FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Laboratories, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Laboratories, Inc. and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by 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 for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Key audit matters - inventory valuation

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 6(6) for details of inventory, and Note 5(1) for uncertainty of accounting estimates and assumptions in relation to inventory valuation.

The Group is primarily engaged in the manufacturing and sales of active pharmaceutical ingredients. Due to the intensely competitive market and the restriction of expiry date of active pharmaceutical ingredients, there is a higher risk of loss on decline in market value of expired or obsolete inventories. As the determination of impairment of inventories involves subjective judgement and estimation uncertainty and considering that the amount of inventories is significant to the financial statements, we identified the inventory valuation a key audit matter.

How our audit addressed the matter

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

A. Obtained an understanding of the Group’s operations and industry, assessed the reasonableness of the accounting policy in recognising the allowance for inventory valuation losses, and ascertained whether the accounting policy was applied consistently for both periods.
B. Obtained the net realisable value report of inventories, reviewed the calculation logic used and tested related parameters, including sales and purchase data files and other resource data.
C. Obtained the expiry information date of each inventory item, checked against related supporting documents, and assessed the reasonableness of the provision of allowance for loss on inventory decline in market value.
D. Verified the related documents we gathered during the physical inventory count and performed an inquiry with management and related personnel to verify whether the following have been addressed in the inventory list: a. Slow-moving inventory, b. Inventory that is over certain age, and c. Significant

amount of damaged inventory.

Key audit matters - Impairment assessment of investments accounted for using equity method

Description

As of December 31, 2022, the amount of the Company's reinvestment in Formosa Pharmaceuticals, Inc. was significant and the reinvestment generated goodwill. Refer to Notes 4(12) and (16) for details of related accounting policies, and Notes 5(2) and 6(7) for uncertainty of accounting estimates and assumptions in relation to impairment assessment of investments accounted for using equity method.

The Company measured the recoverable amount of cash generating unit by discounting estimated future cash flows of related research and development projects as basis for impairment assessment. As the amount of investments accounted for using equity method was significant and the valuation model used in the impairment assessment involves significant accounting estimates, and the recoverable amount was determined based on projected future cash flows, we considered the impairment assessment of investments accounted for using equity method as a key audit matter.

How our audit addressed the matter

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

A. Obtained an understanding of the estimation process of projected cash flows to ascertain whether it was in agreement with the budget of the investee.

B. Obtained the appraisal report of appraisers who were appointed by the management and performed the following audit procedures:

  (1) Assessed whether the valuation model was reasonably matched with its industry, environment and assets to be valued.

  (2) Compared the expected growth rate and net operating interest rate used in the estimation of future cash flows with historical result, economic documents and other external data.

  (3) Assessed the discount rate used and compared with capital cost assumption of cash-generating units and return rates of similar assets.

C. Confirmed and measured the recoverable amount of cash-generating units by discounting estimated future cash flows to determine whether the recoverable amount exceeds the book value.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Laboratories, Inc. as at and for the years ended December 31, 2022 and 2021.

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 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 supervisors, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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.

Yen, Yu-Fang	Yu, Shu-Fen

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 9, 2023

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022	December 31, 2021
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 1,279,462	$ 729,535
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	197,519	363,946
1136	Current financial assets at amortised cost, net	6(4)	153,550	-
1150	Notes receivable, net	6(5)	-	2,586
1170	Accounts receivable, net	6(5)	798,849	758,855
1180	Accounts receivable - related parties	7	13,628	12,332
1200	Other receivables		14,590	29,382
1210	Other receivables - related parties	7	27	38
1220	Current income tax assets		33	-
130X	Inventory	6(6)	1,601,672	1,639,197
1410	Prepayments		89,488	79,809
1470	Other current assets		2,242	3,810
11XX	**Total current assets**		4,151,060	3,619,490
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	2,177,551	1,960,383
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	61,479	114,962
1550	Investments accounted for under equity method	6(7)	15,425	8,113
1600	Property, plant and equipment	6(8) and 8	5,875,256	5,849,731
1755	Right-of-use assets		43,325	50,956
1780	Intangible assets	6(9)	222,929	247,600
1840	Deferred income tax assets	6(29)	97,189	72,302
1900	Other non-current assets	6(8)(10) and 8	106,499	93,430
15XX	**Total non-current assets**		8,599,653	8,397,477
1XXX	**Total assets**		$ 12,750,713	$ 12,016,967

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022	December 31, 2021
	Current liabilities			
2100	Short-term borrowings	6(11) and 8	$ 1,449,666	$ 1,017,388
2110	Short-term notes and bills payable	6(12)	49,909	159,939
2130	Current contract liabilities	6(22)	55,775	109,686
2150	Notes payable		1,017	1,636
2170	Accounts payable		186,473	202,418
2200	Other payables	6(13)	584,625	538,483
2230	Current income tax liabilities		141,374	22,891
2280	Current lease liabilities		22,093	27,736
2320	Long-term liabilities, current portion	6(14)(15) and 8	619,017	284,861
2399	Other current liabilities	6(32) and 9	31,700	20,752
21XX	**Total current liabilities**		3,141,649	2,385,790
	Non-current liabilities			
2500	Non-current financial liabilities at fair value through profit or loss	6(2) and 7	61,420	-
2527	Non-current contract liabilities	6(22)	16,989	-
2540	Long-term borrowings	6(15) and 8	1,637,756	1,906,992
2570	Deferred income tax liabilities	6(29)	24,634	23,945
2580	Non-current lease liabilities		21,436	23,503
2600	Other non-current liabilities	6(32) and 9	50,556	74,572
25XX	**Total non-current liabilities**		1,812,791	2,029,012
2XXX	**Total liabilities**		4,954,440	4,414,802
	Equity attributable to owners of parent			
	Share capital	1 and 6(18)		
3110	Common stock		1,202,560	1,202,560
	Capital surplus	6(14)(19)		
3200	Capital surplus		3,514,488	3,503,382
	Retained earnings	6(20)		
3310	Legal reserve		444,979	319,935
3320	Special reserve		20	20
3350	Unappropriated retained earnings		2,364,300	2,320,072
	Other equity interest	6(21)		
3400	Other equity interest		(5,703)	49,261
31XX	**Equity attributable to owners of the parent**		7,520,644	7,395,230
36XX	Non-controlling interest	4(3)	275,629	206,935
3XXX	**Total equity**		7,796,273	7,602,165
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9		
	Significant Events after the Balance Sheet Date	11		
3X2X	**Total liabilities and equity**		$ 12,750,713	$ 12,016,967

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31 2022	2021
4000	Sales revenue	6(22) and 7	$ 3,765,504	$ 3,142,406
5000	Operating costs	6(6)(27)(28) and 7	(2,375,312)	(2,170,962)
5900	Net operating margin		1,390,192	971,444
	Operating expenses	6(27)(28) and 7		
6100	Selling expenses		(187,120)	(170,921)
6200	General and administrative expenses		(234,219)	(282,214)
6300	Research and development expenses		(777,016)	(700,198)
6450	(Impairment loss) Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(28,348)	13,872
6000	Total operating expenses		(1,226,703)	(1,139,461)
6900	Operating profit (loss)		163,489	(168,017)
	Non-operating income and expenses			
7100	Interest income	6(23)	2,144	357
7010	Other income	6(24)	2,551	23,609
7020	Other gains and losses	6(2)(25)	176,729	1,250,456
7050	Finance costs	6(26)	(19,319)	(28,051)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	7,587	9,172
7000	Total non-operating income and expenses		169,692	1,255,543
7900	**Profit before income tax**		333,181	1,087,526
7950	Income tax expense	6(29)	(116,371)	(44,008)
8200	**Profit for the year**		$ 216,810	$ 1,043,518

