of Corporate Governance reported the implementation status of corporate social responsibility to the Board of Directors on Dec. 18, 2023, and placed on the company website: http://www.sci-pharmtech.com.tw

Major items	Management policy	Implementation in 2022
Stakeholder Communication	Keep the communication channels with all stakeholders open, communicate with all stakeholders in good faith, and strengthen the transparency of various information.	Table 5.1 below
Corporate Governance	Strengthen the functions of the board of directors, and implement the corporate governance system in accordance with the requirements of laws and regulations and corporate governance evaluation.	1. Set up a special area on the company website to explain the implementation of corporate governance, labor practices, human rights, and integrity management. 2. In order to promote social responsibility, integrity management, and prevent insider trading, regular education and training are provided to employees every year. 3. A sustainable development report is issued every two years, and the 2022-2023 sustainable development report is expected to be completed in 2024. 4. In 2023, the Taiwan Stock Exchange announced the 8th Corporate Governance Evaluation, and listed it as a company with a 21%-35% gap in the third level. 5. The Taiwan Stock Exchange conducted an on-site inspection on the implementation of the internal control system and found that there were no deficiencies.
Customer Health and Safety	Follow the cGMP good manufacturing practice for pharmaceuticals and implement the ISO 9001 quality management system.	1. After the approval of TFDA and the customer, the leased factory will be used for off-site production. 2. Pass 32 customer audits in 2023. 3. Insured product liability insurance - USD 2 million.
Environmental Management	Implement ISO14001 (2015 edition) environmental management system and ISO45001 (2018 edition) environmental safety and health management system.	Performance of environmental management objectives: 1. The company's goal of saving electricity and reducing carbon dioxide is 1% per year. However, due to fire accidents and multiple shutdowns affecting production capacity, electricity consumption has been greatly reduced to 3,126 kWh in 110 years, and carbon dioxide emissions are only 1,644 tons. 2. Introduce product carbon footprint survey (VA product). 3. The labor safety and health committee meeting is held quarterly.
Supplier Management	Committed to energy saving and carbon reduction in the supply chain, the procurement principle is based on local procurement and local supply, and supplier evaluation is carried out.	1. New suppliers must pass the QCDS (Quality, Cost, Delivery, Service) assessment, environmental standard, and social standard assessment. 2. Work with suppliers to fulfill corporate social responsibilities on issues such as ethics, employee human rights, and the environment.
Employee Care	Implement human rights policies, improve employee benefits, and pay attention to employees' physical and mental conditions.	1. Employee group insurance and annuity insurance. 2. Employee stock ownership trust. 3. Staff canteen and dormitory. 4. Promotion of employees' physical and mental health (such as: health checkups, holding health lectures, setting up indoor arenas, etc.). 5. Formulate annual employee education and training plans to cultivate employees' professional capabilities.

		6. Regularly hold labor-management and managerial meetings.
Social welfare	Implement the concept of giving back to society and promote social integration.	1. Participate in community and school activities and maintain good interaction with residents. 2. Assist in the development of police public welfare undertakings. 3.Donated to the Chang Chau-Ting Memorial Foundation, and sponsored the research and publication of science, culture and talent cultivation. 4. Sponsored the Asian Biotechnology Conference to showcase the achievements of Taiwan's biotechnology industry and bring together global biotech capabilities and talents in Taiwan.

5.1

Stakeholder	Communication channels and response methods	Communication frequency
Employee	Email and Bulletin Board Announcements	Irregular、Set up a line group to communicate at any time
	Human resources service and health consultation	At any time / The administration department provides human resources services, health checks, external doctors and factory nurses provide health consultation.
	Conference communication	Labor-management meetings and occupational safety and health committees are held quarterly.
	Supervisor mailbox/employee opinion mailbox communication	At any time
	Complaint (report) process	At any time
	Employee education and training	Irregular Organize professional training for various departments.
Customer	Customer satisfaction survey	1 time per year / 2023 customer satisfaction survey about 4.7 points (Total score 5 points)
	Production and marketing meeting	Weekly
	Customer audit	Irregular / There were 32 customer audits in 2023.
	Reply to customer concerns by phone/email	At any time
	Participate in the exhibition	Regular / 2023 to participate in the European CPHI exhibition.
Supplier	Phone / Email Contact	Irregular
	Questionnaire	Regular
	Audit	Regular / 1 suppliers were audited in 2023.
Shareholders / Investors	Shareholders/Investors General Meeting	1 time per year
	Legal person briefing	Irregular / Invited to Cathay Securities on 3/15 and Yuanta Securities on 5/16.
	Phone / Email Reply	At any time / The website updates the post-disaster reconstruction record every month.
	Company official website	Regular announcement of financial statements and other relevant information.
	TESE	Regular announcement of financial statements and other major information.
Nonprofit / Community / Neighborhood Vendors	Nonprofit / Community Phone Interviews	At any time
	Face to face interview	At any time
	Phone / Email Contact	At any time

Government	Competent authority decree announcement letter and inspection	Irregular
	Regulatory publicity meeting or symposium of the competent authority	Irregular
	Telephone, letter and email contact	Irregular

Attachment 5 :

SCI PHARMTECH, INC.

Performance Evaluation Regulation of the Board of Directors

1. Set purpose and legal basis
   To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the board of directors, this regulation is established pursuant to Article 37 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies. According to other appropriate methods, the internal evaluation of the board(include functional committees), and self-evaluation by individual board members shall be conducted annually.

2. Regulation compliance
   The general evaluation cycles, evaluation periods, scope and method of evaluation, the unit conducting evaluations, evaluation procedures and other matters for compliance under the Company's regulations governing the board performance evaluation shall be subject to this regulation.

3. Evaluation cycle and period
   Beginning of each year, the Company's board of directors shall conduct an internal board performance evaluation according to the evaluation procedures and the evaluation indexes, and evaluation period is previous years.
   Internal board performance evaluations shall be completed before the end of the first board meeting of the following year.

4. Evaluation scope and methods
   The Company's board evaluation scope covers the evaluation of the board(include functional committees) and individual directors.
   Methods of evaluation include the internal evaluation of the board(include functional committees), and self-evaluation by individual board members.

5. Evaluation executor
   Corporate Governance officer conducting internal evaluations of the Company's board of directors shall have an adequate understanding of the operation of the unit subject to evaluation and shall play a fair, impartial and independent role.

6. Evaluation procedure
   a. End of each year, Corporate Governance officer will collect information about the activities of the board of directors and distribute the Questionnaire of Self-Evaluation of Performance of the Board in Annex 1, the Questionnaire of Self-Evaluation of Performance of Board Members in Annex 2, and the Questionnaire of Self-Evaluation of Performance of the Functional Committee in Annex 3 to be completed.
   b. Corporate Governance officer will collect all information, give scores based on the evaluation indexes in Article 8, record the evaluation results in a report, and submit the report to the board of directors.

7. Evaluation index and score standard
   The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:
   a. Participation in the operation of the company;
   b. Improvement of the quality of the board of directors' decision making;
   c. Composition and structure of the board of directors;

d. Election and continuing education of the directors; and
e. Internal control.

The criteria for evaluating the performance of the board members, should cover, at a minimum, the following six aspects:
a. Alignment of the goals and missions of the company;
b. Awareness of the duties of a director;
c. Participation in the operation of the company;
d. Management of internal relationship and communication;
e. The director's professionalism and continuing education; and
f. Internal control.

The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects:
a. Participation in the operation of the company;
b. Awareness of the duties of the functional committee;
c. Improvement of quality of decisions made by the functional committee;
d. Makeup of the functional committee and election of its members; and
e. Internal control.

The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company, subject to regular reviews and constructive comments of the remuneration committee.
Scoring criteria may be modified and adjusted based on the company's needs. The weighted scoring method may be adopted based on the aspects of evaluation.

8. Use of evaluation results
When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.

9. Annual report information disclose
It is advisable that the Company disclose in its annual report whether regulations governing the board performance evaluation have been established as well as how the board performance evaluation has been conducted each year, with a description of the evaluation method provided.

10. Disclose way
The performance evaluation regulation established by the Company shall be fully disclosed on the Market Observation Post System (MOPS) and the Company's website at all times, to be made available for consultation.

11. Implement
The Company's regulation shall take effect after having been discussed and approved by the board of directors. Subsequent amendments thereto shall be effected in the same manner.

12. Enact and amendment date
This regulation was enacted on Nov. 12, 2019 and amended on Nov. 6, 2020 for the first time.

Attachment 6 :

SCI PHARMTECH, INC.

Risk Management Policy and Procedure

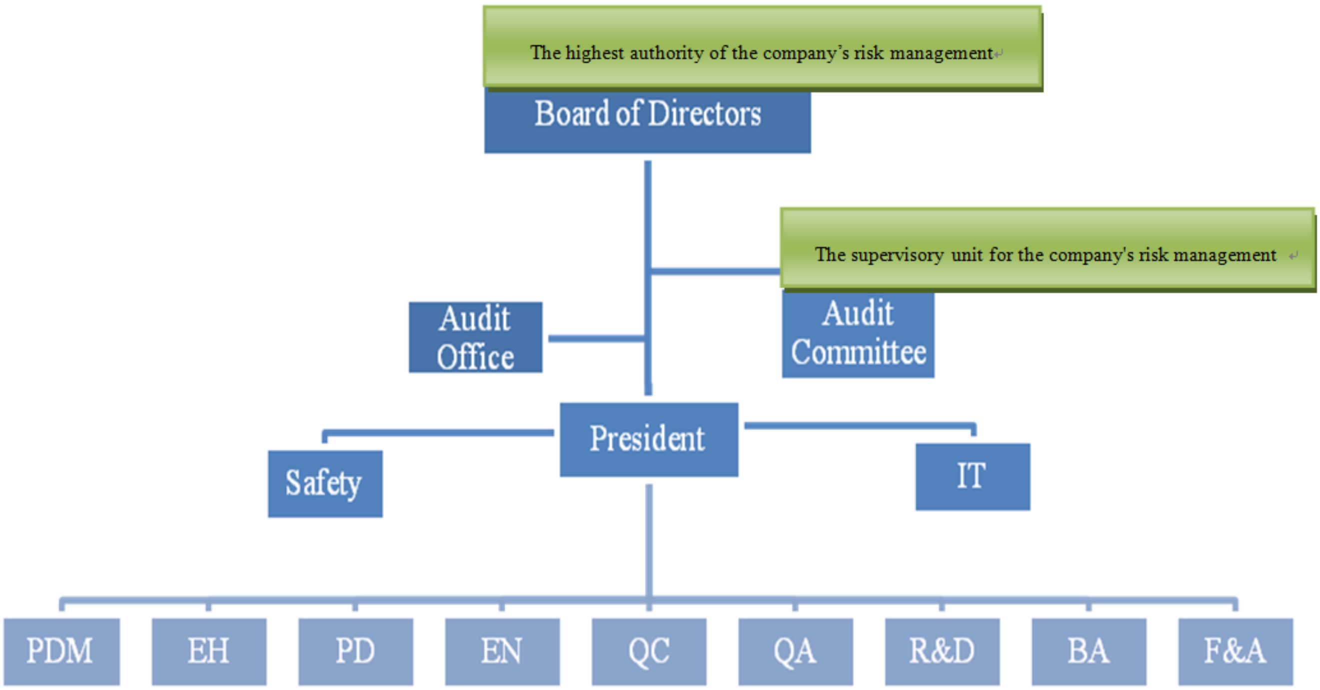
Article 1 Purpose of Enactment

This policy and procedure are hereby enacted to achieve the purpose of sustainable and stable management, in order to strengthen corporate governance, implement a sound and effective risk management mechanism for the company, and reduce potential risks that may occur in operations.

Article 2 Organizational Structures and Duties in Risk Management

1. The Organizational Structure of the company's risk management:

The company's board of directors serves as the highest governing body for risk management. In order to establish and strengthen our risk management capabilities, and taking into account the company's size, risk profile, and business activities, the audit committee serves as the supervisory unit for risk management operations. The organizational structure of the risk management team is as follows:



2.Duties of each unit in the risk management organization:

(1) Board of Directors:

This is the highest authority of the company's risk management, and is in charge of approving, reviewing, and supervising the company's risk policies, ensuring the management structure and the operation of risk control functions.

(2) Audit Committee:

Serves as the supervisory unit for the company's risk management related operational mechanisms. It is responsible for reviewing risk management policies, procedures, and frameworks to ensure that risk management mechanisms can fully address the risks faced by the company. It also designates personnel (at least once a year) to report to the board of directors on the implementation of risk management.

(3) President Office:

The unit is in charge of planning the operational strategy, also supervising and implementing its execution to fulfill the effectiveness and efficiency of the operation, reducing the operational and strategic risks. This unit is also in charge of legal risk management, compliance with the government monitoring measures, and determining possible agreement disputes or legal disputes to reduce the legal risks; responsible for the related risks of climate change and exploring the opportunities that arise from them.

