

SCI PHARMTECH, INC. AND SUBSIDIARIES**Consolidated Financial Statements**

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2024 and 2023**

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The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of SCI Pharmtech, Inc. and its subsidiaries as of September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, and changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 6(g), the other equity accounted investments of the SCI Pharmtech, Inc. and its subsidiaries in its investee companies of \$155,763 thousand and \$150,132 thousand as of September 30, 2024 and 2023, respectively, and its equity in net earnings (losses) on these investee companies of \$(6,059) thousand, \$(6,018) thousand, \$(13,882) thousand and \$(8,515) thousand for the three months and nine months ended September 30, 2024 and 2023, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the consolidated financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements, do not present fairly, in all material respects, the consolidated financial position of SCI Pharmtech, Inc. and its subsidiaries as of September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, as well as its consolidated cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors’ report are Hsin, Yu-Ting and Huang, Keng-Chia.

KPMG

Taipei, Taiwan (Republic of China)
November 8, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review 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 Statements of Comprehensive Income

For the three months and nine months ended September 30, 2024 and 2023

(expressed in Thousands of New Taiwan Dollars, except for earnings per share)

	For the three months ended September 30,				For the nine months ended September 30,				
	2024		2023		2024		2023		
	Amount	%	Amount	%	Amount	%	Amount	%	
4110	Sales revenue (notes 6(t) and 7)	\$ 419,294	100	257,849	100	1,121,889	100	912,743	100
5110	Cost of sales (notes 6(e), 6(o) and 12)	303,290	72	177,696	69	806,068	72	629,815	69
5900	Gross profit	<u>116,004</u>	<u>28</u>	<u>80,153</u>	<u>31</u>	<u>315,821</u>	<u>28</u>	<u>282,928</u>	<u>31</u>
	Operating expenses (notes 6(o) and 12):								
6100	Selling expenses	18,831	5	14,978	6	55,920	5	45,448	5
6200	Administrative expenses	35,604	8	15,266	6	76,918	7	47,854	5
6300	Research and development expenses	10,645	3	13,648	5	31,958	3	38,237	4
		<u>65,080</u>	<u>16</u>	<u>43,892</u>	<u>17</u>	<u>164,796</u>	<u>15</u>	<u>131,539</u>	<u>14</u>
6900	Net operating income	<u>50,924</u>	<u>12</u>	<u>36,261</u>	<u>14</u>	<u>151,025</u>	<u>13</u>	<u>151,389</u>	<u>17</u>
	Non-operating income and expenses:								
7101	Interest income	353	-	135	-	4,385	-	1,416	-
7130	Dividend income	1,950	-	1,532	1	1,950	-	1,532	-
7190	Other income (notes 6(v), 7 and 10)	438,748	105	2,663	1	444,232	40	217,730	24
7235	Gains (losses) on financial assets at fair value through profit or loss	793	-	1,460	1	2,819	-	(127)	-
7510	Interest expense (note 6(m))	(1,627)	-	(1,183)	(1)	(4,473)	-	(4,765)	(1)
7590	Miscellaneous disbursements	(3,212)	(1)	(1,469)	(1)	(4,661)	-	(1,911)	-
7610	Losses on disposals of property, plant and equipment	-	-	-	-	-	-	(537)	-
7630	Foreign exchange gains (losses)	(5,599)	(1)	11,042	4	13,140	1	18,271	2
7770	Share of loss of associates and joint ventures accounted for using equity method, net (note 6(g))	(6,059)	(1)	(6,018)	(2)	(13,882)	(1)	(8,515)	(1)
		<u>425,347</u>	<u>102</u>	<u>8,162</u>	<u>3</u>	<u>443,510</u>	<u>40</u>	<u>223,094</u>	<u>24</u>
7900	Profit before tax	<u>476,271</u>	<u>114</u>	<u>44,423</u>	<u>17</u>	<u>594,535</u>	<u>53</u>	<u>374,483</u>	<u>41</u>
7950	Less: Income tax expenses (note 6(p))	95,125	23	9,047	3	106,687	10	76,151	8
8200	Profit	<u>381,146</u>	<u>91</u>	<u>35,376</u>	<u>14</u>	<u>487,848</u>	<u>43</u>	<u>298,332</u>	<u>33</u>
8300	Other comprehensive income:								
8310	Items that may not be reclassified subsequently to profit or loss:								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(320)	-	(37,958)	(15)	(7,373)	(1)	203,605	22
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(p))	-	-	-	-	-	-	-	-
8300	Other comprehensive income, net	<u>(320)</u>	<u>-</u>	<u>(37,958)</u>	<u>(15)</u>	<u>(7,373)</u>	<u>(1)</u>	<u>203,605</u>	<u>22</u>
8500	Total comprehensive income	<u>\$ 380,826</u>	<u>91</u>	<u>(2,582)</u>	<u>(1)</u>	<u>480,475</u>	<u>42</u>	<u>501,937</u>	<u>55</u>
	Earnings per share (note 6(s)):								
9750	Basic earnings per share	<u>\$ 3.19</u>		<u>0.33</u>		<u>4.08</u>		<u>2.78</u>	
9850	Diluted earnings per share	<u>\$ 3.18</u>		<u>0.33</u>		<u>4.07</u>		<u>2.77</u>	