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31 2022	2021
	Other comprehensive (loss) income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Gains on remeasurements of defined benefit plans	6(16)	$ 531	$ 1,682
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(53,483)	55,972
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	(106)	(336)
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(53,058)	57,318
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		(3,797)	(14,673)
8399	Income tax relating to the components of other comprehensive income	6(29)	370	1,611
8360	Other comprehensive loss that will be reclassified to profit or loss		(3,427)	(13,062)
8300	**Total other comprehensive (loss) income for the year**		($ 56,485)	$ 44,256
8500	**Total comprehensive income for the year**		$ 160,325	$ 1,087,774
	Profit (loss) attributable to:			
8610	Owners of the parent		$ 409,359	$ 1,249,096
8620	Non-controlling interest		(192,549)	(205,578)
			$ 216,810	$ 1,043,518
	Comprehensive income (loss) attributable to:			
8710	Owners of the parent		$ 354,820	$ 1,299,971
8720	Non-controlling interest		(194,495)	(212,197)
			$ 160,325	$ 1,087,774
	Earnings per share (in dollars)	6(30)		
9750	Basic earnings per share		$ 3.40	$ 10.92
9850	Diluted earnings per share		$ 3.39	$ 10.32

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
			Capital Reserves			Retained Earnings			Other Equity Interest				
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Capital Surplus, changes in ownership interests in subsidiaries	Stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2021													
Balance at January 1, 2021		$ 1,083,126	$ 2,472,917	$ 226,326	$ 33,387	$ 280,144	$ 20	$ 1,109,421	($ 2,123)	$ 1,855	$ 5,205,073	$ 80,644	$ 5,285,717
Profit (loss) for the year		-	-	-	-	-	-	1,249,096	-	-	1,249,096	(205,578)	1,043,518
Other comprehensive income (loss)		-	-	-	-	-	-	1,346	(6,443)	55,972	50,875	(6,619)	44,256
Total comprehensive income (loss)		-	-	-	-	-	-	1,250,442	(6,443)	55,972	1,299,971	(212,197)	1,087,774
Appropriation and distribution of retained earnings	6(20)												
Legal reserve		-	-	-	-	39,791	-	(39,791)	-	-	-	-	-
Conversion of convertible bonds	6(14)	119,434	610,659	-	(33,387)	-	-	-	-	-	696,706	-	696,706
Changes in ownership interests in subsidiaries	6(31)	-	-	193,480	-	-	-	-	-	-	193,480	338,488	531,968
Balance at December 31, 2021		$ 1,202,560	$ 3,083,576	$ 419,806	$ -	$ 319,935	$ 20	$ 2,320,072	($ 8,566)	$ 57,827	$ 7,395,230	$ 206,935	$ 7,602,165
2022													
Balance at January 1, 2022		$ 1,202,560	$ 3,083,576	$ 419,806	$ -	$ 319,935	$ 20	$ 2,320,072	($ 8,566)	$ 57,827	$ 7,395,230	$ 206,935	$ 7,602,165
Profit (loss) for the year		-	-	-	-	-	-	409,359	-	-	409,359	(192,549)	216,810
Other comprehensive income (loss)		-	-	-	-	-	-	425	(1,481)	(53,483)	(54,539)	(1,946)	(56,485)
Total comprehensive income (loss)		-	-	-	-	-	-	409,784	(1,481)	(53,483)	354,820	(194,495)	160,325
Appropriations and distribution of retained earnings	6(20)												
Legal reserve		-	-	-	-	125,044	-	(125,044)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(240,512)	-	-	(240,512)	-	(240,512)
Changes in ownership interests in subsidiaries	6(31)	-	-	9,902	-	-	-	-	-	-	9,902	261,806	271,708
Amortisation of compensation cost of employee stock options	6(17)	-	-	1,204	-	-	-	-	-	-	1,204	1,383	2,587
Balance at December 31, 2022		$ 1,202,560	$ 3,083,576	$ 430,912	$ -	$ 444,979	$ 20	$ 2,364,300	($ 10,047)	$ 4,344	$ 7,520,644	$ 275,629	$ 7,796,273

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 333,181	$ 1,087,526
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	442,452	445,664
Amortisation	6(27)	28,463	29,335
Expected credit impairment loss (gain)	12(2)	28,348	(13,872)
Net gains on financial assets at fair value through profit or loss	6(25)	(178,784)	(1,295,548)
Interest expense	6(26)	19,319	28,051
Interest income	6(23)	(2,144)	(357)
Share of profit of associates accounted for using equity method	6(7)	(7,587)	(9,172)
Gains on disposal of property, plant and equipment	6(25)	(51)	(114)
Gain from lease modification	6(25)	(24)	(139)
Compensation cost of employee stock options	6(17)	2,587	-
Expenses transferred from prepayments for equipment (shown as other non-current assets)		12,801	8,085
Contingent consideration	6(25)	-	37,043
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		263	1,126
Contract assets		-	275
Notes receivable		2,586	(2,586)
Accounts receivable		(68,342)	(238)
Accounts receivable - related parties		(1,296)	2,149
Other payables		14,759	(10,584)
Other receivables - related parties		11	2,736
Inventory		37,525	(188,146)
Prepayments		(9,679)	13,603
Other current assets		1,568	2,943
Other non-current assets		(231)	(1,999)
Changes in operating liabilities			
Contract liabilities		(36,922)	67,631
Notes payable		(619)	1,636
Accounts payable		(15,945)	(5,720)
Other payables		55,842	144,411
Other current liabilities		10,948	14,295
Other non-current liabilities		11,294	8,471
Cash inflow generated from operations		680,323	366,505
Interest received		2,144	357
Interest paid		(17,734)	(19,785)
Income taxes paid		(21,647)	(35,920)
Net cash flows from operating activities		643,086	311,157

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		($ 14,976)	($ 200,440)
Proceeds from disposal of financial assets at fair value through profit or loss		142,756	167,394
Share of loss of associates accounted for using equity method dividends received		45	-
(Increase) decrease in financial assets at amortised cost		(158,750)	20,000
Acquisition of investments accounted for under the equity method		-	51
Acquisition of property, plant and equipment	6(32)	(380,940)	(383,383)
Losses on disposal of property, plant and equipment		51	310
Acquisition of intangible assets	6(9)	(1,553)	(5,043)
(Increase) decrease in refundable deposits		(1,099)	8,045
Acquisition of subsidiaries	6(32)	(29,871)	(71,030)
Prepayments for equipment (shown as other non-current assets)	6(8)	(57,489)	(125,395)
Prepayments for investments (shown as other non-current assets)		(38,895)	-
Net cash flows used in investing activities		(540,721)	(589,491)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of financial liabilities at fair value through profit or loss		58,390	-
Increase (decrease) in short-term loans	6(33)	432,278	(80,680)
Decrease in short-term notes and bills payable	6(33)	(110,030)	(9,958)
Proceeds from long-term debt	6(33)	3,396,000	3,450,203
Repayments of long-term debt (including current portion)	6(33)	(3,331,080)	(3,420,040)
Payments of lease liabilities	6(33)	(28,809)	(29,973)
Maturity repayment of corporate bonds	6(33)	-	(2,500)
Cash dividends paid	6(20)	(240,512)	-
Subsidiary cash increase and employee stock options	6(31)	271,708	531,968
Net cash flows from financing activities		447,945	439,020
Effect of exchange rate changes on cash and cash equivalents		(383)	(12,160)
Net increase in cash and cash equivalents		549,927	148,526
Cash and cash equivalents at beginning of year		729,535	581,009
Cash and cash equivalents at end of year		$ 1,279,462	$ 729,535

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

FORMOSA LABORATORIES, INC.AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Formosa Laboratories, Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in December 1995 and started its operations in the same year. The Company and its subsidiaries (the "Group") are primarily engaged in the wholesale and manufacturing of active pharmaceutical ingredients.

On June 6, 2008, in order to strengthen operational efficiency, enlarge operation scale and minimize management costs, the Company's shareholders resolved to merge with L. C. United Chemical Corporation, effective July 1, 2008, with the Company as the surviving company. L. C. United Chemical Corporation was incorporated in Luzhu Dist., Taoyuan County in July 1984 and is primarily engaged in the manufacturing and sales of ultraviolet absorbers.