(4) Audit Office:

The unit is in charge of evaluating the key risks matters, which shall be referenced for the audit plan operation. This unit is also in charge of enacting or amending the related control procedures and practices for possible risks.

(5) IT Office:

The unit is in charge of overall planning and set-up of the ERP information equipment and the enterprise network, and is also responsible for managing the Internet information security to reduce the information security risks.

(6) Safety Office:

The unit is in charge of the planning and execution of the industrial safety and health practices to comply with the related laws and regulations, and reduce the related risks.

(7) Business Department:

In the aspect of business:

The unit is in charge of the development of clients and products, as well as enacting the transaction terms and conditions based on the relationship with the client, the client's financial condition, and the political and economic condition of the client's location to prevent the risks of unable to receive the account receivables.

In the aspect of purchasing:

The unit is in charge of the management of a decent supply chain, ensuring the stable supply of raw materials, their qualities meeting the specification, and the stability of the price, to reduce the risks of daily operations.

(8) Research & Development Department:

The unit is in charge of evaluating and ensuring the development of new products does not involve the risk of violating others' patents and intellectual properties. This unit is also in charge of the management of patents and intellectual properties.

(9) Quality Assurance and Quality Control Department:

The unit is in charge of ensuring the products are manufactured following the GMP and standards demanded by the clients, while also complying with the regulations of health competent authorities in different countries, to reduce the risks of relating to decreases in quality and client complaints.

(10) Production Department:

The unit is in charge of ensuring the production operation is following the schedule and related SOP to prevent the risks of delayed shipments or production disruptions.

(11) Production Management Department:

The unit is in charge of optimizing the quantities of raw materials and final products to control the inventory cost while preventing the shortage of raw materials and finished products. The unit is also in charge of managing the production schedule to improve production efficiency and planning for the requirements of sufficient future capacity to avoid the risk of production capacity shortage.

(12) Environmental Protection Department:

The unit is in charge of planning and implementing the environmental protection policies to maintain compliance with related laws and regulations and reduce the related risks.

(13) Engineering Department:

The unit is in charge of the design and execution of the plant construction to ensure the plant and equipment meet the standard of the clients and the health-related authorities of different countries. This unit is also responsible for the preventive maintenance of the plant and equipment to reduce the risk of ceasing production due to the damaged production equipment.

(14) Finance and Administration Department:

The unit is in charge of the risk management for assets and compliance with the related laws and regulations from the government to ensure the sustainable operation of the company and the security of its assets. This unit is also responsible for evaluating the medium- and long-term investment performance, the financial operations and adjustment, the establishment of a hedging mechanism, and achieving the reliability of financial reports and compliance with laws and regulations to reduce the financial-related risks.

Article 3 Risk Management Policy

The company's Risk Management Policy is established following the company's business guidelines, to set up a risk management mechanism for identifying, measuring, supervising, and controlling risks, achieving the goals of rationalizing the risks and the rewards within the scope of tolerable risks.

Article 4 Risk Management Procedure

To perform the sound function of operational risk management, the company determines the scope of operational risks and takes appropriate measures to ensure relevant operational risks related to management through the procedures for risk identification, risk measurement, risk monitoring, risk report, and disclosure.

1. Risk Identification: Risk Identification is to find out the risk factors required to be managed. By referring to the factors such as the company's business characteristics, internal and external environments, etc., the company is likely exposed to the risks classified as follows:

   A. Business Risk: It means the risk that may affect the company's normal management due to uncertainty factors in the process of the company's production and management, such as operational risk (factors such as material shortage or improper production schedules), product quality risk, and information system risk.

   B. Financial Risk: It means the risk that may affect the company's financial status and business due to factors such as economic and industrial changes both domestically and internationally, e.g. the risks concerning interest rate, foreign exchange rate, liquidity, credit, etc.

   C. Strategic Risk: It means the risk arising from the loss due to any business strategy error, e.g. the risks due to excessive concentration of sales territories, excessive concentration of clients, mergers and acquisitions, etc.

   D. Hazard Risk: It means the risk that may cause damage to the company due to the occurrence of any incident such as major natural disasters or man-made disasters, e.g. earthquake, fire, chemical leakage, pandemic disease, etc.

   E. Legal Risk: It means the risk that causes damage to finance or goodwill due to any failure at complying with relevant laws and regulations enacted by the competent authorities, or due to other factors such as any invalid agreement that has been signed, or due to any breach, inadequate regulations, omissions in terms and conditions, etc.

   F. Other Risk: This indicates the risk apart from the risks mentioned above. If any other risk caused the company to suffer losses, then appropriate risk management procedures shall be established according to risk characteristics and susceptibility degree.

2. Risk Measurement

After identifying the potential risks that may affect the company, the company shall analyze the nature and scale of various business and operational activities as well as the degree of the company's risk tolerance, then set up appropriate risk measurement standards. For risks that can be quantified, rigorous statistical analyses and techniques should be applied to conduct analyses and management. For risks that are difficult to be quantified, the risk impact degree can be described in writing. Compare the risk level determined according to risk analysis results with the risk measurement standards enacted by the company, and then determine the priority of such risks for serving as the reference of risk management.

3. Risk Monitoring

   Each department shall continuously monitor business-related risks. Whenever the risk exposure level exceeds the risk limit, relevant departments shall propose countermeasures, and then escalate the risks and countermeasures to the senior executive level.

4. Risk Report and Disclosure

   To fully document risk management procedures and subsequent implementation results, the Audit Committee shall regularly report the risk conditions to the Board of Directors for reference, to ensure that management structures and risk control functions can operate properly.

Article 5 Risk Management Execution

The company executes risk management on three levels:

The First Level is carried out by the business case responsible person in each department. The business case responsible person performs daily risk management activities following internal control systems and internal regulations related to business, then conducts risk assessments of risk control activities.

The Second Level is carried out by the supervisors of each level in a department. The supervisors are responsible for business-related risk management, compiling the results of risk management implementation activities, and supervising the risk management activities within the department. The supervisors can determine risk levels and recommend risk assumption methods depending on the changes in external environments and internal strategies. The supervisors shall coordinate interactions and communications regarding cross-department risk management when necessary.

The Third Level is carried out by the executive management, who are required to review the integrity of the company's mechanisms related to risk management and supervise relevant risks in each unit through risk management decisions and related risk management practices.

Article 6 Operation Condition and Disclosure of Risk Management

1. The company manages business-related risks through the following regular and irregular meetings:

A. Regular Meeting on Production and Marketing.

B. Regular Meeting on Research and Development.

C. Meeting on Good Manufacturing Practice of Drugs.

D. Regular Meeting on Engineering.

E. Meeting on Environmental Safety and Health.

F. Regular Meeting on Production.

G. Meeting on Quality Control Review.

H. Business Management Meeting of Senior Executives.

I. Board of Director's Meeting.

J. Other Meetings (for example, Labor-Management Meeting, etc).

2. In addition to the disclosure of relevant information following the regulations enacted by the competent authority, the information related to risk management should be disclosed on the company's website and in annual reports.

Article 7

This risk management policy and procedure shall be implemented after being approved according to the resolution of the Board of Directors, and any revisions shall also require approval by the board of directors.

Article 8

This Risk Management Policy and Procedure was established on May 8, 2020. The first revision was made on May 12, 2023.

Attachment 7 :

SCI Pharmtech, INC
Intellectual Property Right Management Plan

1. Purpose: For effective management of the company's intellectual property rights, the plan is hereby established.

2. Scope: This plan includes patent rights, trademark rights, copyrights, and trade secrets. Its objects cover all kinds of intellectual property rights produced or obtained by the company's employees and the external parties involved in the company's research projects.

3. Principles:
   3.1 The company values its own intellectual property rights and respects others' intellectual property rights. The main concern of the company is not to infringe others' intellectual property rights in the process of research and development or technology introduction.
   3.2 The intellectual property rights arising from the employees when performing their duties, including the rights of any invention, creation, writing, trade secret, and others, shall belong to the company following the Labor Agreement.
   3.3 The company may implement and use the invention, creation, writing, and trade secrets made by the company's employees if such property is created through the company's resources or experiences.
   3.4 When the company entrusts others, accepts any commission, or collaborates with others to research and develop any technology, the ownership of such intellectual property shall be determined by the agreement thereof.
   3.5 When the patent is owned by two persons/parties or more, it shall not be assigned or authorized to be exercised by any person other than the co-owners themselves, unless unanimous consent from all the co-owners has been acquired. However, if an agreement is provided otherwise, the agreement shall prevail.
   3.6 The co-owner of a patent may not assign, trust, or create a pledge of his or her rightful portion without any unanimous consent from all the other co-owners. However, if an agreement is provided otherwise, the agreement shall prevail.
   3.7 The company shall have the priority use of any patent for which an employee is the patent applicant on behalf of the company, and the employee shall not assign or authorize such a patent to others.

4. Patent Management:
   4.1 Case creation: The patent will be analysed jointly by the personnel from the departments of Research & Development, Legal, and Business, to confirm the value of the patent and its necessity for application. The patent will be submitted to the Research & Development Meeting for discussions and further approval, and then be recorded in the meeting minutes.
   4.2 Application: The personnel of the Research & Development Department shall prepare and provide the patent portfolio planning. They are also responsible for patent applications, responses, and maintenance. If necessary, the R&D and legal compliance personnel will contact a patent firm to discuss matters related to intellectual property rights. The legal compliance and business personnel will have communications with clients, while the R&D personnel will provide relevant assistance.
   4.3 Safekeeping, Litigation, and Maintenance:
      4.3.1 R&D personnel shall properly keep the reports or records arising from the research and development process of intellectual property.
      4.3.2 In the event of any dispute or legal proceeding brought by a third party against any intellectual property right owned by the company, the R&D personnel shall assist the legal firm in handling legal

proceedings such as objections, petitions, administrative litigation, or legal actions regarding such intellectual property.

4.3.2 The Research & Development Department assistants shall be responsible for the safekeeping of the patent certificate as well as the annual maintenance of such a patent.

5. Trademark Management:
   5.1 The trademark of the company shall be used in the company and its related business by each trademark user from every unit.
   5.2 The Administration Division shall be responsible for the application and maintenance of the trademark.

6. Trade Secret Management:
   6.1 The SOP documents, manufacturing batch records, and other documents are controlled by Master Control System.
   6.2 The employees of the company shall comply with the regulations in the SOP “Controlled Documents and Security Management”, to implement the controls on the controlled document.
   6.3 Article 6 of the Labor Agreement enacted by the company indicates that “The employee agrees that confidential information known or held by the employee during his/her employment shall not be disclosed, communicated, delivered, or transferred to others or published publicly without any written consent from the company. This non-disclosure agreement shall remain valid after the Contract has been terminated, except for the extent that the company’s information and materials have already been publicly available, known to the public, or become public property.”
   6.4 Each unit of the company shall take appropriate confidentiality measures when handling any information that has economic value or confidential nature regarding the production, sale, or operation of the company.
   6.5 Before resigning from the company, any employee of the company shall return all of the company’s trade secrets such as information, documents, reports, and files held in his/her own possession.

Attachment 8 :

SCI Pharmtech, INC
ESG Performance and Executive Compensation Linkage Policy

Article 1: Policy

The purpose of this policy is to establish guiding principles for linking the compensation of executives within the organization to their performance in environmental, social, and governance (ESG) aspects. It aims to align executive compensation with the organization's commitment to ESG, reinforcing a culture of sustainable operation from top to bottom.

Article 2: Objectives

1. Align executive compensation with the organization's long-term sustainable development goals.
2. Foster an accountability culture regarding ESG performance.
3. Encourage executives to incorporate ESG into the decision-making process.

Article 3: Definitions:

1. Executives: Executives at the division head level or above within the company.
2. ESG Performance: The company's performance in the areas of environmental, social, and governance, including but not limited to carbon reduction, diversity and inclusivity measures, ethical business practices, and board diversity.

Article 4: Assessment Framework:

1. Incorporate ESG performance indicators alongside traditional performance indicators in the evaluation of executives, subject to regular review to ensure compliance with ESG standards and organizational goals.
2. ESG performance indicators carry significant weight, with adjustments made as necessary, with higher-ranking positions carrying greater weight to reflect the organization's commitment to sustainable development.
3. Based on the scores from the performance indicators, executive assessments are categorized into A, B+, B, and C levels, with these distinctions factoring into the distribution of short-term variable compensation such as year-end bonuses and employee compensation to incentivize performance.
4. Long-term incentive measures such as stock or options will be continuously linked to ESG performance to incentivize executives to consider long-term sustainable development strategies.