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 nine months ended September 30, 2024 and 2023
(expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity interest	Total equity	
	Ordinary shares	Capital surplus	Retained earnings					Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
			Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2023	\$ 953,824	1,357,127	431,874	48,929	892,197	(54,727)	3,629,224	
Profit for the nine months ended September 30, 2023	-	-	-	-	298,332	-	298,332	
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	203,605	203,605	
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	298,332	203,605	501,937	
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)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	113,801	(113,801)	-	
Capital increased by employee remunerations	2,035	20,143	-	-	-	-	22,178	
Balance at September 30, 2023	\$ 1,075,087	1,377,270	462,435	54,727	1,124,227	35,077	4,128,823	
Balance at January 1, 2024	\$ 1,195,087	2,233,590	462,435	54,727	1,128,657	25,457	5,099,953	
Profit for the nine months ended September 30, 2024	-	-	-	-	487,848	-	487,848	
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	(7,373)	(7,373)	
Total comprehensive income for the nine months ended September 30, 2024	-	-	-	-	487,848	(7,373)	480,475	
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	41,589	-	(41,589)	-	-	
Reversal of special reserve	-	-	-	(54,727)	54,727	-	-	
Cash dividends of ordinary share	-	-	-	-	(149,387)	-	(149,387)	
Changes in equity of associates and joint ventures accounted for using equity method	-	(8,788)	-	-	(1,375)	-	(10,163)	
Balance at September 30, 2024	\$ 1,195,087	2,224,802	504,024	-	1,478,881	18,084	5,420,878	

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 nine months ended September 30, 2024 and 2023****(expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 594,535	374,483
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation expense	165,743	94,079
Amortization expense	6,303	6,331
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	(2,819)	127
Interest expense	4,473	4,765
Interest income	(4,385)	(1,416)
Dividend income	(1,950)	(1,532)
Share of loss of associates and joint ventures accounted for using equity method	13,882	8,515
Reversal of major disasters	-	(373)
Others	3,043	537
Total adjustments to reconcile profit	<u>184,290</u>	<u>111,033</u>
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(26,912)	(105,180)
Increase in inventories	(85,738)	(5,649)
(Increase) decrease in other receivables and other current assets	(557,968)	8,653
Increase (decrease) in contract liabilities	15,555	(218)
Increase (decrease) in notes and accounts payable	18,831	(16,967)
Increase (decrease) in other payable	6,175	(102,800)
Decrease in provisions	(4,082)	(73,413)
(Decrease) increase in other current liabilities	(5,882)	5,346
Decrease in provision for employee benefits, non-current	(568)	(945)
Total changes in operating assets and liabilities	<u>(640,589)</u>	<u>(291,173)</u>
Total adjustments	<u>(456,299)</u>	<u>(180,140)</u>
Cash flow from (used in) operations	138,236	194,343
Interest received	4,385	1,416
Dividends received	1,950	1,532
Interest paid	(4,473)	(4,765)
Income taxes paid	(71,960)	(4,730)
Net cash flows from (used in) operating activities	<u>68,138</u>	<u>187,796</u>
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	-	162,245
Proceeds from disposal of financial assets at fair value through profit or loss	62,469	6,674
Acquisition of financial assets at fair value through profit or loss	(229)	-
Acquisition of investments accounted for using equity method	(35,000)	(18,000)
Acquisition of property, plant and equipment	(282,872)	(636,412)
Increase in refundable deposits	-	(110)
Increase in prepayments of property, plant and equipment	(148,378)	(31,203)
Net cash flows from (used in) investing activities	<u>(404,010)</u>	<u>(520,787)</u>
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(74,000)	28,000
Proceeds from long-term borrowings	132,787	303,922
Payment of lease liabilities	(1,649)	(1,398)
Cash dividends paid	(149,387)	(23,846)
Net cash flows from (used in) financing activities	<u>(92,249)</u>	<u>306,678</u>
Net decrease in cash and cash equivalents	<u>(428,121)</u>	<u>(26,313)</u>
Cash and cash equivalents at beginning of period	<u>942,057</u>	<u>166,828</u>
Cash and cash equivalents at end of period	<u>\$ 513,936</u>	<u>140,515</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SCI PHARMTECH, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(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. 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(b) 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 November 8, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- 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”

- (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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11

(4) Summary of material accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of Consolidation

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	Shareholding		
			<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
The Company	Yushan Pharmaceuticals Inc. (Yushan)	The research and development, manufacture and sale of API	100.00 %	100.00 %	100.00 %

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(e) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make 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 preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2023. Please refer to note 6 of the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 460	499	516
Checking accounts and demand deposits	507,063	907,102	104,067
Time deposits	<u>6,413</u>	<u>34,456</u>	<u>35,932</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 513,936</u>	<u>942,057</u>	<u>140,515</u>

- (i) The Group 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 Group.

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

	September 30, 2024	December 31, 2023	September 30, 2023
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	\$ 1,063	1,052	1,049
Stocks listed on domestic markets	<u>28,514</u>	<u>87,946</u>	<u>89,695</u>
Total	<u>\$ 29,577</u>	<u>88,998</u>	<u>90,744</u>

The Group did not provide any aforementioned financial assets as collateral for its loans as of September 30, 2024, December 31 and September 30, 2023, respectively.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) Financial asset at fair value through other comprehensive income, non-current:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Financial assets at fair value through other comprehensive income:			
Stocks listed on domestic markets	\$ 89,441	96,814	96,174
Emerging stocks	-	-	15,890
	<u>\$ 89,441</u>	<u>96,814</u>	<u>112,064</u>