After the merger, the Company is primarily engaged in the manufacturing and sales of active pharmaceutical ingredients, including medical active pharmaceutical ingredients and ultraviolet absorbers. The Company's shares were listed in the Taiwan Stock Exchange starting from March 1, 2011. As of December 31, 2021, the Company's authorised capital and paid-in capital were $1,600,000 and $1,202,560, respectively, with a par value of $10 (in dollars) per share.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2022	Ownership (%) December 31, 2021	Description
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Research and development of new biotechnology medicine	46.55	46.63	Note 1 and Note 2
Formosa Laboratories, Inc.	EPIONE PHARMACEUTICAL	Research and development of new biotechnology medicine	100	100	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Medicine, chemical trade and investment business	100	100	
Epione Investment Cayman Limited	Epione Investment HK Limited	Medicine, chemical trade and investment business	100	100	
Epione Investment HK Limited	Shanghai Epione Eenterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	100	100	
Formosa Pharmaceuticals Inc.	Activus Pharma.Co., Ltd.	Research and development of new biotechnology medicine	99.23	99.23	

Note 1: In the second half of 2022, as Formosa Pharmaceuticals Inc.'s employees gradually exercised share options, the Group's shareholding ratio in Formosa Pharmaceuticals Inc. decreased to 46.55%. Refer to Note 6(31).

Note 2: On December 31, 2022, although the Company's equity interest held in Formosa Pharmaceuticals Inc. did not exceed 50%, the Company was its single major shareholder and has significant influence over its business activities, which met the controlling factor in paragraph 7 of IFRS 10, 'Consolidated Financial Statements', Accordingly, Formosa Pharmaceuticals Inc. was included in the consolidated financial statements.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2022 and 2021, the non-controlling interest amounted to $275,629 and $206,935, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest December 31, 2022 Amount	Ownership (%)	December 31, 2021 Amount	Ownership (%)
Formosa Pharmaceuticals Inc.	Taiwan	$ 275,629	53.45%	$ 206,935	53.37%

Summarised financial information of the subsidiaries:

Balance sheets

	Formosa Pharmaceuticals Inc. December 31, 2022	December 31, 2021
Current assets	$ 456,314	$ 234,496
Non-current assets	421,593	454,220
Current liabilities	(43,057)	(19,295)
Non-current liabilities	(340,941)	(276,189)
Total net assets	$ 493,909	$ 393,232

	Formosa Pharmaceuticals Inc. Year ended December 31, 2022	Year ended December 31, 2021
Revenue	$ 1,315	$ 28,529
Loss before income tax	($ 402,243)	($ 398,422)
Income tax benefit (expense)	424	(2,397)
Loss for the year	(401,819)	(400,819)
Other comprehensive loss, net of tax	(3,631)	(13,865)
Total comprehensive loss for the year	($ 405,450)	($ 414,684)
Comprehensive loss attributable to non-controlling interest	($ 194,495)	($ 212,197)

	Formosa Pharmaceuticals Inc.	
	Year ended December 31, 2022	Year ended December 31, 2021
Net cash used in operating activities	($ 346,150)	($ 331,133)
Net cash used in investing activities	(188,641)	(86,104)
Net cash provided by financing activities	558,863	604,970
Effect of exchange rates on cash and cash equivalents	34,349	(20,684)
Increase in cash and cash equivalents	58,421	167,049
Cash and cash equivalents, beginning of year	208,917	41,868
Cash and cash equivalents, end of year	$ 267,338	$ 208,917

(4) Foreign currency translation

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) The translation differences of non-monetary assets and liabilities denominated in foreign currencies were parts of gains or losses on fair value. For those non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / subsidiaries and associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses. If the company provided endorsement/guarantee and loans to associates or intends to continuously support the investee, the Company shall continue to recognise losses in proportion to its ownership.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 to 50 years
Machinery and equipment	2 to 15 years
Utilities equipment	7 to 20 years
Testing equipment	2 to 13 years
Pollution-prevention equipment	5 to 15 years
Office equipment	2 to 10 years
Leasehold improvements	5 to 15 years
Other equipment	2 to 20 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable and variable lease payments that depend on an index or a rate. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Intangible assets

A. Computer software is stated at cost and amortized using the straight-line method over the estimated useful life of 3-10 years.

B. Special technology is stated initially at cost and amortised using the straight-line method over its estimated economic service life of 14~20 years.

C. Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

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

B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Borrowings

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

(20) Accounts and notes payable

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

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

(21) Financial liabilities at fair value through loss

A. Financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(22) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded put options are recognised initially at net fair value as 'financial assets at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus - share options'.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions.

Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. The aforementioned grant date of share-based payment agreement is the date when the acquisition price and number of shares were confirmed.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities.

(28) Share capital

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

(29) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the Group's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells active pharmaceutical ingredients and ultraviolet absorber. Sales are recognised 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 acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Research and development revenue

The Group provides research and development of medicine and related services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The revenue from fixed price contract is recognised based on the percentage of the actual services provided as of the balance sheet date to the total services to be provided under the contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Revenue from licencing intellectual property

The Group entered into a licensing of intellectual property contract with a customer to grant a license of patents to the customer. If the license can be distinct from other promised goods or services in the contract, the Group recognises the revenue from licensing when the license transfer to a customer either at a point in time or over time based on the nature of the license granted. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the license to a customer at a point in time.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group had no significant accounting judgement in relation to the adoption of accounting policies. In addition, the details of significant accounting estimates and assumption uncertainty are as follows:

Critical accounting estimates and assumptions

(1) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Because of the intensely competitive market and the restriction of expiry date of active pharmaceutical ingredients, the Group assesses the amounts of inventories with normal consumption, obsolescence or without market value as of the balance sheet date, and writes off the inventory cost to net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was $1,601,672.

(2) Impairment assessment of investments accounted for using equity method

The impairment assessment of goodwill arising from premiums on investment relies on the Group's subjective judgement which is based on the discounted value of expected future cash flows of investees to estimate the recoverable amount and the reasonableness of related assumptions. Refer to Note 6(9).

(3) Revenue recognition

The Group recognises revenue from providing services based on the transaction price and the stage of completion, which is measured based on the actual services provided as of the end of the reporting period in proportion to the total services to be provided. The estimated total commissioned service cost will be affected by the estimated total time incurred, compliance costs, etc. The Group reassesses the reasonableness of estimates periodically.

For the year ended December 31, 2022, the amount of commissioned service revenue recognised was $200,882.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and cash on hand	$ 554	$ 531
Demand deposits	655,866	601,902
Foreign currency demand deposits	511,622	127,102
Time deposits	111,420	-
	$ 1,279,462	$ 729,535

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

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

	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 29,158	$ 37,111
TOT Biopharm International Company Limited	52,940	52,940
Emerging stocks		
TaiRx, Inc.	16,484	71,907
Derivatives		
- the redemption rights of convertible bonds	2,010	2,020
	100,592	163,978
Valuation adjustment	96,927	199,968
	$ 197,519	$ 363,946
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 588,756	$ 588,756
Unlisted stocks		
HCmed Innovations Co., Ltd.	14,976	-
AG Global Inc.	35,340	35,340
	639,072	624,096
Valuation adjustment	1,538,479	1,336,287
	$ 2,177,551	$ 1,960,383

	December 31, 2022	December 31, 2021
Non-current financial liabilities items:		
Financial liabilities designated as at fair value through profit or loss		
New medicine development revenue share	$ 58,390	$ -
Valuation adjustment	3,030	-
	$ 61,420	$ -

A. On April 18, 2022, the Group and EirGenix Inc. entered into a new medicine development revenue share agreement for TSY-0110 (EG12043) (the ‘product’) to replace the previous signed development and manufacturing related collaboration contract. During the development stage, the raw material of the product shall be provided at a reasonable market price by EirGenix Inc.. The Group shall be responsible for the research and development of the product and the implementation of production and manufacturing after the development of the product has been completed. Both parties can launch the product in the global market and shall be entitled to a 50% authorisation income on any revenue or income generated from the development and commercialisation of the product. Under the agreement, the Group is entitled to an authorisation income of US$30,000 thousand which will be received in accordance with the schedule as specified in the contract. As of December 31, 2022, the Group has received US$2,000 thousand.