Article 5: Executive ESG Performance Indicators:

1. President: Sustainable development performance carries a weight of 20%, with assessment indicators including: Enterprise Risk Management (5%), Resource Efficiency Management (5%), Partnership Diversity Establishment (5%), and Responsible and Transparent Institutional Establishment and Implementation (5%).
2. Vice President of Business Division: Sustainable development performance carries a weight of 15%, with assessment indicators including: Supply Chain Management (5%), Sustainable Product and Development (5%), and Customer Relationship Management (5%).
3. Vice President of Technology Division: Sustainable development performance carries a weight of 15%, with assessment indicators including: Green Process Development (10%) and Customer Health and Safety (5%).
4. Vice President of Finance and Administration Division: Sustainable development performance carries a weight of 15%, with assessment indicators including: Board Performance (3%), Talent Cultivation and Development (3%), Healthy Workplace and Human Rights (3%), Social Engagement (3%), and Stakeholder Communication (3%).
5. Assistant Vice President of Operating Division: Sustainable development performance carries a weight of 15%, with assessment indicators including: Responsible Production (5%), Carbon and Water Energy Efficiency (5%), and Waste and Environmental Management (5%).
6. Assistant Vice President of Quality Division: Sustainable development performance carries a weight of 15%, with assessment indicators including: Customer Health and Safety (10%) and Sustainable Responsible Procurement (5%)

Attachment 9 :

SCI Pharmtech, INC
Supplier Management Policy

SCI formulates Supplier Management Policy that requires cooperation with suppliers to follow relevant regulations on ESG (Environmental, Social and Governance) and work together to improve corporate social responsibility management procedures.

1. Purpose:

In order to ensure that suppliers understand the requirements of corporate social responsibility and ethics standards and gradually improve their social responsibility and ethics performance, this policy is specially formulated.

2. Content:

1) The Procurement Section (hereinafter referred to as PCS) should select suppliers based on their social responsibility and ethics performance, select suppliers with good performance, and eliminate suppliers with poor performance, thereby encouraging all suppliers to take measures to improve their social responsibility and ethics performance.
2) All suppliers should sign a commitment letter regarding human rights and ethics policies before receiving an order or contract. The letter should confirm their agreement to comply with local labor laws and social responsibility standards and ethics guidelines.
3) PCS shall regularly conduct on-site audit or written review of suppliers to evaluate the supplier's performance in terms of social responsibility and ethics, and follow up on improvement measures.
4) If a supplier is found to have intentionally used child labor, forced labor or other serious violations of labor regulations, the cooperative relationship should be terminated immediately.
5) If there is any instance of offering bribes or other inappropriate benefits to customers, such as kickbacks or gifts, the company must disclose its business activities and financial status truthfully, without any falsification or deception. Failure to comply will result in the immediate termination of the partnership.
6) It is strictly forbidden on convenience of the position to seek profit, obtain property, etc. As for the obligation of bribery, confidentiality of business information and other criminal liabilities, it will be dealt with in accordance with the relevant laws.

3. Domestic and foreign supplier selection process

1) PCS collects information on manufacturers capable of producing raw materials required by SCI.
2) Qualification assessment: For suppliers that have passed domestic or international quality system certification, PCS will request the manufacturer for a copy of the certified qualifications, such as domestic or foreign certificates of quality management, environmental protection, occupational safety and health or labor rights. These certificates serve as the basis for assessment.
3) Sample delivery: PCS will notify the manufacturer of new source samples or important raw materials to send samples. The samples sent by the manufacturer will be transferred to the Quality Control Department by PCS for sample inspection and evaluation. If the sample fails to pass the inspection, PCS will notify the manufacturer of the inspection results and request resubmission of the sample for inspection. If it still fails to meet the required standards, the supplier will be disqualified.
4) Assessment: Suppliers of important raw materials will be understood and assessed in writing review or on-site audit by the Quality Control Department based on the assessment items.
5) Review and evaluation: Suppliers fill in the supplier self-evaluation questionnaire and provide relevant certificates for qualification review by the Quality Assurance Department.

6) Qualification approval: Suppliers must be reviewed and evaluated based on the audit results before being added to the list of qualified suppliers. Registration: After suppliers are approved, the Quality Assurance Department should register them in the "Qualified Supplier List" of SAP ERP as a basis for selecting suppliers for future purchases.

4. Supplier selection

1) The assessment items are divided into five categories: delivery time, price, exception handling, cooperation, quality, environmental safety, and other international certifications.

2) Assessment basis:

A. Delivery time: Scores will be given based on delivery records and statistical delivery timeliness.

B. Price: Scoring will be based on the market price and the price reasonableness of existing suppliers.

C. Exception handling: Scoring will be based on quality inspection results, return of defective products, timeliness and results of exception handling, dispatch of market shortages, assistance with inventory adjustment, etc.

D. Cooperation: Scoring will be based on the timeliness of sample delivery, new product provision and description, timeliness and reasonableness of quotation, cooperation with company policies, etc.

E. Quality and environmental safety systems and other international certifications: Scoring will be based on the manufacturer's acquisition of international certifications, the company's response speed to the questionnaire, and the results of inspections by regulatory agencies.

3) Regular evaluation

A. Once annually, PCS will actively schedule and coordinate an appropriate time for the PCS and Quality Assurance Department to conduct either a written review or an on-site audit. Alongside addressing previous evaluation shortcomings, they will collaborate with manufacturers on crucial issues and propose improvement strategies, requesting necessary enhancements. Any significant deficiencies or performance shortcomings not rectified must be addressed within a designated timeframe. Failure to comply may lead to disqualification.

B. For suppliers that have obtained relevant certifications, PCS must confirm whether their certifications are still within the validity period. If is they are still within the validity period, the supplier will still be qualified. If any certificate has expired, the supplier will be requested to submit a valid certificate, otherwise, they will be disqualified.

Attachment 10 :The Audited Consolidated Financial Report for the most Recent Fiscal Year

Representation Letter

The entities that are required to be included in the combined financial statements of SCI Pharmtech, Inc. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SCI Pharmtech, Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: SCI Pharmtech, Inc.
Chairman: Weichyun Wong
Date: March 12, 2024

Attachment 11: The Audited Parent Company only Financial Report for the most Recent Fiscal Year

SCI PHARMTECH, INC.

112 years of the Republic of China

Corporate Seal

Chairman : Wei-Chyun Wong

Stock Code:4119

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: No.61, LN. 309, HAIHUN.RD., LUZHU DIST., TAOYUAN CITY 33856, TAIWAN (R.O.C)
Telephone: (03)354-3133

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

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Company name: SCI Pharmtech, Inc.
Chairman: Weichyun Wong
Date: March 12, 2024.

KPMG
安侯建業聯合會計師事務所
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Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. **Inventory valuation**

   Please refer to Note 4(h) and Note 5 of the consolidated financial statements for the accounting policy of inventory valuation, as well as the estimation of inventory valuation, respectively. Information regarding the inventory and related expenses are shown in Note 6(e) of the consolidated financial statements.

Description of key audit matters:

Due to the characteristics of the pharmaceutical industry, products are manufactured for specific customers, providing batch-specific differentiation services according to their needs while the Group estimates the net realizable value of inventory. If there were no objective information regarding the current sales price available for reference, the Group has to make an evaluation of each product's various factors, such as the demands of the market, to determine the net realizable value of the product. As the reasonableness of estimation might have an impact on the inventory valuation, the test of inventory valuation is one of the key audit matters in our audit.

Our audit procedures include:

- Assessing the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the evaluation of changes in the market, customer demand and inventory turn-over to identify the obsolete inventories.
- Performing a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.
- Sampling and inspecting the Group' s sales price; as well as verifying the calculation of the lower of cost or net realizable value; evaluating the adopted net realizable value as a basis for obsolete inventories.

2. **Revenue recognition**

Please refer to Note 4(q) of the consolidated financial statements, for the accounting policy of Revenue recognition for operating revenue recognition.

Description of key audit matters:

The Group' s main products are the manufacture of Active Pharmaceutical Ingredients, and Intermediates, etc. The Group' s major customers are foreign pharmaceutical companies that have transaction terms different from each other, and the revenue recognition was booked by using manual adjustments, which may result in an inappropriate risk in revenue recognition. Therefore, the revenue recognition is one of the key audit matters in our audit.

Our audit procedures include:

- Understanding and testing the related controls surrounding the aforementioned sales and collection cycle;
- Checking the vouchers related to sales revenue;
- Verifying whether the revenue had been recognized in the proper period by testing the selected sales transactions before and after the balance sheet date in order to evaluate the accuracy of the timing of the Group's operating revenue recognition.

Other Matter

SCI Pharmtech Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’ 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’ s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’ s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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 Group’ 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsin, Yu-Ting and Shu-Min Hsu.

KPMG

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

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 942,057	14	166,828	3
1110	Current financial assets at fair value through profit or loss (note 6(b))	88,998	1	97,545	2
1170	Notes and accounts receivable, net (notes 6(d) and 6(u))	307,369	5	173,565	4
1206	Other receivables (notes 6(f) and 10)	151	-	31,101	1
1310	Inventories, net (note 6(e))	529,533	8	513,430	10
1470	Other current assets	85,131	1	59,929	1
		1,953,239	29	1,042,398	21
	Non-current assets:				
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	96,814	2	66,723	1
1550	Investments accounted for using equity method (note 6(g))	144,808	2	141,317	3
1600	Property, plant and equipment (notes 6(h), 7 and 8)	3,906,993	58	3,193,144	64
1755	Right-of-use assets (note 6(i))	4,772	-	1,013	-
1761	Investment property, land (notes 6(j) and 7)	228,012	4	228,012	5
1780	Intangible assets	46,147	1	54,582	1
1840	Deferred tax assets (note 6(q))	153,277	2	167,252	4
1900	Other non-current assets (note 6(h))	156,679	2	66,098	1
		4,737,502	71	3,918,141	79
	Total assets	$ 6,690,741	100	4,960,539	100

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2100	Total short-term borrowings (note 6(k))	$ 175,000	3	112,000	2
2170	Notes and accounts payable	44,251	1	48,636	1
2130	Current contract liabilities (note 6(u))	38,367	1	31,773	1
2200	Other payables (note 6(m))	169,538	3	296,017	6
2213	Payables on contractors and equipment	68,840	1	160,591	4
2230	Current tax liabilities	11,536	-	3,862	-
2250	Current provisions (notes 6(o) and 10)	29,058	-	111,384	2
2280	Current lease liabilities (note 6(n))	1,946	-	828	-
2300	Other current liabilities (note 6(d))	11,351	-	5,224	-
2322	Long-term borrowings, current portion (note 6(l))	20,000	-	-	-
		569,887	9	770,315	16
	Non-Current liabilities:				
2541	Long-term borrowings (note 6(l))	842,670	13	432,356	9
2580	Non-current lease liabilities (note 6(n))	2,858	-	195	-
2570	Deferred tax liabilities (note 6(q))	146,000	2	103,811	2
2630	Deferred income (note 6(l))	6,837	-	4,108	-
2640	Provisions for employee benefits, non-current (note 6(p))	21,536	-	19,530	-
2600	Total other non-current liabilities (note 7)	1,000	-	1,000	-
		1,020,901	15	561,000	11
	Total liabilities	1,590,788	24	1,331,315	27
	Equity attributable to owners of parent (note 6(r)):				
3100	Ordinary Share	1,195,087	18	953,824	19
3200	Capital surplus	2,233,590	33	1,357,127	27
3310	Legal reserve	462,435	7	431,874	9
3320	Special reserve	54,727	1	48,929	1
3350	Unappropriated retained earnings	1,128,657	17	892,197	18
3400	Other components of equity	25,457	-	(54,727)	(1)
	Total equity	5,099,953	76	3,629,224	73
	Total liabilities and equity	$ 6,690,741	100	4,960,539	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(expressed in Thousands of New Taiwan Dollars, except for earnings per share)

		2023		2022	
		Amount	**%**	**Amount**	**%**
4110	**Sales revenue (notes 6(u) and 7)**	$ 1,204,159	100	899,738	100
5110	**Cost of sales (notes 6(e), 6(p) and 12)**	853,836	71	608,559	68
5900	**Gross profit**	350,323	29	291,179	32
	Operating expenses (notes 6(p), 6(s) and 12):				
6100	Selling expenses	61,736	5	50,404	6
6200	Administrative expenses	79,193	7	82,156	9
6300	Research and development expenses	49,094	4	39,649	4
		190,023	16	172,209	19
6900	**Net operating income**	160,300	13	118,970	13
	Non-operating income and expenses:				
7101	Interest income	3,447	-	998	-
7130	Dividend income	2,720	-	5,494	1
7190	Other income (notes 6(w), 7 and 10)	219,983	18	265,170	29
7235	Gains (losses) on financial assets at fair value through profit or loss	(1,872)	-	(14,074)	(2)
7510	Interest expense (note 6(n))	(6,290)	-	(1,072)	-
7590	Miscellaneous disbursements	(2,044)	-	(1,320)	-
7610	Losses on disposals of property, plant and equipment	(584)	-	(1,333)	-
7630	Foreign exchange gains (losses)	2,369	-	27,550	3
7770	Share of loss of associates and joint ventures accounted for using equity method, net (note 6(g))	(13,839)	(1)	(12,563)	(1)
		203,890	17	268,850	30
7900	**Profit before tax**	364,190	30	387,820	43
7950	Less: Income tax expenses (note 6(q))	69,469	6	79,040	9
8200	**Profit**	294,721	24	308,780	34
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(p))	(3,321)	-	(3,840)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	204,683	17	(5,798)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(q))	(664)	-	(768)	-
8300	**Other comprehensive income, net**	202,026	17	(8,870)	(1)
8500	**Total comprehensive income**	$ 496,747	41	299,910	33
	Earnings per share (note 6(t)):				
9750	**Basic earnings per share**	$	2.70		2.88
9850	**Diluted earnings per share**	$	2.69		2.87