- (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 the second and third quarter of 2023, the Group had sold some part 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 \$162,245 at the time of disposal, and the cumulative gain on disposal amounted to \$113,801. Therefore, the Group has transferred the aforesaid cumulative gain on disposal from other equity to retained earnings. In addition, the Group had sold all of its shares held in Sunny Pharmtech Inc. in the fourth quarter of 2023.
- (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 Group.
- (v) As of September 30, 2024, December 31 and September 30, 2023, the Group did not provide any aforementioned financial assets as collateral for its loans.
- (d) Notes and accounts receivable

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts receivable	334,281	307,369	278,745
Less: Loss allowance	-	-	-
	<u>\$ 334,281</u>	<u>307,369</u>	<u>278,745</u>

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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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 provision was determined as follows:

	September 30, 2024		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	\$ 209,845	-	-
1 to 30 days past due	95,389	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	14,103	-	-
91 to 180 days past due	14,944	-	-
	\$ 334,281		-
	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		-
	September 30, 2023		
	Gross carrying amount	Rate of loss allowance provision	Loss allowance provision
Current	\$ 185,329	-	-
1 to 30 days past due	13,711	-	-
31 to 60 days past due	5,494	-	-
61 to 90 days past due	1,609	-	-
91 to 180 days past due	72,602	-	-
	\$ 278,745		-

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for notes and trade receivable was as follows:

	For the nine months ended	
	September 30,	
	2024	2023
Balance at January 1 (Balance at September 30)	\$ -	-

As of September 30, 2024, December 31 and September 30, 2023, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	September 30,	December 31,	September 30,
	2024	2023	2023
Raw materials	\$ 103,491	92,404	123,431
Work in progress	135,774	85,692	93,035
Finished goods	376,006	351,437	302,613
	\$ 615,271	529,533	519,079

Inventory cost recognized as operating costs for the three months and nine months ended September 30, 2024 and 2023 were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Inventory that has been sold	\$ 251,527	151,283	683,036	554,725
Write-down of inventories (Reversal of write downs)	5,132	3,181	(11,962)	13,860
Loss on disposal of inventories	4,293	517	23,140	1,898
Unallocated production overheads	42,338	22,715	111,854	59,332
	\$ 303,290	177,696	806,068	629,815

As of September 30, 2024, December 31 and September 30, 2023, the Group did not provide any inventories as collaterals for its loans.

(f) Other receivables

	September 30,	December 31,	September 30,
	2024	2023	2023
Insurance claim receivable	\$ 534,933	-	-
Others	319	151	78
	\$ 535,252	151	78

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Investments accounted for using equity method

The components of investments accounted for using equity method at the reporting date were as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Associates	\$ <u>155,763</u>	<u>144,808</u>	<u>150,132</u>

- (i) Except for the following, there was no significant change for investments accounted for using the equity method for the nine months ended September 30, 2024 and 2023. For the related information, please refer to note 6(g) of the consolidated financial statements for the year ended December 31, 2023.
- (ii) In May 2023, the Group subscribed to the newly issued shares of HoneyBear Biosciences, Inc.(HoneyBear) amounting to \$18,000, at a percentage disproportionate from its existing ownership percentage, resulting in the ownership of HoneyBear by the Group to increase from 6.09% to 11.54%, and the retained earnings to decrease by \$670. In August 2024, the Group subscribed to the newly issued shares of HoneyBear amounting to \$35,000, at a percentage disproportionate from its existing ownership percentage, resulting in the ownership of HoneyBear by the Group to increase from 11.54% to 14.35%, the capital surplus to decrease by \$8,788, and the retained earnings to decrease by \$1,375.
- (iii) The Group's financial information on investments accounted for using equity method that are individually insignificant was as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>	
Carrying amount of individually insignificant associates' equity	\$ <u>155,763</u>	<u>144,808</u>	<u>150,132</u>	
	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Attributable to the Group:				
Profit (loss)	\$ (6,059)	(6,018)	(13,882)	(8,515)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	\$ <u>(6,059)</u>	<u>(6,018)</u>	<u>(13,882)</u>	<u>(8,515)</u>