B. The Group recognised net profit amounting to $178,784 and $1,295,548 on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

C. Details of the Group’s financial assets at fair value through profit or loss pledged to others as collateral are provided in Note 8.

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks		
Oncomatryx Biopharma, S.L.	$ 57,135	$ 57,135
Valuation adjustment	4,344	57,827
	$ 61,479	$ 114,962

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $61,479 and $114,962 as at December 31, 2022 and 2021, respectively.

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

	Year ended December 31,	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 53,483)	$ 55,972

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $61,479 and $114,962, respectively.

D. The Group had no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits with a maturity of more than three months	$ 153,550	$ -

A. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company were $153,550 and $0, respectively.

B. The Company has no financial assets at amortized cost pledged to others as collateral.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(5) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	$ -	$ 2,586
Accounts receivable	$ 832,623	$ 764,281
Less: Allowance for uncollectible accounts	(33,774)	(5,426)
	$ 798,849	$ 758,855

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 711,139	$ -	$ 607,918	$ 2,586
Up to 30 days past due	68,145	-	94,066	-
31~ 90 days past due	46,849	-	36,807	-
91~ 180 days past due	-	-	5,481	-
181 days past due	6,490	-	20,009	-
	$ 832,623	$ -	$ 764,281	$ 2,586

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to $744,746.

C. The Group did not hold any collateral for the security of notes and accounts receivable.

D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was $0 and $2,586, $798,849 and $758,855, respectively.

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

(6) Inventories

	December 31, 2022		
	Cost	Allowance for valuation losses and loss for obsolete and slow-moving inventories	Carrying amount
Goods	$ 3,582	($ 1)	$ 3,581
Raw materials	623,027	(90,907)	532,120
Work in progress	501,221	(115,057)	386,164
Finished goods	856,099	(176,292)	679,807
	$ 1,983,929	($ 382,257)	$ 1,601,672

	December 31, 2021		
	Cost	Allowance for valuation losses and loss for obsolete and slow-moving inventories	Carrying amount
Goods	$ 12,827	($ 49)	$ 12,778
Raw materials	562,742	(94,764)	467,978
Work in progress	518,519	(86,738)	431,781
Finished goods	852,594	(125,934)	726,660
	$ 1,946,682	($ 307,485)	$ 1,639,197

Current expenses related to inventories are as follows:

	Year ended December 31,	
	2022	2021
Cost of goods sold	$ 2,230,987	$ 1,996,407
Loss on valuation decline and scrapped inventory	74,772	101,018
Cost of services	70,610	74,939
Others	(1,057)	(1,402)
	$ 2,375,312	$ 2,170,962

(7) Investments accounted for using equity method

Accounted as assets (shown as “investments accounted for using equity method”)	December 31, 2022	December 31, 2021
A. R. Z Taiwan Limited	$ 614	$ 794
Formosa Labarotories Japan, Inc.	14,811	7,319
	$ 15,425	$ 8,113

A. The Group’s share of profit or loss of associates accounted for using the equity method for the years ended December 31, 2022 and 2021 was $7,587 and $9,172, respectively.

B. The percentage of A. R. Z Taiwan Limited’s and Formosa Laboratories Japan’s assets, liabilities, income and profit or loss presented in the Group was minimal, and the two companies were not significant associates. Accordingly, the related accounts are not disclosed separately.

(8) Property, plant and equipment

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2022												
Cost	$ 655,950	$ 1,575,057	$ 2,889,266	$ 97,668	$ 371,564	$ 206,603	$ 96,356	$ 16,782	$ 277,673	$ 2,293,504	$ 8,480,423	$ 85,433
Accumulated depreciation	-	(452,426)	(1,551,685)	(78,172)	(183,872)	(112,373)	(72,326)	(11,829)	(168,009)	-	(2,630,692)	-
	$ 655,950	$ 1,122,631	$ 1,337,581	$ 19,496	$ 187,692	$ 94,230	$ 24,030	$ 4,953	$ 109,664	$ 2,293,504	$ 5,849,731	$ 85,433
Year ended December 31, 2022												
Opening net book amount as at January 1	$ 655,950	$ 1,122,631	$ 1,337,581	$ 19,496	$ 187,692	$ 94,230	$ 24,030	$ 4,953	$ 109,664	$ 2,293,504	$ 5,849,731	$ 85,433
Additions (Note 2)	-	2,655	32,413	-	25,926	491	2,761	-	14,135	291,272	369,653	57,489
Transfers (Note 4)	-	20,524	71,238	-	4,343	10,871	11,744	-	8,983	(58,135)	69,568	(83,217)
Reclassifications	-	-	(1,649)	-	1,445	(49)	-	-	253	-	-	-
Depreciation charge	-	(59,536)	(258,175)	(2,009)	(41,140)	(17,124)	(9,218)	(873)	(26,621)	-	(414,696)	-
Closing net book amount as at December 31	$ 655,950	$ 1,086,274	$ 1,181,408	$ 17,487	$ 178,266	$ 88,419	$ 29,317	$ 4,080	$ 106,414	$ 2,526,641	$ 5,874,256	$ 59,705
At December 31, 2022												
Cost	$ 655,950	$ 1,598,236	$ 2,985,520	$ 97,668	$ 402,763	$ 217,964	$ 110,861	$ 16,782	$ 300,818	$ 2,526,641	$ 8,913,203	$ 59,705
Accumulated depreciation	-	(510,962)	(1,804,112)	(80,181)	(224,497)	(129,545)	(81,544)	(12,702)	(194,404)	-	(3,037,947)	-
	$ -	$ 1,087,274	$ 1,181,408	$ 17,487	$ 178,266	$ 88,419	$ 29,317	$ 4,080	$ 106,414	$ 2,526,641	$ 5,875,256	$ 59,705

Note 1: Prepayments for equipment were shown as “other non-current assets”.

Note 2: Including capitalised interests.

Note 3: The significant components of buildings include main plants and ancillary works and improvements, which is/are depreciated over 15~50 and 2~15 years, respectively.

Note 4: The difference of transfer during the year arose from prepayments for equipment transferred to intangible assets and operating expenses.

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2021												
Cost	$ 655,950	$ 1,517,293	$ 2,811,793	$ 97,668	$ 367,632	$ 206,273	$ 102,412	$ 16,561	$ 239,067	$ 2,044,680	$ 8,059,329	$ 116,352
Accumulated depreciation	-	(412,596)	(1,356,944)	(76,152)	(142,926)	(96,156)	(72,496)	(10,414)	(139,932)	-	(2,307,616)	-
	$ 655,950	$ 1,104,697	$ 1,454,849	$ 21,516	$ 224,706	$ 110,117	$ 29,916	$ 6,147	$ 99,135	$ 2,044,680	$ 5,751,713	$ 116,352
Year ended December 31, 2021												
Opening net book amount as at January 1	$ 655,950	$ 1,104,697	$ 1,454,849	$ 21,516	$ 224,706	$ 110,117	$ 29,916	$ 6,147	$ 99,135	$ 2,044,680	$ 5,751,713	$ 116,352
Additions (Note 2)	-	8,799	37,365	-	10,647	330	2,573	221	9,449	297,811	367,195	125,395
Disposal	-	-	(196)	-	-	-	-	-	-	-	(196)	-
Transfers (Note 4)	-	64,772	99,151	-	444	-	1,732	-	29,806	(48,987)	146,918	(156,314)
Reclassifications	-	-	7,310	-	(6,732)	-	(578)	-	-	-	-	-
Depreciation charge	-	(55,637)	(260,823)	(2,020)	(41,373)	(16,217)	(9,515)	(1,415)	(28,726)	-	(415,726)	-
Effect due to changes in exchange rates	-	-	(75)	-	-	-	(98)	-	-	-	(173)	-
Closing net book amount as at December 31	$ 655,950	$ 1,122,631	$ 1,337,581	$ 19,496	$ 187,692	$ 94,230	$ 24,030	$ 4,953	$ 109,664	$ 2,293,504	$ 5,849,731	$ 85,433
At December 31, 2021												
Cost	$ 655,950	$ 1,575,057	$ 2,889,266	$ 97,668	$ 371,564	$ 206,603	$ 96,356	$ 16,782	$ 277,673	$ 2,293,504	$ 8,480,423	$ 85,433
Accumulated depreciation	-	(452,426)	(1,551,685)	(78,172)	(183,872)	(112,373)	(72,326)	(11,829)	(168,009)	-	(2,630,692)	-
	$ 655,950	$ 1,122,631	$ 1,337,581	$ 19,496	$ 187,692	$ 94,230	$ 24,030	$ 4,953	$ 109,664	$ 2,293,504	$ 5,849,731	$ 85,433

Note 1: Prepayments for equipment were shown as “other non-current assets”.