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							
				Retained earnings			Other equity interest	
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2022	$	953,824	1,348,339	426,103	29,378	611,916	(48,929)	3,320,631
Profit for the year ended December 31, 2022		-	-	-	-	308,780	-	308,780
Other comprehensive income for the year ended December 31, 2022		-	-	-	-	(3,072)	(5,798)	(8,870)
Total comprehensive income for the year ended December 31, 2022		-	-	-	-	305,708	(5,798)	299,910
Appropriation and distribution of retained earnings:								
Legal reserve appropriated		-	-	5,771	-	(5,771)	-	-
Special reserve appropriated		-	-	-	19,551	(19,551)	-	-
Changes in equity of associates and joint ventures accounted for using equity method		-	8,788	-	-	(105)	-	8,683
Balance at December 31, 2022		953,824	1,357,127	431,874	48,929	892,197	(54,727)	3,629,224
Profit for the year ended December 31, 2023		-	-	-	-	294,721	-	294,721
Other comprehensive income for the year ended December 31, 2023		-	-	-	-	(2,657)	204,683	202,026
Total comprehensive income for the year ended December 31, 2023		-	-	-	-	292,064	204,683	496,747
Appropriation and distribution of retained earnings:								
Legal reserve appropriated		-	-	30,561	-	(30,561)	-	-
Special reserve appropriated		-	-	-	5,798	(5,798)	-	-
Cash dividends of ordinary share		-	-	-	-	(23,846)	-	(23,846)
Stock dividends of ordinary share		119,228	-	-	-	(119,228)	-	-
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	(670)	-	(670)
Capital increase by cash		120,000	837,600	-	-	-	-	957,600
Share-based payments transaction		-	18,720	-	-	-	-	18,720
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	124,499	(124,499)	-
Capital increased by employee remunerations		2,035	20,143	-	-	-	-	22,178
Balance at December 31, 2023	$	1,195,087	2,233,590	462,435	54,727	1,128,657	25,457	5,099,953

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	$ 364,190	387,820
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	136,859	82,399
Amortization expense	8,435	8,213
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	1,872	14,074
Interest expense	6,290	1,072
Interest income	(3,447)	(998)
Dividend income	(2,720)	(5,494)
Share-based payment transactions	18,720	-
Share of loss of associates and joint ventures accounted for using equity method	13,839	12,563
Losses from disposal of property, plant and equipment	584	1,333
Reversal of major disasters	(373)	(101,202)
Total adjustments to reconcile profit	180,059	11,960
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(133,804)	(90,589)
Increase in inventories	(16,103)	(219,248)
Decrease in other receivables and other current assets	5,707	266,490
Increase (decrease) in contract liabilities	6,594	(9,991)
(Decrease) increase in notes and accounts payable	(4,385)	14,857
(Decrease) increase in other payable	(104,301)	41,866
Decrease in provisions	(81,953)	(110,851)
Increase in other current liabilities	6,127	196
Decrease in provision for employee benefits, non-current	(1,315)	(1,255)
Total changes in operating assets and liabilities	(323,433)	(108,525)
Total adjustments	(143,374)	(96,565)
Cash flow from (used in) operations	220,816	291,255
Interest received	3,447	998
Dividends received	2,720	5,494
Interest paid	(6,290)	(1,072)
Income taxes paid	(4,926)	(110)
Net cash flows from (used in) operating activities	215,767	296,565
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,981)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	178,573	-
Acquisition of financial assets at fair value through profit or loss	-	(2,123)
Proceeds from disposal of financial assets at fair value through profit or loss	6,675	250,905
Acquisition of investments accounted for using equity method	(18,000)	(92,750)
Acquisition of property, plant and equipment	(873,601)	(1,085,123)
Proceeds from disposal of property, plant and equipment	-	65
(Increase) decrease in refundable deposits	(110)	2,400
Increase in prepayments of property, plant and equipment	(155,759)	(82,461)
Net cash flows from (used in) investing activities	(866,203)	(1,009,087)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	63,000	112,000
Proceeds from long-term borrowings	430,805	435,767
Increase in guarantee deposits received	-	1,000
Payment of lease liabilities	(1,894)	(1,648)
Cash dividends paid	(23,846)	-
Capital increase by cash	957,600	-
Net cash flows from (used in) financing activities	1,425,665	547,119
Net decrease in cash and cash equivalents	775,229	(165,403)
Cash and cash equivalents at beginning of period	166,828	332,231
Cash and cash equivalents at end of period	$ 942,057	166,828

See accompanying notes to consolidated financial statements.

(1) Company history

SCI Pharmtech, Inc. (the "Company") was incorporated in September 18, 1987 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The major business activities of the Company are the research and development, manufacture and sale of Active Pharmaceutical Ingredients ("API"), Intermediates, specialty chemicals. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities"). Please refer to note 4(c) for related information of the Group primarily business activities. Mercuries & Associates, Holding Ltd. is the parent company of the Company.

(2) Approval date and procedures of the consolidated financial statements

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

(3) New standards, amendments and interpretations adopted:

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

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

● Amendments to IAS 1 "Disclosure of Accounting Policies"

● Amendments to IAS 8 "Definition of Accounting Estimates"

● Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

● Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(Continued)

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

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

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

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

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

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

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value ;

2) Financial assets at fair value through other comprehensive income are measured at fair

(Continued)

value;

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(r).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of Consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2023	Shareholding December 31, 2022
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00%	100.00%

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in

foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may

(Continued)

irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis)are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets) and debt investments measured at FVOCI.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible

within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

(Continued)

・the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of

reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’ s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective

(Continued)

interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are

discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group' s interests in the associate.

When the Group' s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its

existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group' s proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the samebasis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straigh-line basis over the estimated useful lives of each component of an

item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings: 2 ~ 56 years

2) Machinery: 3 ~21 years

3) Other equipment: 3 ~ 21 years

Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(iv) Reclassification to investment property

A property is reclassified to investment property at the carrying amount when the use of the property changes from owner-occupied to investment property.

(l) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

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

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall

(Continued)

assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives of computer software is 6~11 years.

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

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other

(Continued)

assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset' s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Government grants and government assistance

The Group recognizes an unconditional government grant related to profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group' s main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of

(Continued)

money.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group’s net obligation in respect of defined benefit plans is calculate separated for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the relateed service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constrctive obligation to pay this amount as a result of past service provided by the employee and the obligatioin can be estimated reliably.

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(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards

with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

The grant date of a share-based payment award is the date which the capital increase base date is adopted.

(t) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

2. temporary differences related to investments in subsidiaries and joint arrangements to the

extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be

available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

1. The Group has a legally enforceable right to set off current tax assets against current tax liabilites; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   (i) the same taxable entity; or
   (ii) different taxable entites which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise convertible bond, employee stock options, remuneration to employees not yet approved by the Board of directors, and restricted employee shares.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

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

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in

accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Group writes down the cost of inventories to net realizable value since the inventories at reporting date were estimated to be obsolescence and unmarketable items. The inventory valuation is based on the demand of the products within a specific period. Therefore, the value of inventories will vary significantly variable. Please refer to note 6(e) of the financial statement for inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 499	743
Checking accounts and demand deposits	907,102	74,369
Time deposits	34,456	91,716
Cash and cash equivalents in the consolidated statement of cash flows	$ 942,057	166,828

(i) The Group did not provide cash and cash equivalents as collateral for its loans.

(ii) Please refer to note 6(x) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Beneficiary certificate	$ 1,052	1,039

(Continued)

Stocks listed on domestic markets		87,946	96,506
Total	$	88,998	97,545

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

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

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

(i) The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

(ii) In 2023, the Group had sold all of its shares held in Sunny Pharmtech Inc, which is accounted under equity investments measured at fair value through other comprehensive income, with a fair value of $178,573 at the time of disposal, and the cumulative gain on disposal amounted to $124,499. Therefore, the Group has transferred the aforesaid cumulative gain on disposal from other equity to retained earnings. No strategic investments were disposed for the years ended December 31, 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

(iv) Please refer to note 6(x) for market risk of the Group.

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

(d) Notes and accounts receivable

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

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation (macroeconomic and relevant industry information). The loss allowance

(Continued)

provision was determined as follows:

	December 31, 2023		
	Gross carrying amount	**Rate of loss allowance provision**	**Loss allowance provision**
Current	$ 184,452	-	-
1 to 30 days past due	28,289	-	-
31 to 60 days past due	25,539	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	14	-	-
181 to 270 days past due	69,075	-	-
	$ 307,369		-

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

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

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

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

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

(e) Inventories

	December 31, 2023	**December 31, 2022**

(Continued)

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

Inventory cost recognized as operating costs for 2023 and 2022 were as follows:

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

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

(f) Other receivables

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

(g) Investments accounted for using equity method

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

		December 31, 2023	December 31, 2022
Associates	$	144,808	141,317

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

(ii) In July 2022, the Group acquired 4.3% shares of HoneyBear Biosciences, Inc.(HoneyBear) for $10,000 in cash, entitling the Group to obtain one seat in Honeybear’s Board of Directors, resulting in the Group to have significant influence over HoneyBear. However, in November 2022 and May 2023, the Group subscribed to the newly issued shares of HoneyBear amounting to $5,000 and $18,000, respectively, at a percentage disproportionate from its existing ownership percentage, the retained earnings to decrease by $105 and $670, respectively. As of December 31, 2023, resulting in the ownership of the Group was 11.54%.

(Continued)

(iii) The Group's financial information on investments accounted for using equity method that are individually insignificant was as follows:

		December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	$	144,808	141,317

		2023	2022
Attributable to the Group:			
Profit (loss)	$	(13,839)	(12,563)
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)	$	(13,839)	(12,563)

(iv) Pledge to secure

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

(h) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Office equipment	Other	Prepayment for equipment and construction in progress	Total
Cost:							
Balance on January 1, 2023	$ 687,883	700,232	1,116,895	55,466	12,968	1,323,065	3,896,509
Additions	-	5,030	122,867	219	-	655,972	784,088
Disposal and derecognitions	-	-	(846)	-	-	-	(846)
Transferred in (out)	-	1,740	475,408	2,652	-	(414,512)	65,288
Balance on December 31, 2023	$ 687,883	707,002	1,714,324	58,337	12,968	1,564,525	4,745,039
Balance on January 1, 2022	$ 825,680	684,472	543,143	33,939	12,968	633,296	2,733,498
Additions	-	1,881	209,583	4,957	-	928,967	1,145,388
Disposal and derecognitions	-	(1,879)	(12,014)	(403)	-	-	(14,296)
Transferred in (out)	90,215	15,758	376,183	16,973	-	(239,198)	259,931
Reclassifications	(228,012)	-	-	-	-	-	(228,012)
Balance on December 31, 2022	$ 687,883	700,232	1,116,895	55,466	12,968	1,323,065	3,896,509
Depreciation and impairments loss:							
Balance on January 1, 2023	$ -	287,084	385,715	23,635	6,931	-	703,365
Depreciation	-	24,651	104,335	4,918	1,039	-	134,943

(Continued)

Disposals and derecognitions	-	-	(262)	-	-	-	(262)
Balance on December 31, 2023	$ -	311,735	489,788	28,553	7,970	-	838,046
Balance on January 1, 2022	$ -	264,840	345,081	19,688	5,892	-	635,501
Depreciation	-	24,123	51,250	4,350	1,039	-	80,762
Disposals and derecognitions	-	(1,879)	(10,616)	(403)	-	-	(12,898)
Balance on December 31, 2022	$ -	287,084	385,715	23,635	6,931	-	703,365
Carrying amounts:							
Balance on December 31, 2023	$ 687,883	395,267	1,224,536	29,784	4,998	1,564,525	3,906,993
Balance on January 1, 2022	$ 825,680	419,632	198,062	14,251	7,076	633,296	2,097,997
Balance on December 31, 2022	$ 687,883	413,148	731,180	31,831	6,037	1,323,065	3,193,144

(i) In May 2013, the Group purchased a piece of land for the construction of its plant in Taoyuan Luzhu that was auctioned by the court at a price of $211,184. The amount had been paid in full, and the transfer procedures have been completed. The title deed of a certain portion of the land, measuring 2,259 square meters, was registered in the name of Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the Group is the actual owner of the land.

(ii) In September 2022, the Group rented out a piece of land in Guanyin Taoyuan, which was held by Yushan, to a related party, Framosa, with a carrying amount of $228,012, and transferred it to investment property. Please refer to note 6(j) for the detail.