(iv) Pledge to secure

The Group did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) The investments were accounted for using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Prepayment for equipment and construction in progress</u>	<u>Total</u>
Cost:							
Balance on January 1, 2024	\$ 687,883	707,002	1,714,324	58,337	12,968	1,564,525	4,745,039
Additions	-	-	42,334	116	-	334,421	376,871
Disposal and derecognitions	-	-	(10,074)	-	-	-	(10,074)
Transferred in (out)	-	15,902	604,734	271	-	(468,191)	152,716
Balance on September 30, 2024	<u>\$ 687,883</u>	<u>722,904</u>	<u>2,351,318</u>	<u>58,724</u>	<u>12,968</u>	<u>1,430,755</u>	<u>5,264,552</u>
Balance on January 1, 2023	\$ 687,883	700,232	1,116,895	55,466	12,968	1,323,065	3,896,509
Additions	-	-	56,817	219	-	477,200	534,236
Disposal and derecognitions	-	-	(765)	-	-	-	(765)
Transferred in (out)	-	-	316,002	2,376	-	(253,090)	65,288
Balance on September 30, 2023	<u>\$ 687,883</u>	<u>700,232</u>	<u>1,488,949</u>	<u>58,061</u>	<u>12,968</u>	<u>1,547,175</u>	<u>4,495,268</u>
Depreciation and impairments loss:							
Balance on January 1, 2024	\$ -	311,735	489,788	28,553	7,970	-	838,046
Depreciation	-	19,657	140,170	3,470	779	-	164,076
Disposals and derecognitions	-	-	(10,074)	-	-	-	(10,074)
Balance on September 30, 2024	<u>\$ -</u>	<u>331,392</u>	<u>619,884</u>	<u>32,023</u>	<u>8,749</u>	<u>-</u>	<u>992,048</u>
Balance on January 1, 2023	\$ -	287,084	385,715	23,635	6,931	-	703,365
Depreciation	-	18,407	69,754	3,729	779	-	92,669
Disposals and derecognitions	-	-	(228)	-	-	-	(228)
Balance on September 30, 2023	<u>\$ -</u>	<u>305,491</u>	<u>455,241</u>	<u>27,364</u>	<u>7,710</u>	<u>-</u>	<u>795,806</u>
Carrying amounts:							
Balance on January 1, 2024	<u>\$ 687,883</u>	<u>395,267</u>	<u>1,224,536</u>	<u>29,784</u>	<u>4,998</u>	<u>1,564,525</u>	<u>3,906,993</u>
Balance on September 30, 2024	<u>\$ 687,883</u>	<u>391,512</u>	<u>1,731,434</u>	<u>26,701</u>	<u>4,219</u>	<u>1,430,755</u>	<u>4,272,504</u>
Balance on January 1, 2023	<u>\$ 687,883</u>	<u>413,148</u>	<u>731,180</u>	<u>31,831</u>	<u>6,037</u>	<u>1,323,065</u>	<u>3,193,144</u>
Balance on September 30, 2023	<u>\$ 687,883</u>	<u>394,741</u>	<u>1,033,708</u>	<u>30,697</u>	<u>5,258</u>	<u>1,547,175</u>	<u>3,699,462</u>

Except for the following, the information on significant transactions of the Group's property, plant and equipment, please refer to note 6(h) of the consolidated financial statements for the year ended December 31, 2023.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) As of September 30, 2024, December 31 and September 30, 2023, the Group's prepayments for equipment purchases amounted to \$148,378, \$155,759 and \$32,711, respectively, which were recorded as other non-current assets.
- (ii) As of September 30, 2024, December 31 and September 30, 2023, 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 and company cars. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance on January 1, 2024	\$ 3,566	2,626	6,192
Additions	<u>-</u>	<u>1,769</u>	<u>1,769</u>
Balance on September 30, 2024	<u>\$ 3,566</u>	<u>4,395</u>	<u>7,961</u>
Balance on January 1, 2023	\$ -	4,922	4,922
Additions	3,566	2,109	5,675
Reductions	<u>-</u>	<u>(4,233)</u>	<u>(4,233)</u>
Balance on September 30, 2023	<u>\$ 3,566</u>	<u>2,798</u>	<u>6,364</u>
Accumulated depreciation:			
Balance on January 1, 2024	\$ 475	945	1,420
Depreciation for the period	<u>535</u>	<u>1,132</u>	<u>1,667</u>
Balance on September 30, 2024	<u>\$ 1,010</u>	<u>2,077</u>	<u>3,087</u>
Balance on January 1, 2023	\$ -	3,909	3,909
Depreciation for the period	297	1,113	1,410
Reductions	<u>-</u>	<u>(4,233)</u>	<u>(4,233)</u>
Balance on September 30, 2023	<u>\$ 297</u>	<u>789</u>	<u>1,086</u>
Carrying amount:			
Balance on January 1, 2024	<u>\$ 3,091</u>	<u>1,681</u>	<u>4,772</u>
Balance on September 30, 2024	<u>\$ 2,556</u>	<u>2,318</u>	<u>4,874</u>
Balance on January 1, 2023	<u>\$ -</u>	<u>1,013</u>	<u>1,013</u>
Balance on September 30, 2023	<u>\$ 3,269</u>	<u>2,009</u>	<u>5,278</u>

(j) Investments property

- (i) Investment property, with a carrying amount of \$228,012, 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, comprises lands owned by the Group.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 30, 2024 and 2023. Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2023.
- (iii) There were no significant changes in the fair value of the Group's investment property as disclosed in note 6(j) of the consolidated financial statements for the year ended December 31, 2023.
- (iv) The Group rented out investment property for related parties. Please refer to note 7 for the details of rental income.
- (v) 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:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Unsecured bank loans	\$ 101,000	125,000	120,000
Secured bank loans	-	50,000	20,000
Total	<u>\$ 101,000</u>	<u>175,000</u>	<u>140,000</u>
Unused short-term credit lines	<u>\$ 653,545</u>	<u>695,000</u>	<u>750,000</u>
Range of interest rates	<u>1.9%~2.225%</u>	<u>1.7%~2.1%</u>	<u>1.7%~1.925%</u>

- (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(w).
- (l) Long-term borrowings

The details of long-term borrowings were as following:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Secured bank loans — Maturity year 2025.3~2027.2	\$ 818,359	686,572	559,689
Unsecured bank loans — Maturity year 2025.11 and 2026.9	181,000	180,000	180,000
Less: current portion	(232,820)	(20,000)	-
Less: Deferred income	(1,654)	(3,902)	(3,861)
	<u>\$ 764,885</u>	<u>842,670</u>	<u>735,828</u>
Unused credit lines	<u>\$ 9,000</u>	<u>363,428</u>	<u>490,311</u>
Range of interest rates	<u>1.675%~2.05%</u>	<u>1.05%~1.925%</u>	<u>1.55%~1.925%</u>

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) For the nine months ended September 30, 2024 and 2023, the Group had the additional long-term borrowings amounting to \$132,787 and \$303,922, 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 September 30, 2024, the Group had used the credit amount of \$818,359.
- (iii) For the collateral for long-term borrowings, please refer to note 8.
- (m) Lease liabilities

The carrying amount of lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Current	\$ <u>1,991</u>	<u>1,946</u>	<u>2,002</u>
Non-current	\$ <u>2,933</u>	<u>2,858</u>	<u>3,298</u>

Please refer to note 6(w) for maturity analysis.