Note 2: Including capitalised interests.

Note 3: The significant components of buildings include main plants and ancillary works and improvements, which is/are depreciated over 15~50 and 2~15 years, respectively.

Note 4: The difference of transfer during the year arose from prepayments for equipment transferred to intangible assets and operating expenses.

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31,	
	2022	2021
Amount capitalised	$ 33,498	$ 22,949
Range of the interest rates for capitalisation	1.159%~1.531%	0.920%~0.945%

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(9) Intangible assets

	2022				
		Professional expertise			
		APP13007	APP13002		
	Goodwill	Ophthalmic anti-inflammatory agents	Antibiotic medicament for eyes	Computer software	Total
At January 1					
Cost	$ 82,166	$ 231,912	$ 1,443	$ 91,690	$407,211
Accumulated amortisation and impairment	(51,622)	(51,839)	(396)	(55,754)	(159,611)
	$ 30,544	$ 180,073	$ 1,047	$ 35,936	$247,600
Opening net book amount as at January 1	$ 30,544	$ 180,073	$ 1,047	$ 35,936	$247,600
Additions	-	-	-	1,553	1,553
Reclassifications (Note)	-	-	-	848	848
Amortisation charge	-	(16,370)	(88)	(10,579)	(27,037)
Net exchange differences	-	-	(35)	-	(35)
Closing net book amount as at December 31	$ 30,544	$ 163,703	$ 924	$ 27,758	$222,929
At December 31					
Cost	$ 82,166	$ 231,912	$ 1,408	$ 94,091	$409,577
Accumulated amortisation and impairment	(51,622)	(68,209)	(484)	(66,333)	(186,648)
	$ 30,544	$ 163,703	$ 924	$ 27,758	$222,929

Note: It was transferred from prepayments for equipment (shown as ‘other non-current assets’).

	2021				
		Professional expertise			
		APP13007	APP13002		
	Goodwill	Ophthalmic anti-inflammatory agents	Antibiotic medicament for eyes	Computer software	Total
At January 1					
Cost	$ 82,166	$ 231,912	$ 1,656	$ 85,336	$401,070
Accumulated amortisation and impairment	(51,622)	(35,469)	(350)	(45,365)	(132,806)
	$ 30,544	$ 196,443	$ 1,306	$ 39,971	$268,264
Opening net book amount as at January 1	$ 30,544	$ 196,443	$ 1,306	$ 39,971	$268,264
Additions	-	-	-	5,043	5,043
Reclassifications (Note)	-	-	-	1,311	1,311
Amortisation charge	-	(16,370)	(99)	(10,389)	(26,858)
Net exchange differences	-	-	(160)	-	(160)
Closing net book amount as at December 31	$ 30,544	$ 180,073	$ 1,047	$ 35,936	$247,600
At December 31					
Cost	$ 82,166	$ 231,912	$ 1,443	$ 91,690	$407,211
Accumulated amortisation and impairment	(51,622)	(51,839)	(396)	(55,754)	(159,611)
	$ 30,544	$ 180,073	$ 1,047	$ 35,936	$247,600

Note: It was transferred from prepayments for equipment (shown as 'other non-current assets').

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Operating costs	$ 5,720	$ 5,971
Selling expenses	-	254
Administrative expenses	3,246	3,310
Research and development expenses	18,071	17,323
	$ 27,037	$ 26,858

B. On December 31, 2022 and 2021, goodwill is allocated to the Group's cash-generating units - the subsidiary, Formosa Pharmaceuticals Inc., which was identified according to the operating segment.

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on the value in use which was calculated from the expected economic income of related research and development projects. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are operating profit margin, growth rate and discount rate. Management determined budgeted net operating profit margin based on its expectations of market development. The assumptions used for growth rates are based on expectations of industry; the assumption used for discount rate is the weighted average capital cost of the same industry. For the years ended December 31, 2022 and 2021, the discounts rates were 17.90% and 21.38%, respectively.

(10) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for business facilities	$ 59,705	$ 85,433
Prepayments for investment (Note 1)	38,895	-
Guarantee deposits paid (Note 2)	6,384	5,286
Others	1,515	2,711
	$ 106,499	$ 93,430

Note 1: As the capital increase procedure has not yet been completed, the capital contribution was recognised as prepayments for investment.

Note 2: Refer to Note 8 for the performance guarantees provided.

(11) Short-term borrowings

		December 31, 2022	Interest rate range	Collateral
Bank borrowings				
Secured borrowings	$	524,000	1.52%~1.92%	Refer to Note 8
Unsecured borrowings		860,000	1.6%~1.95%	None
Import and export financing		65,666	1.6%~1.92%	〃
	$	1,449,666		

		December 31, 2021	Interest rate range	Collateral
Bank borrowings				
Unsecured borrowings	$	820,000	1.04%~1.15%	None
Import and export financing		197,388	1.00%~1.19%	〃
	$	1,017,388		

Note: Under the contract, there was no need to pay interest if the principal was paid before the maturity date.

Interest expense recognised in profit or loss amounted to $15,828 and $12,915 for the years ended December 31, 2022 and 2021, respectively.

(12) Short-term notes and bills payable

		December 31, 2022		December 31, 2021
Commercial paper payable	$	50,000	$	160,000
Less: Unamortized commercial paper payable	(	91)	(	61)
	$	49,909	$	159,939
Range of the interest rates		2.1%		1% ~ 1.02%

(13) Other payables

		December 31, 2022		December 31, 2021
Salaries and bonus payable	$	216,335	$	184,655
Employees' compensation and directors' and supervisors' remuneration payable		36,498		73,800
Consumables payable		56,303		51,182
Payable on machinery and equipment		54,660		65,947
Service expenses payable		51,490		4,179
Repairs and maintenance expense payable		37,067		39,501
Accrued commission		36,160		30,576
Utilities expense payable		17,401		14,475
Others		78,711		74,168
	$	584,625	$	538,483

(14) Bonds payable

The Group had no bonds payable as of December 31, 2022 and 2021.

A. The terms of the third domestic unsecured convertible bonds issued by the Group are as follows:

(a) The Group issued $703,500, 0% third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 20, 2018 ~ July 20, 2021). The bonds were listed on the Taipei Exchange on July 20, 2018. The convertible bonds will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Group during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds (the conversion price was $60 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently.

(d) Under the terms of the bonds, all bonds matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of aforementioned convertible bonds, the equity conversion options amounting to $33,387 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.5921%. As of December 31, 2022, the balance of capital surplus - share options was $0.

C. Because the Group increased cash capital in July 2018 and March 2020, in accordance with Article 11 of Regulations of issuance and conversion of the third domestic unsecured convertible bonds, the conversion price should be adjusted. On July 20, 2018 and April 13, 2020, the Group adjusted the conversion prices to NT$59.9 (in dollars) per share and NT$58.4 (in dollars) per share, respectively.

D. For the years ended December 31, 2022 and 2021, the amortization of discount on bonds payable was $0 and $5,597, respectively.

E. On July 20, 2021, third domestic unsecured convertible bonds amounting to $697,500 had been converted into 11,943,413 common shares. The registration of the change had been completed on September 7, 2021, and the remaining face value of $2,500 was repaid in cash at face value by the Group.