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

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

(i) Right-of-use assets

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

	Land	Others	Total
Cost:			
Balance on January 1, 2023	$ -	4,922	4,922
Additions	3,566	2,109	5,675
Reductions	-	(4,405)	(4,405)
Balance on December 31, 2023	$ 3,566	2,626	6,192
Balance on January 1, 2022	$ -	4,406	4,406
Additions	-	516	516
Balance on December 31, 2022	$ -	4,922	4,922
Accumulated depreciation:			

(Continued)

Balance on January 1, 2023	$	-	3,909	3,909
Depreciation for the period		475	1,441	1,916
Reductions		-	(4,405)	(4,405)
Balance on December 31, 2023	$	475	945	1,420
Balance on January 1, 2022	$	-	2,272	2,272
Depreciation for the period		-	1,637	1,637
Balance on December 31, 2022	$	-	3,909	3,909
Carrying amount:				
Balance on December 31, 2023	$	3,091	1,681	4,772
Balance on January 1, 2022	$	-	2,134	2,134
Balance on December 31, 2022	$	-	1,013	1,013

(j) Investments property

		Land
Cost:		
Balance on January 1, 2023 (Same as balance on December 31, 2023)	$	228,012
Balance on January 1, 2022	$	-
Transferred from Property, plant and equipment		228,012
Balance December 31, 2022	$	228,012
Accumulated depreciation:		
Balance on January 1, 2023 (Same as balance on December 31, 2023)	$	-
Balance on January 1, 2022 (Same as balance on December 31, 2022)	$	-
Carrying amount:		
Balance on December 31, 2023	$	228,012
Balance on January 1, 2022	$	-
Balance on December 31, 2022	$	228,012

(i) In September 2022, the Group rented out a piece of land in Guanyin, Taoyuan to Framosa, which was reclassified from property, plant and equipment to investment property. Please refer to note 6(h) for the detail. Investment property,with lease that has fixed rental income and contains an initial non-cancellable lease term of 50 years (extendable upon maturity) based on the agreement. Please refer to note 7 for the detail.

(ii) As of December 31, 2023 and 2022, the fair value of investment property were $496,448 and $556,526 ,respectively.

(iii) The Group did not provide any investment properties as collaterals for its loan.

(k) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2023	December 31, 2022

(Continued)

Unsecured bank loans	$	125,000	112,000
Secured bank loans		50,000	-
Total	$	175,000	112,000
Unused short-term credit lines	$	695,000	658,000
Range of interest rates		1.7%~2.1%	1.48%~1.58%

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

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

(l) Long-term borrowings

The details of long-term borrowings were as following:

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

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

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

(iii) For the collateral for long-term borrowings, please refer to note 8.

(m) Other payables

		December 31, 2023	December 31, 2022
Salaries payable	$	81,664	85,129

(Continued)

Indemnities payable	-	125,403
Others	87,874	85,485
	$ 169,538	296,017

(n) Lease liabilities

The carrying amount of lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Current	$ 1,946	828
Non-current	$ 2,858	195

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

	2023	2022
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	$ 76	23
Expenses relating to short-term leases	$ 693	19,817
Variable lease payments not included in the measurement of lease liabilities	$ 11	38
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 691	591

	2023	2022
The amounts recognized in the statement of cash flows for the Group were as follows:		
Total cash outflow for leases	$ 3,365	22,117

(i) The Group leases company cars and copy machines: The leases typically run for a period of three to six years.

(ii) Other leases

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

(o) Provisions

	Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2023	$ 43,225	68,159	111,384
Provisions made (reversed) during the year	12,047	(373)	11,674
Provisions used during the year	(26,214)	(67,786)	(94,000)

(Continued)

Balance on December 31, 2023	**$**	**29,058**	**-**	**29,058**
Balance on January 1, 2022	$	43,946	374,894	418,840
Provisions made (reversed) during the year		11,287	(101,202)	(89,915)
Provisions used during the year		(12,008)	(205,533)	(217,541)
Balance on December 31, 2022	**$**	**43,225**	**68,159**	**111,384**

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

(ii) For the years ended December 31, 2023 and 2022, the Group reversed the fire indemnity amounting to $373 and $101,202, respectively, due to the fire spreading to the nearby factories, which was recorded as other income. Please refer to note 6(w) for the details.

(p) Employee benefits

(i) Defined benefit plans

Reconcilations of the defined benefit obligations at present value and plan assets at fair value are as follows:

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

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Company’s Bank of Taiwan labor pension reserve account balance amounted to $58,590 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

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

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

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

4) Movements of the effect of the asset ceiling

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

5) Expenses recognized in profit or loss

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

		2023	2022
Service cost	$	600	621
Net interest of net liabilities for defined benefit obligations		230	103
	$	830	724
Operating cost	$	571	497
Operating expenses		259	227

(Continued)

	$	830	724

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

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

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

7) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate as of December 31	1.15%	1.25%
Future salary increasing rate	3.00%	3.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $2,516.

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

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		The impact on the present value of the defined benefit obligation	
		Increased 0.25%	Decreased 0.25%
As of December 31, 2023			
Discount rate	$	(1,360)	1,401
Future salary increasing rate		1,372	(1,339)
As of December 31, 2022			
Discount rate		(1,426)	1,470
Future salary increasing rate		1,441	(1,405)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity

(Continued)

analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Group allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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

(q) Income taxes

(i) Income tax expenses

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

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

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

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

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

	2023	2022

(Continued)

Profit excluding income tax	$ 364,190	387,820
Income tax using the Company's domestic tax rate	72,838	77,564
Net gains or losses on domestic investments accounted for using equity method	2,768	2,513
Tax-exempt income	(544)	(965)
Over provision in prior periods	774	(663)
Tax incentives	(5,086)	(1,691)
Unrecognized tax losses	(1,465)	(214)
Other	184	2,496
	$ 69,469	**79,040**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities: None.

2) Unrecognized deferred tax assets

Details of unrecognized under deferred tax assets which were resulting from Yushan's carry-forward of unused tax losses are as follows:

	December 31, 2023	**December 31, 2022**
Tax effect of loss carry forward	**$ 2,601**	**4,066**

The ROC Income tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against taxable income in the following ten years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to offset taxable income over a period of ten years. As of December 31, 2023, the details of the unused tax losses were as follows:

1) Yushan:

Year of loss	**Unused amount**	**Expiry year**
2014(Assessed)	$ 6,863	2024
2015(Assessed)	885	2025
2016(Assessed)	959	2026
2017(Assessed)	1,139	2027
2018(Assessed)	825	2028
2019(Assessed)	704	2029
2020(Assessed)	788	2030

(Continued)

2021(Assessed)	840	2031
	$ 13,003	

3) Recognized deferred tax assets and liabilities

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

	Loss for market price decline and obsolete inventories	Losses due to major disasters	Provision	Tax losses	Others	Total
Deferred tax assets:						
Balance on January 1, 2023	$ 25,819	110,989	19,460	-	10,984	167,252
Recognized in profit or loss	3,961	-	(16,617)	-	(1,983)	(14,639)
Recognized in other comprehensive income	-	-	-	-	664	664
Balance on December 31, 2023	$ 29,780	110,989	2,843	-	9,665	153,277
Balance on January 1, 2022	$ 24,701	110,989	83,208	20,669	1,985	241,552
Recognized in profit or loss	1,118	-	(63,748)	(20,669)	8,231	(75,068)
Recognized in other comprehensive income	-	-	-	-	768	768
Balance on December 31, 2022	$ 25,819	110,989	19,460	-	10,984	167,252

	Insurance claim compensation
Deferred tax liabilities:	
Balance on January 1, 2023	$ 103,811
Recognized in profit or loss	42,189
Recognized in other comprehensive income	-
Balance on December 31, 2023	$ 146,000
Balance on January 1, 2022	$ 103,811
Recognized in profit or loss	-
Recognized in other comprehensive income	-
Balance on December 31, 2022	$ 103,811

(iii) Examination and approval

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

(r) Capital and other equity

As of December 31, 2023 and 2022, the authorized common stocks were both $1,200,000, respectively, with a par value of 10 New Taiwan dollars per share, of which 8,000 thousand shares were reserved for the issuance of employee stock options, and of which 119,509 and 95,832

(Continued)

thousand shares were issued, respectively. All issued shares were paid up upon issuance.

(i) Ordinary shares

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

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

Based on the resolution of the Board of Directors held on August 10, 2023, the Company decided to issue 12,000 thousand new shares with par value of NTD10 per share and an issue price of NTD 80 per share, as cash capital increase amounting to $960,000, among them 10% of the total number of shares issued for employees' subscription, with September 25, 2023, as the base date of the capital increase, and the registration procedures have been completed, and all of the payment for the shares issued have been received.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	$ 2,127,990	1,270,247
Cash capital increase reserved for employees' subscription	18,720	-
Gain on disposal of assets	980	980
Stock options	71,530	71,530
Changes in equity of associates and joint ventures accounted for using equity method	8,788	8,788
Employee stock options	5,582	5,582
	$ 2,233,590	1,357,127

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained Earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and special reserves are supposed to set aside in accordance with the relevant regulations or as required by the government. And then any undistributed retained earnings shall be distributed according to the distribution plan

proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's dividend policy, the type of dividends should be determined after considering the Company's capital and financial structure, operating conditions, operating surplus, industrial characteristics and cycle. The distribution of net earnings should not be lower than 50% of the current profit before tax. Cash dividends to stockholders should not be lower than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. The amount to be reclassified to special reserve shall be a portion of after-tax net profit for the period plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(iv) Earnings distribution

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

	2022		2021	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.25	23,846	-	-

(Continued)

Stock	1.25	119,228	-	-
Total		$ 143,074		-

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

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

(v) Other equity (net of tax)

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

(s) Share-based payment

Based on the resolution of the Board of Directors held on August 10, 2023, the Company decided to conduct a cash capital increase, among them 10% of the total number of shares, 1,200 thousand shares were reserved for preferential subscription by the Company's employees, and the actual number of shares subscribed was 1,200 thousand shares.

	December 31, 2023
	Cash capital increase reserved for employees' subscription
Grant date	9.25.2023
Quantity granted	1,200 thousand shares
Recipients	Employees of the Company
Vesting conditions	Immediately vested

(Continued)

(i) Fair value on the grant date

Information on the fair value of the Group's share-based payment at the grant date was as follows:

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

(ii) For the years ended December 31, 2023, the expenses due to the share-based payment was $18,720.

(t) Earnings per share

The Company' s earnings per share was calculated as follows:

	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 294,721	308,780
Weighted-average number of ordinary shares (thousand shares)	109,309	107,305
	$ 2.70	2.88
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 294,721	308,780
Weighted-average number of ordinary shares (thousand shares)	109,309	107,305
Effect of potentially dilutive ordinary shares:		
Effect of employee compensation	300	288
Weighted-average number of ordinary shares (thousand shares) (diluted)	109,609	107,593
	$ 2.69	2.87

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

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

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

(ii) Contract balances

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

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

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

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

(v) Remuneration to employees and directors

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

For the years ended December 31, 2023 and 2022, the remunerations to employees amounted to $24,407 and $26,091, respectively, and the remunerations to directors amounted to $3,936 and $4,250, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

There were no differences between the amounts approved in the Board of Directors and those recognized in the 2023 and 2022 financial statements. The remunerations to employees in 2022 amounting to $22,178, are calculated with the closing market prices of ordinary shares on the day before the resolution of the board of directors to distribute the remunerations to employee on March 14, 2023, and 203 thousand shares were distributed. Related information would be available at the Market Observation Post System Website.

(w) Other Income

		2023	2022
Provisions reversal of fire indemnity	$	373	101,202
Insurance claim income, net		210,943	158,275
Rental income and others		8,667	5,693
	$	219,983	265,170

(x) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

3) Receivables and debt securities

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

b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Group are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	$ 175,000	(175,404)	(175,404)	-	-
Notes and accounts payable	44,251	(44,251)	(44,251)	-	-
Lease liabilities (including current and non-current)	4,804	(4,971)	(2,026)	(1,193)	(1,752)
Other payables	169,538	(169,538)	(169,538)	-	-
Payables on contractors and equipment	68,840	(68,840)	(68,840)	-	-
Long-term borrowings (including current portion)	862,670	(898,412)	(32,789)	(409,607)	(456,016)
Guarantee deposits received	1,000	(1,000)	-	-	(1,000)
	$ 1,326,103	(1,362,416)	(492,848)	(410,800)	(458,768)
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 112,000	(112,177)	(112,177)	-	-
Notes and accounts payable	48,636	(48,636)	(48,636)	-	-
Lease liabilities (including current and non-current)	1,023	(1,033)	(836)	(197)	-
Other payables	296,017	(296,017)	(296,017)	-	-
Payables on contractors and equipment	160,591	(160,591)	(160,591)	-	-
Long-term borrowings	432,356	(455,385)	(5,608)	(5,624)	(444,153)
Guarantee deposits received	1,000	(1,000)	-	-	(1,000)
	$ 1,051,623	(1,074,839)	(623,865)	(5,821)	(445,153)

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follow:

Foreign currency: in thousands of dollars

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	$ 11,322	30.655	347,076	8,287	30.66	254,079
EUR to TWD	303	33.78	10,235	493	32.52	16,032
Financial liabilities						
Monetary items						
USD to TWD	633	30.655	19,405	1,028	30.66	31,518

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, accounts payable, accrued expenses and other payables that are denominated in foreign currency.