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
The amounts recognized in profit or loss were as follows:				
Interest on lease liabilities	\$ <u>28</u>	<u>30</u>	<u>73</u>	<u>51</u>
Expenses relating to short-term leases	\$ <u>20</u>	<u>187</u>	<u>155</u>	<u>510</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>-</u>	<u>5</u>	<u>-</u>	<u>8</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>201</u>	<u>166</u>	<u>631</u>	<u>493</u>
			For the nine months ended September 30,	
			2024	2023

The amounts recognized in the statement of cash flows for the Group were as follows:

Total cash outflow for leases	\$ <u>2,508</u>	<u>2,460</u>
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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) The Group leases land and company cars: The leases typically run for a period of three to six years.
- (ii) Other leases

The Group leases vehicles and office equipment. 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.

- (n) Provisions

Except for the following disclosure, there was no significant change for provisions for the nine months ended September 30, 2024 and 2023. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2023.

	Environmental protection costs	Fire disaster indemnity	Total
Balance on January 1, 2024	\$ 29,058	-	29,058
Provisions made during the year	27,726	-	27,726
Provisions used during the year	<u>(31,808)</u>	<u>-</u>	<u>(31,808)</u>
Balance on September 30, 2024	<u>\$ 24,976</u>	<u>-</u>	<u>24,976</u>
Balance on January 1, 2023	\$ 43,225	68,159	111,384
Provisions made (reversed) during the year	8,877	(373)	8,504
Provisions used during the year	<u>(20,944)</u>	<u>(61,346)</u>	<u>(82,290)</u>
Balance on September 30, 2023	<u>\$ 31,158</u>	<u>6,440</u>	<u>37,598</u>

Please refer to note 10 for the above fire indemnity.

- (o) Employee benefits

- (i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2023 and 2022.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Operating cost	\$ 288	147	865	421
Operating expenses	<u>109</u>	<u>60</u>	<u>326</u>	<u>200</u>
Total	<u>\$ 397</u>	<u>207</u>	<u>1,191</u>	<u>621</u>

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Operating cost	\$ 1,693	1,407	5,000	4,070
Selling expenses	542	488	1,620	1,444
Total	<u>\$ 2,235</u>	<u>1,895</u>	<u>6,620</u>	<u>5,514</u>

(p) Income taxes

(i) The Group's income tax expense in the interim financial statements is measured and disclosed accordance to paragraph B12 of IAS 34 "Interim Financial Reporting".

(ii) The Group's income tax expenses for the three months and nine months ended September 30, 2024 and 2023 were calculated as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Current income tax expense				
Recognized during the year	\$ 95,125	9,047	118,344	76,151
Income tax estimated under tax incentives	-	-	30,532	-
	<u>95,125</u>	<u>9,047</u>	<u>148,876</u>	<u>76,151</u>
Deferred income tax expense				
Income tax underestimate (overestimate) for prior years	-	-	(42,189)	-
Current income tax expense	<u>\$ 95,125</u>	<u>9,047</u>	<u>106,687</u>	<u>76,151</u>

(iii) For the three months and nine months ended September 30, 2024 and 2023, the Group did not recognize income tax expense in equity and other comprehensive income.

(iv) Examination and approval

The ROC tax authorities have examined the Company's and Yushan's income tax returns through 2022.

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to September 30, 2024 and 2023. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2023.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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(u).

(ii) Capital surplus

The balances of capital surplus as of September 30, 2024, December 31 and September 30, 2023 were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Additional paid-in capital	\$ 2,127,990	2,127,990	1,290,390
Cash capital increase reserved for employees' subscription	18,720	18,720	-
Gain on disposal of assets	980	980	980
Stock options	71,530	71,530	71,530
Changes in equity of associates and joint ventures accounted for using equity method	-	8,788	8,788
Employee stock options	<u>5,582</u>	<u>5,582</u>	<u>5,582</u>
	<u>\$ 2,224,802</u>	<u>2,233,590</u>	<u>1,377,270</u>

(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.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Earnings distribution

Based on the resolution of stockholders' meeting held on May 30, 2024 and June 19, 2023, the appropriation of earnings for the year 2023 and 2022 was approved. The above dividends per share were appropriated as follows:

	2023		2022	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.25	149,387	0.25	23,846
Stock	-	-	1.25	119,228
Total		<u>\$ 149,387</u>		<u>143,074</u>

(v) Other equity (net of tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2024	\$ 25,457
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>(7,373)</u>
Balance at September 30, 2024	<u>\$ 18,084</u>
Balance at January 1, 2023	\$ (54,727)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	203,605
Disposal of investments in equity instruments designated at fair value through other comprehensive income	<u>(113,801)</u>
Balance at September 30, 2023	<u>\$ 35,077</u>

(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, with November 6, 2023, as the date of capital increase. Information related to the share-based payment resulting from the reserved employees' subscription, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2023.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings per share