F. Further, on March 4, 2021, the Board of Directors of the Group approved the issuance of the fourth domestic unsecured convertible bonds. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, No. 1100339347, the capital increase was effective on June 10, 2021. However, in subsequent consideration of the benefit of capital usage and operation requirement, on November 11, 2021, the Board of Directors had approved to apply for the cancellation of the capital raising event.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2022.11.3 ~ 2025.2.24 The principal will be repaid upon maturity.	1.90%	Note 2	$ 110,000
	2022.11.15 ~ 2025.2.24 The principal will be repaid upon maturity.	1.90%	〃	110,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2021.	1.95%	〃	48,182
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2019.12.19 ~ 2023.12.19 Quarterly and average repayment starting from March 2021.	1.75%	〃	32,667
	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	1.75%	〃	36,166
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.13%	〃	55,125
	2021.7.28 ~ 2025.7.28 Quarterly and average repayment starting from June 2024.	2.13%	〃	41,000
CTBC Bank Co., Ltd. Tao-Yuan Branch. (Note 1)	2022.2.28 ~ 2024.2.28 The principal will be repaid upon maturity.	2.15%	None	100,000
O-Bank Co., Ltd. (Note 1)	2022.7.4 ~ 2024.7.3 The principal will be repaid upon maturity.	1.98%	〃	100,000
Taishin International Bank. (Note 1)	2022.7.31 ~ 2025.1.31 The principal will be repaid upon maturity.	2.16%	〃	200,000
TAICHUNG COMMERCIAL BANK Co., Ltd.	2021.9.17 ~ 2024.9.17 Quarterly and average repayment starting from December 2021.	1.95%	〃	58,333
JihSun International Commercial Bank Co., Ltd.(Note 1)	2021.8.20 ~ 2024.8.12 The principal will be repaid upon maturity.	1.84%	〃	100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.91%	〃	87,500
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.91%	〃	100,000
SUNNY BANK.	2020.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	1.83%	Note 2	500,000
	2020.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	1.83%	None	280,000
	2021.12.28 ~ 2023.12.28 (Note 1) The principal will be repaid upon maturity.	1.83%	〃	297,800
				2,256,773
Less: Current portion (shown as other current liabilities)				(619,017)
				$ 1,637,756

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2020.4.1 ~ 2023.2.24 The principal will be repaid upon maturity.	1.35%	Note 2	$ 250,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2021.	1.35%	〃	70,595
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2019.12.19 ~ 2023.12.19 Quarterly and average repayment starting from March 2021.	1.25%	〃	65,333
	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	1.25%	〃	56,833
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	1.50%	〃	79,625
Yuanta Commercial Bank Co., Ltd. (Note 1)	2021.10.28 ~ 2023.10.27 The principal will be repaid upon maturity.	1.40%	None	150,000
Entie Commercial Bank, Ltd. (Note 1)	2021.3.16 ~ 2023.3.16 The principal will be repaid upon maturity.	1.45%	〃	100,000
TAICHUNG COMMERCIAL BANK Co., Ltd.	2021.9.17 ~ 2024.9.17 Quarterly and average repayment starting from December 2021.	1.40%	〃	91,667
JihSun International Commercial Bank Co., Ltd. (Note 1)	2021.8.20 ~ 2024.8.12 The principal will be repaid upon maturity.	1.33%	〃	100,000
DBS Bank Limited (Note 1)	2021.6.30 ~ 2023.6.30 The principal will be repaid upon maturity.	1.33%	〃	50,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.28%	〃	100,000
SUNNY BANK.	2020.5.20 ~ 2025.5.20 Quarterly and average repayment starting from May 2022.	1.36%	Note 2	500,000
	2020.5.20 ~ 2027.5.20 Quarterly and average repayment starting from May 2022.	1.36%	None	280,000
	2021.12.28 ~ 2023.12.28 (Note 1) The principal will be repaid upon maturity.	1.83%	〃	297,800
				2,191,853
Less: Current portion (shown as other current liabilities)				(284,861)
				$ 1,906,992

Note 1: Such borrowings can be redrawn during the contract period.

Note 2: Information on guarantees is provided in Note 8.

A. Under the loan agreements, the Group is required to compute and maintain certain financial covenants based on the annual and semi-annual consolidated financial statements. As of December 31, 2022 and 2021, the Group has met all the required covenants.

B. As at December 31, 2022 and 2021, the Group had total undrawn borrowing facilities of $1,551,084 and $1,908,773, respectively.

(16) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 41,148	$ 40,932
Fair value of plan assets	(24,300)	(23,556)
Net defined benefit liability (shown as "other non-current liabilities")	$ 16,848	$ 17,376

(c) Movements in net defined benefit liabilities are as follows:

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 40,932	($ 23,556)	$ 17,376
Current service cost	620	-	620
Interest expense (income)	198	(117)	81
	41,750	(23,673)	18,077
Remeasurements:			
Change in financial assumptions	(614)	-	(614)
Experience adjustments	2,086	(2,003)	83
	1,472	(2,003)	(531)
Pension fund contribution	-	(698)	(698)
Benefits paid	(2,074)	2,074	-
At December 31	$ 41,148	($ 24,300)	$ 16,848

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 44,613	($ 25,555)	$ 19,058
Current service cost	581	-	581
Interest expense (income)	157	(91)	66
	45,351	(25,646)	19,705
Remeasurements:			
Change in financial assumptions	757	-	757
Experience adjustments	(2,083)	(356)	(2,439)
	(1,326)	(356)	(1,682)
Pension fund contribution	-	(647)	(647)
Benefits paid	(3,093)	3,093	-
At December 31	$ 40,932	($ 23,556)	$ 17,376

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2022	2021
Discount rate	1.70%	0.49%
Future salary increases	2.50%	1.50%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	($ 934)	$ 965	$ 941	($ 915)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	($ 1,002)	$ 1,037	$ 1,009	($ 980)

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to $712.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 9.45 years.

B. Defined contribution plans

(a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were $34,173 and $32,574, respectively.

(17) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Formosa Pharmaceuticals Inc.- Employee stock options	2020.08.01	1000 shares in	5 years	Vested immediately
Formosa Pharmaceuticals Inc.- Employee stock options	2022.03.09	600 shares in	5 years	2~4 years’ service

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

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	800,000	$ 10
Options granted	600,000	40.80	-	-
Options exercised	-	-	(800,000)	10
Options expired	(60,000)	40.80	-	-
Options outstanding at December 31	540,000	$ 40.80	-	$ -
Options exercisable at December 31	-	$ -	-	$ -

C. The expiry date and exercise price of stock options outstanding at the balance sheet date are as follows:

		December 31, 2022	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)
2022.03.09	2027.03.08	540,000	$ 40.80

The Group had no stock options outstanding as of December 31, 2021.

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Formosa Pharmaceuticals Inc.- Employee stock options	2020.08.01	$16.81 (Note 1)	$ 10.00	43.12% (Note 2)	2.5 years	0%	0.26%	$ 7.95
Formosa Pharmaceuticals Inc.- Employee stock options	2022.03.09	39.50 (Note 3)	40.80	49.67% (Note 2)	3.5 ~ 4.5 years	0%	0.56%	13.8687 ~ 15.0536

Note 1: There was no public market price, thus, the Group measured the price with the stock price of similar listed companies, using price-book ratio as the multiplier and considering the factor of discounts on the liquidity.

Note 2: The expected price volatility was estimated based on the closing price of stocks of comparable companies with a period which approximates the expected duration.

Note 3: It was set based on the closing price of target shares in Taipei Exchange on the grant date.

E. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2022	Year ended December 31, 2021
Equity-settled	$ 2,587	$ -

F. Formosa Pharmaceuticals Inc. - employee share options - 111 adjusted the performance price of employee share options to NT$40.8 in accordance with the regulations on employee share options on July 29, 2022. The aforementioned adjustment of performance price did not significantly affect the fair value of employee share options

(18) Share capital

A. As of December 31, 2022, the Group’s authorised capital was $1,600,000, consisting of 160,000 thousand shares of ordinary stock (including 8,000 thousand shares reserved for employee stock options issued by the Group), and the paid-in capital was $1,202,560 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Group’s ordinary shares outstanding (thousand shares) are as follows:

	2022	2021
At January 1	120,256	108,313
Conversion of corporate bonds payable (Note)	-	11,943
At December 31	120,256	120,256

Note: Information relating to lease payments receivable is provided in Note 6(14)E.

(19) Capital surplus

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

B. Refer to 6(17) for details of capital surplus, share options.

(20) Retained earnings

A. Under the Company's Articles of Incorporation, current year's earnings, if any, shall first be used to pay all taxes and offset prior years' deficit and then 10% of the remaining amount shall be set aside as legal reserve (until the legal reserve equals the paid-in capital), and the Group shall appropriate or reverse special reserve in accordance with laws or regulations of the authority. The remainder, if any, along with prior years' accumulated undistributed earnings shall be distributed as shareholders' bonus or retained for operating requirements which shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Group's dividend distribution policy was based on the Group's financial structure, operation status and capital budget, etc., along with the consideration of shareholders' interest and balancing dividends. The distribution of earnings shall be in the form of stock or cash or both, and the cash dividends shall account for at least 10% of total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

D.(a) In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Group as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. On June 23, 2022 and August 26, 2021, the Company's shareholders resolved the appropriations of earnings for the years ended December 31, 2021 and 2020, respectively, as follows:

	Year ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 125,044		$ 39,791	
Cash dividends	240,511	$ 2.00	-	$ -
	$ 365,555		$ 39,791	

F. On March 9, 2023, the Company's Board of Directors proposed the appropriations of earnings for the year ended December 31, 2022, as follows:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 40,978	
Special reserve	$ 54,964	
Cash dividends	120,256	$ 1.0
	$ 216,198	

As of March 9, 2023, the aforementioned appropriations of 2022 earnings have not yet been resolved by the shareholders.

(21) Other equity items

	Year ended December 31, 2022		
	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Currency translation differences	Total
At January 1	$ 57,827	($ 8,566)	$ 49,261
Valuation adjustment	(53,483)	-	(53,483)
Currency translation differences:			
–Subsidiaries and associates	-	(1,851)	(1,851)
–Tax on subsidiaries and associates	-	370	370
At December 31	$ 4,344	($ 10,047)	($ 5,703)

	Year ended December 31, 2021		
	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Currency translation differences	Total
At January 1	$ 1,855	($ 2,123)	($ 268)
Valuation adjustment	55,972	-	55,972
Currency translation differences:			
–Subsidiaries and associates	-	(8,054)	(8,054)
–Tax on subsidiaries and associates	-	1,611	1,611
At December 31	$ 57,827	($ 8,566)	$ 49,261

(22) Operating revenue

	Year ended December 31,	
	2022	2021
Revenue from contracts customers		
Sales revenue	$ 3,564,622	$ 2,974,700
Service revenue	200,882	139,559
Other operating revenue	-	28,147
	$ 3,765,504	$ 3,142,406

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions:

	Year ended December 31, 2022		
	At a point in time	Over time	
	Sales revenue	Technology licensing	Total
India	$ 918,782	$ -	918,782
Taiwan	283,694	96,814	380,508
Netherlands	377,799	-	377,799
Switzerland	227,939	52,408	280,347
Germany	231,162	-	231,162
Japan	228,515	236	228,751
China	220,018	-	220,018
Canada	204,047	4,472	208,519
United States	172,338	18,001	190,339
Spain	86,825	28,951	115,776
Others	613,503	-	613,503
	$ 3,564,622	$ 200,882	$ 3,765,504

	Year ended December 31, 2021			
	At a point in time		Over time	
	Sales revenue	Technology licensing	Service revenue	Total
India	$ 751,042	$ -	$ 333	$ 751,375
Taiwan	252,998	296	53,087	306,381
Netherlands	88,441	-	-	88,441
Switzerland	333,461	-	-	333,461
Germany	247,221	-	-	247,221
Japan	253,814	-	-	253,814
China	109,257	27,851	-	137,108
Canada	265,994	-	3,298	269,292
United States	79,465	-	36,735	116,200
Spain	244,361	-	45,683	290,044
Others	348,646	-	423	349,069
	$ 2,974,700	$ 28,147	$ 139,559	$ 3,142,406

For the aforementioned technology license, the Group and Grandpharma (China) Co., Ltd. entered into a contract for collaborative development and authorisation agreement on new medicines in China, Hong Kong, Macao, etc.

The Group transferred professional knowledge and provided related data to Grandpharma (China) Co., Ltd. who was responsible for clinical development. When Grandpharma (China) Co., Ltd. successfully develops new medicines, it will obtain the right of production and sales in China, Hong Kong and Macao. Under the contract, the Group can charge signing bonus, milestone payment and royalties proportionately to the sales amount in the future.

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	$ -	$ -	$ 275
Contract liabilities	$ 72,764	$ 109,686	$ 42,055

The Group recognised the revenue-related contract assets arising from research and development of medicine and related services and contract liabilities arising from advance sales receipts.

Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 90,757	$ 15,846

(23) Interest income

	Year ended December 31,	
	2022	2021
Interest income from bank deposits	$ 2,144	$ 195
Financial assets at amortised cost		
Interest income	-	128
Other interest income	-	34
	$ 2,144	$ 357

(24) Other income

	Year ended December 31,	
	2022	2021
Indemnities	$ -	$ 3
Income from settlement	-	11,540
Others	2,551	12,066
	$ 2,551	$ 23,609

(25) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Gains on disposal of property, plant and equipment	$ 51	$ 114
Gains arising from lease modifications	24	139
Net currency exchange gains (losses)	10,382	(6,860)
Net gains on financial assets at fair value through profit or loss	178,784	1,295,548
Consideration to measure losses (Note)	-	(37,043)
Miscellaneous disbursements	(12,512)	(1,442)
	$ 176,729	$ 1,250,456

Note: The Group acquired a 100% equity interest in Activus Pharma. Co., Ltd., and the contingent consideration was estimated according to the progress of applications for clinical test, patent and new medicine. Refer to Note 9(2) for details. Loss was recognised at the difference when the consideration is actually paid.

(26) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense:		
Bank borrowings	$ 51,235	$ 42,507
Convertible bonds	-	5,597
Others	1,582	2,896
	52,817	51,000
Less: Capitalisation of qualifying assets	(33,498)	(22,949)
Finance costs	$ 19,319	$ 28,051

(27) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expense	$ 977,536	$ 975,459
Depreciation charges on right-of-use assets, property, plant and equipment	$ 442,452	$ 445,664
Amortisation charges on intangible assets and other non-current assets	$ 28,463	$ 29,335

(28) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	$ 851,779	$ 858,172
Labour and health insurance fees	68,558	64,377
Pension costs	34,874	33,221
Other personnel expenses	22,325	19,689
	$ 977,536	$ 975,459

A. In accordance with the Articles of Incorporation, an amount equal to at least 5% of the Company's distributable profit of the current year shall be appropriated as employees' compensation and not higher than 2% as directors' and supervisors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at $28,500 and $68,800, respectively; while directors' and supervisors' remuneration was accrued at $7,998 and $5,000, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2022, the Group has accrued the compensation and remuneration according to the profit of current year and the percentage range as regulated in the Company's Articles of Incorporation.

C. On March 10, 2023, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $68,800 and $5,000, respectively and the employees' compensation will be distributed in the form of cash.