The analysis assumes that all other variables remain constant. A strengthening (weakening) 1% of the functional currency against each foreign currency for the years ended December 31, 2023 and 2022, would have affected the net profit before tax increased or decreased $3,379 and $2,386, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $2,369 and $27,550, respectively.

(iv) Interest rate analysis

For the details of financial assets and liabilities exposed to interest rate risk, please refer to financial risk management.

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

	Carrying amount	
	December 31, 2023	December 31, 2022
Variable rate instruments:		
Financial assets	$ 906,746	74,042

(Continued)

Financial liabilities	1,041,572	547,767

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the

reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased by $337 and $1,184, respectively, for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's bank savings and borrowings with variable interest rates.

(v) Other market price risks

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for both analysis, and assuming that the other variables were unchanged, the effects on the comprehensive income were as follows:

	For the years ended December 31			
	2023		2022	
Price of securities at the reporting date	**Other comprehensive income after tax**	**Profit or loss before tax**	**Other comprehensive income after tax**	**Profit or loss before tax**
Increasing 5%	$ 4,841	4,450	3,336	4,877
Decreasing 5%	$ (4,841)	(4,450)	(3,336)	(4,877)

(vi) Fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2023				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					

(Continued)

	Book value	Level 1	Level 2	Level 3	Total
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 88,998	88,998	-	-	88,998
Financial assets at fair value through other comprehensive income					
Listed stocks	96,814	96,814	-	-	96,814
Financial assets measured at amortized cost					
Cash and cash equivalents	942,057	-	-	-	-
Notes and accounts receivable	307,369	-	-	-	-
Other receivables	151	-	-	-	-
Refunded deposits (recognized as other non-current assets)	920	-	-	-	-
Subtotal	1,250,497				
Total	$ 1,436,309				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 175,000	-	-	-	-
Notes and accounts payable	44,251	-	-	-	-
Lease liabilities (including current and non-current)	4,804	-	-	-	-
Other payables	169,538	-	-	-	-
Payables on contractors and equipment	68,840	-	-	-	-
Long-term borrowings (including current portion)	862,670	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	$ 1,326,103				

	December 31, 2022				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 97,545	97,545	-	-	97,545
Financial assets at fair value through other comprehensive income					
Emerging stocks	66,723	-	-	66,723	66,723
Financial assets measured at amortized cost					
Cash and cash equivalents	166,828	-	-	-	-
Notes and accounts receivable	173,565	-	-	-	-
Other receivables	31,101	-	-	-	-

(Continued)

Refunded deposits (recognized as other non-current assets)	810	-	-	-	-
Subtotal	372,304				
Total	$ 536,572				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 112,000	-	-	-	-
Notes and accounts payable	48,636	-	-	-	-
Lease liabilities (including current and non-current)	1,023	-	-	-	-
Other payables	296,017	-	-	-	-
Payables on contractors and equipment	160,591	-	-	-	-
Long-term borrowings	432,356	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	$ 1,051,623				

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

The Group’s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

(Continued)

Measurements of fair value of financial instruments without an active market are

based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

4) Transfers between Levels

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

In June, 2023, one of the above financial assets, Sunny Pharmtech Inc., listed its equity shares on an exchange and became publicly quoted on an active market. Furthermore, the degree of the stock trading activity of Energenesis, an emerging company, meets the definition of an active market. Therefore, the fair value measurement was transferred from Level 3 to Level 1 of the fair value heirarchy as of June 30, 2023,and had been fully disposed in the second half of 2023.

5) Reconciliation of Level 3 fair values

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

(Continued)

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

(Continued)

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

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

(y) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

The Group operations are affected by a variety of financial risks, the risks including market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s financial risk management focus on uncertainty in the financial market to avoid hidden difficulty at the financial statement and financial performance of the Group. The Group’s finance department carried out risk management according to the dealer’s authority approved by Board of Directors. The Group’s financial department maintain close communication with operation department in charge of identifying, evaluating, avoiding financial risk.

(iii) Credit risk

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

1) Accounting receivable and other receivables

The Group’s finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group’s credit limits are offered. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department, and are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group’s customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group’s customers are mainly from the pharmaceutical industry. In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management’s expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer profile, operating and financial status, payment records and the degree of cooperation. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by the finance department more strictly, and the transactions are made on a more cautious way.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group’s finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

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

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the

banking facilities and ensures in compliance with the terms of the loan agreements.

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

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

The Group pays attention to changes in exchange rates and uses forward exchange contracts to hedge its currency risk. The Group's risk management policy avoids currency risk by fair value hedge.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Group did not borrows funds with variable interest rates, therefore there is no risk of cash flows.

(z) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilty.

The Group use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(Continued)

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

	December 31, 2023	December 31, 2022
Total loan	$ 1,041,572	547,767
less: cash and cash equivalent	942,057	166,828
Net debt	$ 99,515	380,939
Total equity	$ 5,099,953	3,629,224
Debt-to-equity ratio	**2%**	**10%**

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

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

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

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

	January 1, 2023	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Others	December 31, 2023
Short-term borrowings	$ 112,000	63,000	-	-	175,000
Long-term borrowings (including current portion)	432,356	430,805	-	(491)	862,670
Lease liabilities	1,023	(1,894)	5,675	-	4,804
	$ 545,379	491,911	5,675	(491)	1,042,474

	January 1, 2022	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Others	December 31, 2022
Short-term borrowings	$ -	112,000	-	-	112,000
Long-term borrowings	-	435,767	-	(3,411)	432,356
Lease liabilities	2,155	(1,648)	516	-	1,023
	$ 2,155	546,119	516	(3,411)	545,379

(Continued)

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Mercuries & Associates Holding Ltd. (Mercuries) is both the parent company of the consolidated entity and the ultimate controlling party of the Company, holding 29.78% of the Company's outstanding shares. It has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties:

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

(c) Significant transaction with related parties:

(i) Sales

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

	2023	2022
Associates	$ 10,000	-

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

(ii) Lease

The Group rented out land and laboratory for related party, the details of the above lease transactions were as follows:

	Rental income (recorded as other income)		Other receivables from related parties	
	2023	2022	December 31, 2023	December 31, 2022
Associates-Framosa	$ 6,347	1,138	-	-

	Guarantee deposits received (recorded as other non-current liability)	
	December 31, 2023	December 31, 2022
Associates-Framosa	$ 1,000	1,000

(Continued)

(iii) Property transactions

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

(iv) Guarantee

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

Please refer to note 13(a)ii for the detail.

(v) Others

The title deed of a certain portion of the land was registered in the name of Mr. Weichyun Wong due to certain legal requirements for the years ended December 31, 2023 and 2022. Please refer to note 6(h).

(d) Key management personnel compensation

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

Please refer to note 6(s) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

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

(9) Commitments and contingencies:

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

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

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

(10) Losses Due to Major Disasters:

A major fire occurred on December 20, 2020, and caused damage to some of the Company's buildings, equipment, construction in progress and inventories, and spread to several nearby plants, resulting in damage to their property and interruption of their operations. In 2020, the Company derecognized damaged assets, including buildings, equipment and construction in progress and inventories and estimated the amount of fire indemnity for the nearby companies.

The Company is currently in the process of negotiating with the above-mentioned damaged companies for fire indemnity payments. As of December 31, 2023 and 2022, the outstanding provisions for fire indemnity were $0 and $68,159, respectively, which were recorded under provisions. Please refer to note 6(o) for the details. As of December 31, 2023, the indemnity payment had been fully completed.

The Company has already entered into related property insurance and public liability insurance contracts. As of December 31, 2023 and 2022, the Company recognized the claim receivables for $0 and $30,000, respectively, which were recorded under other receivables.

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

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

(11) Subsequent Events: None.

(12) Other:

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

By function	2023			2022		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	159,953	86,181	246,134	120,816	80,896	201,712
Labor and health insurance	13,784	4,814	18,598	11,925	4,509	16,434
Pension	6,122	2,209	8,331	5,448	2,046	7,494

Remuneration of directors	-	3,936	3,936	-	4,250	4,250
Others	3,574	7,687	11,261	3,023	5,222	8,245
Depreciation	110,090	26,769	136,859	56,073	26,326	82,399
Amortization	4,157	4,278	8,435	4,154	4,059	8,213

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2023:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Framosa Co., Ltd	The associate of the Company	509,995	400,000	400,000	77,098	-	7.84%	2,039,981	N	N	N

Note 1: The total amount of endorsements and guarantees provided by the Company to third parties shall not exceed 40% of the latest net worth as reported in the financial statements. The maximum limit for endorsements and guarantees provided to a single enterprise shall not exceed 10% of the Company's net worth. In addition the total amount of endorsements and guarantees provided by the Company and subsidiaries to third parties shall not exceed 40% of the latest net worth as reported in the financial statements. The maximum limit for endorsements and guarantees provided to a single enterprise shall not exceed 10% of the Company's net worth.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Current Financial asset at fair value through profit or loss	61	1,052	-	1,052	61	- %	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	〃	672	40,051	-	40,051	743	- %	-
〃	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock B)	-	〃	0.023	1	-	1	0.023	- %	-
〃	Stock (Cathay Common Stock)	-	〃	-	-	-	-	61	- %	
〃	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	〃	528	31,363	-	31,363	528	- %	-
〃	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	〃	577	16,531	-	16,531	577	- %	-
〃	Stock (Energenesis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	96,814	2.10 %	96,814	1,603	2.40%	-
〃	Stock (Sunny Pharmtech Inc.)	-	〃	-	-	- %	-	4,497	3.25%	-

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

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The Company	Buildings	2021.10.19	$ 630,000	$ 472,500	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

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

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: None.

(b) Information on investees:

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

Unit: thousand dollars/ thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2023	Original investment amount: December 31, 2022	Ending balance: Shares (thousands)	Ending balance: Percentage of ownership	Ending balance: Carrying value	Highest: Shares (thousands)	Highest: Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API		351,761	35,190	100%	353,291	35,190	100%	3,820	4,607	Note 1
The Company	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	143,750	143,750	14,375	25%	116,815	14,375	25%	(31,791)	(10,068)	
Yushan Pharmaceuticals Inc.	HoneyBear Biosciences, Inc.	R.O.C	Biotechnology services	33,000	15,000	3,300	11.54%	27,993	3,300	11.54%	(33,961)	(3,771)	

Note 1：The transactions had been eliminated in the consolidated financial statements.

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

(d) Major shareholders:

Unit: shares

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

(14) Segment information:

(a) General Information

The major business activities of the Group are the manufacture and sale of API, Intermediates, and specialty chemicals by a single department. The Group' s financial information of operating department is the same as the consolidated financial statement. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income for related information.

(b) Product information

Please refer to note 6(u) for the details.

(c) Geographic information

Stated below are the geographic information on the Group' s sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers: please refer to note 6(u) for the details.

(ii) Non-current Assets:

Country	December 31, 2023	December 31, 2022
Non-current asset:		
Taiwan	$ 4,342,603	3,542,849

Non-current assets include plant, property, and equipment, intangible assets, and other assets, excluding financial instruments, deferred tax assets and investments accounted for using equity method.

(d) Major customers

The sales revenue from clients with account for more than 10% revenue in the consolidated statements of comprehensive income as follows:

	2023	2022
G Company	$ 305,762	204,824
I Company	60,344	114,653
	$ 366,106	319,477

Stock Code:4119

SCI PHARMTECH, INC.

Parent Company Only Financial Statements

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

Address: No.61, LN. 309, HAIHUN.RD., LUZHU DIST., TAOYUAN CITY 33856, TAIWAN (R.O.C)

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report .

1. **Inventory valuation**

   Please refer to Note 4(g) and Note 5 of the financial statements for the accounting policy of inventory valuation, as well as the estimation of inventory valuation, respectively. Information regarding the inventory and related expenses are shown in Note 6(e) of the financial statements.

Description of key audit matters:

Due to the characteristics of the pharmaceutical industry, products are manufactured for specific customers, providing batch-specific differentiation services according to their needs while the Company estimates the net realizable value of inventory. If there were no objective information regarding the current sales price available for reference, the Company has to make an evaluation of each product's various factors, such as the demands of the market, to determine the net realizable value of the product. As the reasonableness of estimation might have an impact on the inventory valuation, the test of inventory valuation is one of the key audit matters in our audit.