The Company's earnings per share was calculated as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>381,146</u>	<u>35,376</u>	<u>487,848</u>	<u>298,332</u>
Weighted-average number of ordinary shares (thousand shares)	<u>119,509</u>	<u>107,509</u>	<u>119,509</u>	<u>107,454</u>
	\$ <u>3.19</u>	<u>0.33</u>	<u>4.08</u>	<u>2.78</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>381,146</u>	<u>35,376</u>	<u>487,848</u>	<u>298,332</u>
Weighted-average number of ordinary shares (thousand shares)	119,509	107,509	119,509	107,454
Effect of potentially dilutive ordinary shares:				
Effect of employee compensation	<u>333</u>	<u>219</u>	<u>405</u>	<u>283</u>
Weighted-average number of ordinary shares (thousand shares) (diluted)	<u>119,842</u>	<u>107,728</u>	<u>119,914</u>	<u>107,737</u>
	\$ <u>3.18</u>	<u>0.33</u>	<u>4.07</u>	<u>2.77</u>

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.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Primary geographical markets:				
Italy	\$ 55,447	55,550	191,804	234,820
Belgium	127,316	-	127,316	9,935
Switzerland	27,718	8,702	111,308	48,791
Taiwan	44,950	24,060	110,190	65,391
Spain	44,861	-	101,646	16,666
Germany	36,143	15,510	85,090	89,682
United States	29,475	10,147	83,744	81,963
Netherlands	-	26,984	81,802	54,009
Japan	854	44,963	36,594	99,674
Others	52,530	71,933	192,395	211,812
	<u>\$ 419,294</u>	<u>257,849</u>	<u>1,121,889</u>	<u>912,743</u>
Major products:				
Active Pharmaceutical Ingredients	\$ 318,804	181,991	819,091	568,935
Intermediates	93,687	67,462	286,390	332,511
Specialty Chemical	6,803	8,396	16,408	11,297
	<u>\$ 419,294</u>	<u>257,849</u>	<u>1,121,889</u>	<u>912,743</u>

(ii) Contract balances

	September 30,	December 31,	September 30,
	2024	2023	2023
Notes and accounts receivable	\$ 334,281	307,369	278,745
Less: Loss allowance	-	-	-
Total	<u>\$ 334,281</u>	<u>307,369</u>	<u>278,745</u>
Contract liabilities (sales received in advance)	<u>\$ 53,922</u>	<u>38,367</u>	<u>31,555</u>

Please refer to note 6(d) for the information of accounts receivable and the impairment.

The amount of revenue recognized for the nine months ended September 30, 2024 and 2023, that was included in the contract liability balance at the beginning of the period was \$6,917 and \$323, respectively.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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 three months and nine months ended September 30, 2024 and 2023, the remunerations to employees amounted to \$17,892, \$7,200, \$29,934 and \$20,943, respectively, and the remunerations to directors amounted to \$3,650, \$600, \$5,000 and \$4,800, 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.

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. 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 remuneration to employee on March 14, 2023, and 203 thousand shares were distributed. The remunerations above are identical to those of the actual distributions. The information is available on the Market Observation Post System website.

(v) Other Income

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Provisions reversal of fire indemnity \$	-	-	-	373
Insurance claim income, net	431,455	-	431,455	210,943
Rental income and others	7,293	2,663	12,777	6,414
	<u>438,748</u>	<u>2,663</u>	<u>444,232</u>	<u>217,730</u>

(w) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2023.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 September 30, 2024, December 31 and September 30, 2023, there were seven, five and six major customers, respectively, that accounted for 74%, 76% and 75%, 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:

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
September 30, 2024					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 101,000	(101,281)	(101,281)	-	-
Notes and accounts payable	63,082	(63,082)	(63,082)	-	-
Lease liabilities (including current and non-current)	4,924	(5,079)	(2,072)	(1,361)	(1,646)
Other payables	175,713	(175,713)	(175,713)	-	-
Payables on contractors and equipment	159,980	(159,980)	(159,980)	-	-
Long-term borrowings (including current portion)	997,705	(1,028,093)	(249,207)	(466,116)	(312,770)
Guarantee deposits received	1,000	(1,000)	-	-	(1,000)
	<u>\$ 1,503,404</u>	<u>(1,534,228)</u>	<u>(751,335)</u>	<u>(467,477)</u>	<u>(315,416)</u>

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
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)
	<u>\$ 1,326,103</u>	<u>(1,362,416)</u>	<u>(492,848)</u>	<u>(410,800)</u>	<u>(458,768)</u>
September 30, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 140,000	(140,377)	(140,377)	-	-
Notes and accounts payable	31,669	(31,669)	(31,669)	-	-
Lease liabilities (including current and non-current)	5,300	(5,494)	(2,091)	(1,463)	(1,940)
Other payables	171,039	(171,039)	(171,039)	-	-
Payables on contractors and equipment	58,415	(58,415)	(58,415)	-	-
Long-term borrowings	735,828	(769,763)	(10,810)	(175,130)	(583,823)
Guarantee deposits received	1,000	(1,000)	-	-	(1,000)
	<u>\$ 1,143,251</u>	<u>(1,177,757)</u>	<u>(414,401)</u>	<u>(176,593)</u>	<u>(586,763)</u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

	September 30, 2024			December 31, 2023			September 30, 2023			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD to TWD	\$	9,009	31.6	284,684	11,322	30.655	347,076	9,365	32.22	301,740
EUR to TWD		1,536	35.18	54,036	303	33.78	10,235	1,834	33.71	61,824
Financial liabilities										
Monetary items										
USD to TWD		437	31.6	13,809	633	30.655	19,405	542	32.22	17,463

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 nine months ended September 30, 2024 and 2023, would have affected the net profit before tax increased or decreased \$3,249 and \$3,461, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

The exchange gains and losses of monetary items, including realized and unrealized, are changed into functional currency, which is the Group's presentation currency. For the three months and nine months ended September 30, 2024 and 2023, the exchange gains (losses), including realized and unrealized, are \$(5,599), \$11,042, \$13,140 and \$18,271, respectively.