Our audit procedures include:

- Assessing the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including the evaluation of changes in the market, customer demand and inventory turn-over, to identify the obsolete inventories.
- Performing a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.
- Sampling and inspecting the Company' s sales price; as well as verifying the calculation of the lower of cost or net realizable value; evaluating the adopted net realizable value as a basis for obsolete inventories.

2. **Revenue recognition**

Please refer to Note 4(o) of the financial statements, for the accounting policy of Revenue recognition for operating revenue recognition.

Description of key audit matters:

The Company' s main products are the manufacture of Active Pharmaceutical Ingredients, and Intermediates, etc. The Company' s major customers are foreign pharmaceutical companies that have transaction terms different from each other, and the revenue recognition was booked by using manual adjustments, which may result in an inappropriate risk in revenue recognition. Therefore, the revenue recognition is one of the key audit matters in our audit.

Our audit procedures include:

- Understanding and testing the related controls surrounding the aforementioned sales and collection cycle;
- Checking the vouchers related to sales revenue;
- Verifying whether the revenue had been recognized in the proper period by testing the selected sales transactions before and after the balance sheet date in order to evaluate the accuracy of the timing of the Company's operating revenue recognition.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company' s financial reporting process.

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin, Yu-Ting and Hsu, Shu-Min.

KPMG

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

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Balance Sheets

December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

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

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

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	**%**	**Amount**	**%**
4110	Sales revenue (Notes 6(t) and 7)	$ 1,204,159	100	899,738	100
5110	Cost of sales (Notes 6(e), 6(o) and 12)	853,836	71	608,559	68
5900	**Gross profit**	350,323	29	291,179	32
	Operating expenses (Notes 6(o), 6(r) and 12)**:**				
6100	Selling expenses	61,736	5	50,404	6
6200	Administrative expenses	80,032	7	82,081	9
6300	Research and development expenses	49,094	4	39,649	4
		190,862	16	172,134	19
6900	**Net operating income**	159,461	13	119,045	13
	Non-operating income and expenses:				
7101	Interest income	3,380	-	888	-
7130	Dividend income	2,720	-	5,494	1
7190	Other income (Notes 6(v), 7 and 10)	213,803	18	264,427	29
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(1,872)	-	(14,074)	(2)
7510	Interest expense (Notes 6(m) and 7)	(7,582)	(1)	(1,608)	-
7590	Miscellaneous disbursements	(2,044)	-	(1,319)	-
7610	Gains (losses) on disposals of property, plant and equipment	(584)	-	(1,333)	-
7630	Foreign exchange gains (losses)	2,369	-	27,542	3
7775	Share of loss of associates and joint ventures accounted for using equity method, net	(5,461)	-	(11,242)	(1)
		204,729	17	268,775	30
7900	**Profit before tax**	364,190	30	387,820	43
7950	Less: Income tax expenses (Note 6(p))	69,469	6	79,040	9
8200	**Profit**	294,721	24	308,780	34
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss：**				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(o))	(3,321)	-	(3,840)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	204,683	17	(5,798)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(p))	(664)	-	(768)	-
8300	**Other comprehensive income, net**	202,026	17	(8,870)	(1)
8500	**Total comprehensive income**	**$ 496,747**	**41**	**299,910**	**33**
	Earnings per share (Note 6(s))**:**				
9750	**Basic earnings per share**	**$**	**2.70**		**2.88**
9850	**Diluted earnings per share**	**$**	**2.69**		**2.87**

See accompanying notes to financial statements.

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

SCI PHARMTECH, INC.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

	Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Other equity interest: Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2022	$ 953,824	1,348,339	426,103	29,378	611,916	(48,929)	3,320,631
Profit for the year ended December 31, 2022	-	-	-	-	308,780	-	308,780
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(3,072)	(5,798)	(8,870)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	305,708	(5,798)	299,910
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	5,771	-	(5,771)	-	-
Special reserve appropriated	-	-	-	19,551	(19,551)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	8,788	-	-	(105)	-	8,683
Balance at December 31, 2022	953,824	1,357,127	431,874	48,929	892,197	(54,727)	3,629,224
Profit for the year ended December 31, 2023	-	-	-	-	294,721	-	294,721
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	(2,657)	204,683	202,026
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	292,064	204,683	496,747
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	30,561	-	(30,561)	-	-
Special reserve appropriated	-	-	-	5,798	(5,798)	-	-
Cash dividends of ordinary share	-	-	-	-	(23,846)	-	(23,846)
Stock dividends of ordinary share	119,228	-	-	-	(119,228)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(670)	-	(670)
Capital increase by cash	120,000	837,600	-	-	-	-	957,600
Share-based payments transaction	-	18,720	-	-	-	-	18,720
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	124,499	(124,499)	-
Capital increased by employee remunerations	2,035	20,143	-	-	-	-	22,178
Balance at December 31, 2023	**$ 1,195,087**	**2,233,590**	**462,435**	**54,727**	**1,128,657**	**25,457**	**5,099,953**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	$ 364,190	387,820
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	138,442	83,044
Amortization expense	8,435	8,213
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	1,872	14,074
Interest expense	7,582	1,608
Interest income	(3,380)	(888)
Dividend income	(2,720)	(5,494)
Share-based payments transactions	18,720	-
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	5,461	11,242
Losses from disposal of property, plant and equipment	584	1,333
Reversal of major disasters	(373)	(101,202)
Total adjustments to reconcile profit	174,623	11,930
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(133,804)	(90,589)
Increase in inventories	(16,103)	(219,248)
Decrease in other receivables and other current assets	5,923	266,159
(Decrease) increase in notes and accounts payable	(4,385)	14,857
Increase (decrease) in contract liabilities	6,594	(9,991)
(Decrease) increase in other payable	(104,392)	41,865
Decrease in provisions	(81,953)	(110,851)
Increase in other current liabilities	6,127	196
Decrease in provision for employee benefits, non-current	(1,315)	(1,255)
Total changes in operating assets and liabilities	(323,308)	(108,857)
Total adjustments	(148,685)	(96,927)
Cash flow from (used in) operations	215,505	290,893
Dividends received	2,720	5,494
Interest received	3,380	888
Interest paid	(7,582)	(1,608)
Income taxes paid	(4,928)	(110)
Net cash flows from (used in) operating activities	209,095	295,557
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,981)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	178,573	-
Acquisition of financial assets at fair value through profit or loss	-	(2,123)
Proceeds from disposal of financial assets at fair value through profit or loss	6,675	250,905
Acquisition of investments accounted for using equity method	-	(77,750)
Acquisition of property, plant and equipment	(873,601)	(1,085,123)
Proceeds from disposal of property, plant and equipment	-	65
(Increase) decrease in refundable deposits	(110)	2,200
Increase in prepayments of property, plant and equipment	(155,759)	(82,461)
Net cash flows from (used in) investing activities	(848,203)	(994,287)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	63,000	112,000
Proceeds from long term borrowings	430,805	435,767
Payment of lease liabilities	(2,923)	(2,061)
Cash dividends paid	(23,846)	-
Proceeds from issuing shares	957,600	-
Net cash flows from (used in) financing activities	1,424,636	545,706
Net decrease in cash and cash equivalents	785,528	(153,024)
Cash and cash equivalents at beginning of period	149,842	302,866
Cash and cash equivalents at end of period	**$ 935,370**	**149,842**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

(2) Approval date and procedures of the financial statements

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

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

(Continued)

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

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

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

(4) Summary of material accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the annual financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(q).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Company at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(Continued)

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluted on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets) and debt investments measured at FVOCI.

(Continued)

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

(Continued)

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company’s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company’s interests in the associate.

When the Company’s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

(i) Investment in subsidiaries

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings: 2 ~ 56 years

2) Machinery: 3 ~21 years

3) Other equipment: 3 ~ 21 years

Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or

4) there is a change of its assessment on whether it will exercise an extension or termination option; or

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

(Continued)

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful life of computer software is 6~11 years.

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

(Continued)

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(Continued)

(i) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Government grants and government assistance

The Company recognizes an unconditional government grant related to profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculate separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

The grant date of a share-based payment award is the date which the capital increase base date is adopted.

(s) Income taxes

(Continued)

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Company has determined that the global minimum top-up tax-which it is required to pay under Pillar Two legislation-is an income tax in the scope of IAS12. The Company has applieo a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

2. temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

1. The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(Continued)

(i) the same taxable entity; or

(ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(t) Earnings per share

The Company discloses basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise convertible bond, employee stock options, remuneration to employees not yet approved by the Board of directors, and restricted employee shares.

(u) Operating segments

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

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

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the financial statements.

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Company writes down the cost of inventories to net realizable value since the inventories at reporting date were estimated to be obsolescence and unmarketable items. The inventory valuation is based on the demand of the products within a specific period. Therefore, the value of inventories will vary significantly variable. Please refer to note 6(e) of the financial statement for inventory valuation.

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

(i) The Company did not provide cash and cash equivalents as collateral for its loans.

(ii) Please refer to note 6(w) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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

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

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

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

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

(i) The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

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

(Continued)

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

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

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

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

(d) Notes and accounts receivable

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

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables as well as incorporated forward looking information including the reasonable prediction of historical credit loss experience and future economic situation (macroeconomic and relevant industry information). The loss allowance provision was determined as follows:

	December 31, 2023		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	$ 184,452	-	-
1 to 30 days past due	28,289	-	-
31 to 60 days past due	25,539	-	-
61 to 90 days past due	-	-	-
91 to 180 days past due	14	-	-
181 to 270 days past due	69,075	-	-
	$ 307,369		-

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

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

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

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

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

(e) Inventories

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

The details of the cost of sales were as follows:

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

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

(f) Other receivables

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

(g) Investments accounted for using equity method

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

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

(i) Subsidiaries

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

(ii) Associates

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

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

	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	$ 116,815	126,883
	2023	**2022**
Attributable to the Company:		
Profit (loss)	$ (10,068)	(12,102)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	$ (10,068)	(12,102)

(Continued)

(iii) Pledge to secure

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

(h) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Office equipment	Others equipment	Prepayment for equipment and construction in progress	Total
Cost:							
Balance on January 1, 2023	$ 599,729	700,232	1,116,895	55,466	12,968	1,320,022	3,805,312
Additions	-	5,030	122,867	219	-	655,972	784,088
Disposal and derecognitions	-	-	(846)	-	-	-	(846)
Transferred in (out)	-	1,740	475,408	2,652	-	(414,512)	65,288
Balance on December 31, 2023	$ 599,729	707,002	1,714,324	58,337	12,968	1,561,482	4,653,842
Balance on January 1, 2022	$ 509,514	684,472	543,143	33,939	12,968	630,253	2,414,289
Additions	-	1,881	209,583	4,957	-	928,967	1,145,388
Disposal and derecognitions	-	(1,879)	(12,014)	(403)	-	-	(14,296)
Transferred in (out)	90,215	15,758	376,183	16,973	-	(239,198)	259,931
Balance on December 31, 2022	$ 599,729	700,232	1,116,895	55,466	12,968	1,320,022	3,805,312
Depreciation and impairments loss:							
Balance on January 1, 2023	$ -	287,084	385,715	23,635	6,931	-	703,365
Depreciation	-	24,651	104,335	4,918	1,039	-	134,943
Disposals and derecognitions	-	-	(262)	-	-	-	(262)
Balance on December 31, 2023	$ -	311,735	489,788	28,553	7,970	-	838,046
Balance on January 1, 2022	$ -	264,840	345,081	19,688	5,892	-	635,501
Depreciation	-	24,123	51,250	4,350	1,039	-	80,762
Disposals and derecognitions	-	(1,879)	(10,616)	(403)	-	-	(12,898)
Balance on December 31, 2022	$ -	287,084	385,715	23,635	6,931	-	703,365
Carrying amounts:							
Balance on December 31, 2023	$ 599,729	395,267	1,224,536	29,784	4,998	1,561,482	3,815,796
Balance on January 1, 2022	$ 509,514	419,632	198,062	14,251	7,076	630,253	1,778,788
Balance on December 31, 2022	$ 599,729	413,148	731,180	31,831	6,037	1,320,022	3,101,947

(i) In May 2013, the Company purchased a piece of land for the construction of its factory in Taoyuan Luzhu that was auctioned by the court at a price of $211,184. The amount had been

(Continued)

paid in full, and the transfer procedures have been completed. The title deed of a certain portion of the land, measuring 2,259 square meters, was registered in the name of Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the Company is the actual owner of the land.

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

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

(i) Right-of-use assets

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

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

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

(Continued)

(j) Short-term borrowings

The details of short-term borrowings were as following:

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

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

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

(k) Long-term borrowings

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

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

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

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

(Continued)

(l) Other payables

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

(m) Lease liabilities

The carrying amount of lease liabilities was as follows:

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

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

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

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

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

(i) Lease of right-of-use assets

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

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

(ii) Other lease

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

(Continued)

(n) Provisions

	Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2023	$ 43,225	68,159	111,384
Provisions made (reversed) during the year	12,047	(373)	11,674
Provisions used during the year	(26,214)	(67,786)	(94,000)
Balance on December 31, 2023	**$ 29,058**	**-**	**29,058**
Balance on January 1, 2022	$ 43,946	374,894	418,840
Provisions made (reversed) during the year	11,287	(101,202)	(89,915)
Provisions used during the year	(12,008)	(205,533)	(217,541)
Balance on December 31, 2022	**$ 43,225**	**68,159**	**111,384**

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

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

(o) Employee benefits

(i) Defined benefit plans

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

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

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

(Continued)

The Company's Bank of Taiwan labor pension reserve account balance amounted to $58,590 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

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

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

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

4) Movements of the effect of the asset ceiling

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

5) Expenses recognized in profit or loss

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

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

(Continued)

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

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

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

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

7) Actuarial assumptions

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

	December 31, 2023	**December 31, 2022**
Discount rate as of December 31	1.15%	1.25%
Future salary increasing rate	3.00%	3.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $2,516.

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

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		The impact on the present value of the defined benefit obligation	
		Increased 0.25%	**Decreased 0.25%**
As of December 31, 2023			
Discount rate	$	(1,360)	1,401
Future salary increasing rate		1,372	(1,339)
As of December 31, 2022			
Discount rate		(1,426)	1,470

(Continued)

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

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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

(p) Income taxes

(i) Income tax expenses

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

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

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

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

(Continued)

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities: None.

2) Recognized deferred tax assets and liabilities

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

	Loss for market price decline and obsolete inventories	**Losses due to major disasters**	**Provision**	**Tax Losses**	**Others**	**Total**
Deferred tax assets:						
Balance on January 1, 2023	$ 25,819	110,989	19,460	-	10,984	167,252
Recognized in profit or loss	3,961	-	(16,617)	-	(1,983)	(14,639)
Recognized in other comprehensive income	-	-	-	-	664	664
Balance on December 31, 2023	**$ 29,780**	**110,989**	**2,843**	**-**	**9,665**	**153,277**
Balance on January 1, 2022	$ 24,701	110,989	83,208	20,669	1,985	241,552
Recognized in profit or loss	1,118	-	(63,748)	(20,669)	8,231	(75,068)
Recognized in other comprehensive income	-	-	-	-	768	768
Balance on December 31, 2022	**$ 25,819**	**110,989**	**19,460**	**-**	**10,984**	**167,252**

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

(Continued)

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

(iii) Examination and approval

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

(q) Capital and other equity

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

(i) Ordinary shares

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

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

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

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022 were as follows:

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

(Continued)

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

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained Earning

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and special reserves are supposed to set aside in accordance with the relevant regulations or as required by the government. And then any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's dividend policy, the type of dividends should be determined after considering the Company's capital and financial structure, operating conditions, operating surplus, industrial characteristics and cycle. The distribution of net earnings should not be lower than 50% of the current profit before tax. Cash dividends to stockholders should not be lower than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. The amount to be reclassified to special reserve shall be a portion of after-tax net profit for the period plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

(Continued)

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

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

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

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

(iv) Other equity (net of tax)

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

(Continued)

(r) Share-based payment

Based on the resolution of the Board of Directors held on August 10, 2023, the Company decided to conduct a cash capital increase, among them 10% of the total number of shares, 1,200 thousand shares were reserved for preferential subscription by the Company's employees, and the actual number of shares subscribed was 1,200 thousand shares.

	December 31, 2023
	Cash capital increase reserved for employees' subscription
Grant date	9.25.2023
Quantity granted	1,200 thousand shares
Recipients	Employees' of the Company
Vesting conditions	Immediately vested

(i) Fair value on the grant date

Information on the fair value of the Group's share-based payment at the grant date was as follows:

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

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

(s) Earnings per share

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

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

(Continued)

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

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

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

(ii) Contract balances

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

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

(Continued)

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

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

(u) Remuneration to employees and directors

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

For the years ended December 31, 2023 and 2022, the remunerations to employees amounted to $24,407 and $26,091, respectively, and the remunerations to directors amounted to $3,936 and $4,250, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

There were no differences between the amounts approved in the Board of Directors and those recognized in the 2023 and 2022 financial statements. The remunerations to employees in 2022 amounting to $22,178, are calculated with the closing market price of ordinary shares on the day before the resolution of the board of directors to distribute the remunerations to employees on March 14, 2023, and 203 thousand shares were distributed. Related information would be available at the Market Observation Post System Website.

(v) Other income

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

(w) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

3) Receivables and debt securities

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

b) Other financial assets at amortized cost include other receivables and time deposits. The counterparties of the time deposits held by the Company are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	$ 175,000	(175,404)	(175,404)	-	-
Notes and accounts payable	44,251	(44,251)	(44,251)	-	-
Lease liabilities (including current and non-current)	84,821	(121,967)	(4,434)	(3,601)	(113,932)
Other payables	169,346	(169,346)	(169,346)	-	-
Payables on contractors and equipment	68,840	(68,840)	(68,840)	-	-
Long-term borrowings (including current portion)	862,670	(898,412)	(32,789)	(409,607)	(456,016)
	$ 1,404,928	**(1,478,220)**	**(495,064)**	**(413,208)**	**(569,948)**
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 112,000	(112,177)	(112,177)	-	-
Notes and accounts payable	48,636	(48,636)	(48,636)	-	-
Lease liabilities (including current and non-current)	77,978	(114,367)	(3,122)	(2,483)	

(Continued)

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

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

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

Foreign currency: in thousands of dollars

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

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, accounts payable, accrued expenses and other payables that are denominated in foreign currency.

The analysis assumes that all other variables remain constant. A strengthening (weakening) 1% of the functional currency against each foreign currency as of December 31, 2023 and 2022 would have affected the net profit before tax increased or decreased $3,378 and $2,385, respectively, for the years ended December 31, 2023 and 2022. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

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

(Continued)

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

(iv) Interest rate analysis

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

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

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

(i) Others market price risks

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for both analysis, and assuming that the other variables were unchanged, the effects on the comprehensive income were as follows:

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

(v) Fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair

(Continued)

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

	December 31, 2023				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets					
Mandatorily measured at fair value through profit or loss	$ 88,998	88,998	-	-	88,998
Financial assets at fair value through other comprehensive income					
Listed stocks	96,814	96,814	-	-	96,814
Financial assets measured at amortized cost					
Cash and cash equivalents	935,370	-	-	-	-
Notes and accounts receivable	307,369	-	-	-	-
Other receivables	151	-	-	-	-
Refunded deposits (recognized as other non-current assets)	1,120	-	-	-	-
Subtotal	1,244,010				
Total	$ 1,429,822				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 175,000	-	-	-	-
Notes and accounts payable	44,251	-	-	-	-
Lease liabilities (including current and non-current)	84,821	-	-	-	-
Others payables	169,346	-	-	-	-
Payables on contractors and equipment	68,840	-	-	-	-
Long-term borrowings (including current portion)	862,670	-	-	-	-
Total	$ 1,404,928				

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

(Continued)

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

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

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

a) Financial assets and liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

(Continued)

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

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

4) Transfers between Levels

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

In June 30, 2023, one of the above financial assets, Sunny Pharmtech Inc., listed its equity shares on an exchange and became publicly quoted on an active market. Furthermore, the degree of the stock trading activity of Energenesis, an emerging company, meets the definition of an active market. Therefore, the fair value measurement was transferred from Level 3 to Level 1 of the fair value heirarchy as of June 30, 2023, and had been fully disposed in the second half of 2023.

5) Reconciliation of Level 3 fair values

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

(Continued)

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

(Continued)

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

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

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

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

(x) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

The Company operations are affected by a variety of financial risks, the risks including market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s financial risk management focus on uncertainty in the financial market to avoid hidden difficulty at the financial statement and financial performance of the Company. The Company’s finance department carried out risk management according to the dealer’s authority approved by Board of Directors. The Company’s financial department maintain close communication with operation department in charge of identifying, evaluating, avoiding financial risk.

(Continued)

(iii) Credit risk

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

1) Accounting receivable and other receivables

The Company's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's credit limits are offered. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department and are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company's customers are mainly from the pharmaceutical industry. In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer profile, operating and financial status, payment records and the degree of cooperation. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the finance department more strictly, and the transactions are made on a more cautious way.

The Company set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

(Continued)

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

(iv) Liquidity risk

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

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

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

The Company pays attention to changes in exchange rates and uses forward exchange contracts to hedge its currency risk. The Company's risk management policy avoids currency risk by fair value hedge.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Company buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Company evaluates the changes in market interest rates at any time, and establishes relationships with financial institutions to strive for the most suitable interest rate in a timely manner, and use it with short-term and long-term financing lines to reduce interest expenses.

(y) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liability.

(Continued)

The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

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

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

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

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

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

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

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

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

(7) Related-party transactions:

(Continued)

(a) Parent company and ultimate controlling party

Mercuries & Associates Holding Ltd. (Mercuries) is both the parent company of the consolidated entity and the ultimate controlling party of the Company, holding 29.78% of the Company’s outstanding shares. It has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties:

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

(c) Significant transaction with related parties

(i) Sales

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

	2023	2022
Associate	$ 10,000	-

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

(ii) Lease

1) Lessee

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

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

(Continued)

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

2) Lessor

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

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

(iii) Property transactions

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

(iv) Guarantee

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

Please refer to note 13(a)ii for details.

(v) Others

The title deed of a certain portion of the land was registered in the name of Mr. Weichyun Wong due to certain legal requirements for the years ended December 31, 2023 and 2022. Please refer to note 6(h).

(d) Key management personnel compensation

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

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

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

(9) Commitments and contingencies:

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

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

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

(10) Losses Due to Major Disasters:

A major fire occurred on December 20, 2020, and caused damage to some of the Company's buildings, equipment, construction in progress and inventories, and spread to several nearby plants, resulting in damage to their property and interruption of their operations. In 2020, the Company derecognized damaged assets, including buildings, equipment and construction in progress and inventories and estimated the amount of fire indemnity for the nearby companies.

The Company is currently in the process of negotiating with the above-mentioned damaged companies for fire indemnity payments. As of December 31, 2023 and 2022, the outstanding provisions for fire indemnity were $0 and $68,159, respectively, which were recorded under provisions. Please refer to note 6(n) for the details. As of December 31, 2023, the indemnity payment had been fully completed.

The Company has already entered into related property insurance and public liability insurance contracts. As of December 31, 2023 and 2022, the Company recognized the claim receivables for $0 and $30,000, respectively, which were recorded under other receivables.

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

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

(11) Subsequent Events: none

(12) Other:

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

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

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

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

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

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

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

(b) Managers and employees:

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

(Continued)

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

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

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2023:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	Framosa	The associate of the Company	509,995	400,000	400,000	77,098	-	7.84%	2,039,981	N	N	N

Note 1：The total amount of endorsements and guarantees provided by the Company to third parties shall not exceed 40% of the latest net worth as reported in the financial statements. The maximum limit for endorsements and guarantees provided to a single enterprise shall not exceed 10% of the Company's net worth. In addition the total amount of endorsements and guarantees provided by the Company and subsidiaries to third parties shall not exceed 40% of the latest net worth as reported in the financial statements. The maximum limit for endorsements and guarantees provided to a single enterprise shall not exceed 10% of the Company's net worth.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares

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

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

(Continued)

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The Company	Buildings	2021.10.19	$ 630,000	$ 472,500	ECO Technical Services Co., Ltd.	None	Not applicable	Not applicable	Not applicable	-	Price negotiation	to expand production	

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

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

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

(ix) Trading in derivative instruments: None.

(b) Information on investees:

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

Unit: thousand dollars/ thousand shares

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

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

(d) Major shareholders:

Unit: shares

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

(14) Segment information:

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

SCI PHARMTECH, INC.

STATEMENT OF CASH AN EQUIVALENTS

December 31, 2023

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

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

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

USD: 30.655

EUR: 33.78

JPY: 0.2152

SCI PHARMTECH, INC.

STAEMENTS OF NOTES AND ACCC
RECEIVABLE

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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

SCI PHARMTECH, INC.

STATEMENTS OF INVENTORY

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

STATEMENTS OF FINANCIAL ASSETS AT FAIR

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

SCI PHARMTECH, INC.

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

For the year ended December 31, 2023

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

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

SCI PHARMTECH, INC.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2023

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

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

SCI PHARMTECH, INC.

CHANGES IN PROPERTY, PLAN
EQUIPMENT

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h).

STATEMENT OF SHORT-TERM LOANS

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

SCI Pharmtech, Inc.

STATEMENT OF LONG-TERM LOANS

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

SCI PHARMTECH, INC.

STATEMENT OF NOTES AND ACCOU
PAYABLE

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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

SCI PHARMTECH, INC.

STATEMENT OF OTHER PAYABLES

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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

STATEMENT OF NET REVENUE

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

SCI PHARMTECH, INC.

OPERATING COSTS

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

SCI PHARMTECH, INC.

STATEMENT OF OPERATING EXPENSES

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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