(iv) Interest rate analysis

For the details of financial assets and liabilities exposed to interest rate risk, please refer to financial risk management.

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	<u>Carrying amount</u>	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Variable rate instruments:		
Financial assets	\$ 506,792	103,857
Financial liabilities	1,100,359	879,689

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 \$1,113 and \$1,455, respectively, for the nine months ended September 30, 2024 and 2023, 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 September 30, 2024 and 2023, 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:

	<u>For the nine months ended September 30,</u>			
	<u>2024</u>		<u>2023</u>	
<u>Price of securities at the reporting date</u>	<u>Other comprehensive income after tax</u>	<u>Profit or loss before tax</u>	<u>Other comprehensive income after tax</u>	<u>Profit or loss before tax</u>
Increasing 5%	\$ 4,472	1,479	5,603	4,537
Decreasing 5%	\$ (4,472)	(1,479)	(5,603)	(4,537)

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

	September 30, 2024				Total
	Book value	Fair Value			
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 29,577	29,577	-	-	29,577
Financial assets at fair value through other comprehensive income					
Listed stocks	89,441	89,441	-	-	89,441
Financial assets measured at amortized cost					
Cash and cash equivalents	513,936	-	-	-	-
Notes and accounts receivable	334,281	-	-	-	-
Other receivables	535,252	-	-	-	-
Refunded deposits (recognized as other non-current assets)	920	-	-	-	-
Subtotal	1,384,389				
Total	<u>\$ 1,503,407</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 101,000	-	-	-	-
Notes and accounts payable	63,082	-	-	-	-
Lease liabilities (including current and non-current)	4,924	-	-	-	-
Other payables	175,713	-	-	-	-
Payables on contractors and equipment	159,980	-	-	-	-
Long-term borrowings (including current portion)	997,705	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	<u>\$ 1,503,404</u>				

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	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	<u>\$ 1,436,309</u>				
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	<u>\$ 1,326,103</u>				

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 90,744	90,744	-	-	90,744
Financial assets at fair value through other comprehensive income					
Listed stocks and emerging stocks	112,064	112,064	-	-	112,064
Financial assets measured at amortized cost					
Cash and cash equivalents	140,515	-	-	-	-
Notes and accounts receivable	278,745	-	-	-	-
Other receivables	78	-	-	-	-
Refunded deposits (recognized as other non-current assets)	920	-	-	-	-
Subtotal	420,258				
Total	\$ 623,066				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 140,000	-	-	-	-
Notes and accounts payable	31,669	-	-	-	-
Lease liabilities (including current and non-current)	5,300	-	-	-	-
Other payables	171,039	-	-	-	-
Payables on contractors and equipment	58,415	-	-	-	-
Long-term borrowings	735,828	-	-	-	-
Deposits received (recognized as other non-current liabilities)	1,000	-	-	-	-
Total	\$ 1,143,251				

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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.

Listed stocks are financial assets traded on the active market, and their fair value is determined by market quotations.

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 price-book ratio multiple or earnings multiple of comparable companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(y) of the consolidated financial statements for the year ended December 31, 2023.

(y) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2023.

(z) 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 nine months ended September 30, 2024 and 2023, were as follows:

- (i) For the acquisition of right-of-use assets by lease for the nine months ended September 30, 2024 and 2023, please refer to note 6(i).
- (ii) Reconciliation of liabilities arising from financing activities for the nine months ended September 30, 2024 and 2023, were as follows:

	January 1, 2024	Cash flows	Non-cash changes		September 30, 2024
			Acquisition	Others	
Short-term borrowings	\$ 175,000	(74,000)	-	-	101,000
Long-term borrowings (including current portion)	862,670	132,787	-	2,248	997,705
Lease liabilities	4,804	(1,649)	1,769	-	4,924
	<u>\$ 1,042,474</u>	<u>57,138</u>	<u>1,769</u>	<u>2,248</u>	<u>1,103,629</u>
			Non-cash changes		
	January 1, 2023	Cash flows	Acquisition	Others	September 30, 2023
Short-term borrowings	\$ 112,000	28,000	-	-	140,000
Long-term borrowings	432,356	303,922	-	(450)	735,828
Lease liabilities	1,023	(1,398)	5,675	-	5,300
	<u>\$ 545,379</u>	<u>330,524</u>	<u>5,675</u>	<u>(450)</u>	<u>881,128</u>

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

- (a) Names and relationship with related parties:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Weichyun Wong	The chairman of the Company
Framosa Co., Ltd. (Framosa)	The associate of the Company
HoneyBear Biosciences, Inc. (HoneyBear)	"

- (b) Significant transaction with related parties:

- (i) Sales

The amounts of sales by the Group to related parties were as follow:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Associates	\$ -	8,000	-	8,000

There were no comparative sales prices between the related parties and other customers, and the payment term was 30 days. There no significant differences in the payment term between the related parties and other customers. As of September 30, 2024, all the above transaction price 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				Other receivables from		
	(recorded as other income)				related parties		
	For the three months ended September 30,		For the nine months ended September 30,		September 30,	December 31,	September 30,
	2024	2023	2024	2023	2024	2023	2023
Associates- Framosa	\$ 1,657	1,616	4,927	4,697	-	-	-

Guarantee deposits received		
(recorded as other non-current liability)		
September 30, 2024	December 31, 2023	September 30, 2023
\$ 1,000	1,000	1,000

- (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 September 30, 2024, December 31 and September 30, 2023, the amount of \$144,786, \$90,238 and \$71,605, respectively, was recorded as construction in progress. As of September 30, 2024, the above transaction price of construction in progress has been paid.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Guarantee

	September 30, 2024	December 31, 2023	September 30, 2023
Associates-Framosa	\$ <u>400,000</u>	<u>400,000</u>	<u>-</u>

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 nine months ended September 30, 2024 and 2023. Please refer to note 6(h).

(c) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Salary and short-term employee benefits	\$ <u>7,194</u>	<u>7,743</u>	<u>18,382</u>	<u>19,065</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	September 30, 2024	December 31, 2023	September 30, 2023
Land	Pledged as collaterals	\$ 42,736	42,736	42,736
Building	"	2,113	2,315	2,414
		<u>\$ 44,849</u>	<u>45,051</u>	<u>45,150</u>

(9) Commitments and contingencies:

- (a) As of September 30, 2024, December 31 and September 30, 2023, the unused balance of the Group's outstanding standby letters of credit amounted to \$84,062, \$35,813 and \$6,799, respectively.
- (b) The significant outstanding purchase commitments for property, plant and equipment were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Acquisitions of property, plant and equipment	\$ <u>562,645</u>	<u>614,765</u>	<u>535,983</u>

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(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. For the indemnity payment, please refer to note 6(m) 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, wherein it received insurance claims progressively from 2021. The insurance claim applied by the Company in September 2024 totaled \$534,933, including the compensation of maintenance expense of \$103,478, with the remaining amount being compensated for the newly purchased equipment. Since the above mentioned insurance claims has yet to be received as of September 30, 2024, it was recorded under other receivables. For the three months and nine months ended September 30, 2024 and 2023, the Company received insurance claim income amounting to \$431,455, \$0, \$431,455 and \$210,943, respectively, which was recorded under other income, please refer to note 6(f) and 6(v).

(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 By item	For the three months ended September 30, 2024			For the three months ended September 30, 2023		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	47,667	31,937	79,604	42,366	17,489	59,855
Labor and health insurance	4,533	1,428	5,961	3,359	1,165	4,524
Pension	1,981	651	2,632	1,554	548	2,102
Remuneration of directors	-	3,650	3,650	-	600	600
Others	1,087	2,347	3,434	931	2,052	2,983
Depreciation	52,326	6,602	58,928	27,280	6,603	33,883
Amortization	1,032	1,065	2,097	1,038	1,069	2,107

(Continued)

SCI PHARMTECH, INC. AND SUBSIDIARIES
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By function By item	For the nine months ended September 30, 2024			For the nine months ended September 30, 2023		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	139,459	68,487	207,946	121,581	53,701	175,282
Labor and health insurance	13,115	4,096	17,211	9,858	3,514	13,372
Pension	5,865	1,946	7,811	4,491	1,644	6,135
Remuneration of directors	-	5,000	5,000	-	4,800	4,800
Others	3,226	7,060	10,286	2,692	5,631	8,323
Depreciation	146,240	19,503	165,743	73,778	20,301	94,079
Amortization	3,108	3,195	6,303	3,118	3,213	6,331

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(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 nine months ended September 30, 2024:

(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	542,087	400,000	400,000	110,416	-	7.38 %	2,168,351	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.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of September 30, 2024 (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				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Beneficiary Certificate (UPAMC James Bond Money Market Fund)	-	Current Financial asset at fair value through profit or loss	61	1,063	-	1,063	-
"	Stock (Cathay Financial Holding Co., Ltd. Preferred Stock A)	-	"	50	3,025	-	3,025	-
"	Stock (CTBC Financial Holding Co., Ltd. Preferred Shares B)	-	"	333	20,146	-	20,146	-
"	Stock (Shin Kong Financial Holding Co., Ltd. Preferred Shares A)	-	"	148	5,343	-	5,343	-
"	Stock (Energensis Biomedical Co., Ltd.)	-	Financial assets at fair value through other comprehensive income	1,603	89,441	2.10 %	89,441	-

- (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				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings	2021.10.19	\$ 630,000	\$ 567,000	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.

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SCI PHARMTECH, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2024 (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		Ending balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Yushan Pharmaceuticals Inc.	R.O.C.	The research and development, manufacture and sale of API	351,761	351,761	35,190	100 %	359,100	(1,834)	(1,412)	Note 1
"	Framosa Co., Ltd.	R.O.C.	Circular economy by purifying and utilizing used solvents	143,750	143,750	14,375	25 %	108,357	(26,664)	(8,458)	
"	HoneyBear Biosciences, Inc.	R.O.C.	Biotechnology services	35,000	-	1,750	4.97 %	16,420	(37,774)	(652)	
Yushan Pharmaceuticals Inc.	HoneyBear Biosciences, Inc.	R.O.C.	Biotechnology services	33,000	33,000	3,300	9.38 %	30,986	(37,774)	(4,772)	

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

Shareholders' Name	Shareholding	Shares	Percentage
Mercuries & Associates Holding Ltd.		35,590,777	29.78 %

(14) Segment information:

The Group only uses one segment to assess its performance and allocate resources. Hence, there is no need to disclose the information.