D. Information about employees' compensation and directors' and supervisors' remuneration of the Group as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax:

	Year ended December 31 2022	Year ended December 31 2021
Current tax:		
Current tax on profits for the year	$ 127,348	$ 25,781
Tax on undistributed surplus earnings	14,244	-
Prior year income tax overestimation	(1,287)	(603)
Total current tax	140,305	25,178
Deferred tax:		
Origination and reversal of temporary differences	(23,934)	18,830
Income tax expense	$ 116,371	$ 44,008

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

	Year ended December 31,	
	2022	2022
Currency translation differences	($ 370)	($ 1,611)
Remeasurement of defined benefit obligations	106	336
	($ 264)	($ 1,275)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	$ 24,710	$ 179,141
Expenses disallowed by tax regulation	18,218	(194,100)
Tax exempt income by tax regulation	(19,510)	(22,500)
Temporary difference not recognised as deferred tax assets	599	1,114
Taxable loss not recognised as deferred tax assets	79,900	78,642
Prior year income tax overestimation	(1,287)	(603)
Tax on undistributed surplus earnings	14,244	-
Reversal of deferred tax liabilities	(494)	(493)
Foreign withholding tax on dividends	(9)	2,807
Income tax expense	$ 116,371	$ 44,008

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised inventory valuation loss	$ 61,497	$ 14,954	$ -	$ 76,451
Unrealised exchange loss	-	3,218	-	3,218
Amount of allowance for bad debts that exceed the limit for tax purpose	-	6,241	-	6,241
Pensions	3,795	-	(106)	3,689
Unrealised expenses	4,868	210	-	5,078
Foreign investment losses	-	-	-	-
Cumulative translation adjustments	2,142	-	370	2,512
	72,302	24,623	264	97,189
—Deferred tax liabilities:				
Foreign investment income	(659)	(1,507)	-	(2,166)
Land revaluation increment	(17,529)	-	-	(17,529)
Unrealised exchange gain	(324)	324	-	-
Cumulative translation adjustments	-	-	-	-
Deferred tax liabilities arising from acquisitions	(5,433)	494	-	(4,939)
	(23,945)	(689)	-	(24,634)
	$ 48,357	$ 23,934	$ 264	$ 72,555

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised inventory valuation loss	$ 73,083	($ 11,586)	$ -	$ 61,497
Unrealised exchange loss	3,654	(3,654)	-	-
Amount of allowance for bad debts that exceed the limit for tax purpose	2,296	(2,296)	-	-
Pensions	4,131	-	(336)	3,795
Unrealised expenses	4,469	399	-	4,868
Foreign investment losses	1,203	(1,203)	-	-
Cumulative translation adjustments	531	-	1,611	2,142
	89,367	(18,340)	1,275	72,302
—Deferred tax liabilities:				
Foreign investment income	-	(659)	-	(659)
Land revaluation increment	(17,529)	-	-	(17,529)
Unrealised exchange gain	-	(324)	-	(324)
Deferred tax liabilities arising from acquisitions	(5,926)	493	-	(5,433)
	(23,455)	(490)	-	(23,945)
	$ 65,912	($ 18,830)	$ 1,275	$ 48,357

D. Details of the amount the subsidiary, Formosa Pharmaceuticals Inc., is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

	December 31, 2022			
Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	2011	$ 2,834	$ 2,834	Note 1
	2012	8,419	8,419	〃
	2013	9,019	9,019	〃
	2014	5,702	5,702	〃
	2015	5,046	5,046	〃
	2016	5,143	5,143	〃
	2020	12,973	12,973	Note 2
	2021	107,261	107,261	〃
		$ 156,397	$ 156,397	

Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
	December 31, 2021			
Research and development	2011	$ 2,834	$ 2,834	Note 1
	2012	8,419	8,419	〃
	2013	9,019	9,019	〃
	2014	5,702	5,702	〃
	2015	5,046	5,046	〃
	2016	5,143	5,143	〃
	2020	12,973	12,973	Note 2
	2021	109,092	109,092	〃
		$ 158,228	$ 158,228	

Note 1: On September 7, 2011, the subsidiary, Formosa Pharmaceuticals Inc., was approved as a biotechnology and new medicine company by Jing-Shou-Gong-Zi Letter No. 10020417340 of the Ministry of Economic Affairs, R.O.C. Accordingly, Formosa Pharmaceuticals Inc. was entitled to certain incentives under the 'Act For The Development Of Biotech And New Pharmaceuticals Industry'. The approval letter issued by the Ministry of Economic Affairs was effective within 5 years from the date of the approval. The investment tax credits arising from research and development and employees' training expenditure shall be deducted from Formosa Pharmaceuticals Inc.'s income tax payable. Unused investment tax credits can be deducted from income tax payable within 4 years.

Note 2: On August 4, 2010, the subsidiary, Formosa Pharmaceuticals Inc., was approved as a biotechnology and new medicine company by Jing-Shou-Gong-Zi Letter No. 10920422850 of the Ministry of Economic Affairs, R.O.C. Accordingly, the Company and the Company's shareholders were entitled to certain incentives under the 'Act For The Development Of Biotech And New Pharmaceuticals Industry'. The approval letter was effective within 5 years from the date of the approval. The investment tax credits arising from research and development and employees' training expenditure shall be deducted from income tax payable. Unused investment tax credits can be deducted from income tax payable within 5 years.

E. The expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the subsidiary, Formosa Pharmaceuticals Inc., are as follows:

December 31, 2022

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	Assessed	$ 25,894	$ 25,894	2023
2014	Assessed	22,130	22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Assessed	226,698	226,698	2030
2021	Filed	413,292	413,292	2031
2022	Filed	387,075	387,075	2032
		$ 1,461,928	$ 1,461,928	

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	Assessed	$ 28,519	$ 28,519	2022
2013	Assessed	25,894	25,894	2023
2014	Assessed	22,130	22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Filed	226,698	226,698	2030
2021	Filed	392,999	392,999	2031
		$ 1,083,079	$ 1,083,079	

F. The expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the subsidiary, Formosa Pharmaceuticals Inc., are as follows:

December 31, 2022

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 17,771	$ 17,771	2025
2016	Assessed	4,938	4,938	2026
2017	Assessed	5,962	5,962	2027
2018	Assessed	4,844	4,844	2028
2019	Assessed	3,965	3,965	2029
2020	Assessed	1,107	1,107	2030
2021	Filed	209	209	2031
2022	Filed	201	201	2032
		$ 38,997	$ 38,997	

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 17,771	$ 17,771	2025
2016	Assessed	4,938	4,938	2026
2017	Assessed	5,962	5,962	2027
2018	Assessed	4,844	4,844	2028
2019	Assessed	3,965	3,965	2029
2020	Assessed	1,107	1,107	2030
2021	Filed	209	209	2031
		$ 38,796	$ 38,796	

F. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 248,386	$ 264,096

D. The income tax returns of the Company, Epione Pharmaceuticals, Inc. and Formosa Pharmaceuticals Inc. through 2019 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 409,359	120,256	$ 3.40
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 409,359	120,256	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	628	
Profit attributable to ordinary shareholders of the parent	$ 409,359	120,884	$ 3.39

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,249,096	114,356	$ 10.92
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,249,096	114,356	
Assumed conversion of all dilutive potential ordinary shares			
Domestic convertible bonds	4,477	5,923	
Employees' compensation	-	1,218	
Profit attributable to ordinary shareholders of the parent	$ 1,253,573	121,497	$ 10.32

(31) Transactions with non-controlling interest

A. On March, 9 2022, the Board of Directors of the subsidiary, Formosa Pharmaceuticals. Inc., approved the cash capital increase by issuing 14,810 thousand new shares. As the Group did not subscribe to the capital increase in proportion to its ownership percentage and the employees continuously exercised its stock options, the Group's shareholding ratio in this subsidiary decreased from 46.63% to 46.55%. The transaction increased non-controlling interest by $261,806 and increased the equity attributable to owners of parent by $9,902. For the year ended December 31, 2022, the effects from changes in owner's equity of Formosa Pharmaceuticals. Inc.

to owner's equity attributable to parent company were as follows:

	Year ended December 31, 2022
Cash	$ 271,708
Increase in the carrying amount of non-controlling interest	(261,806)
Capital surplus	
- recognition of changes in ownership interest in subsidiaries	$ 9,902

B. On January 6, 2021, the Board of Directors of the subsidiary, Formosa Pharmaceuticals. Inc., approved the cash capital increase by issuing 25,000 thousand new shares. As the Group did not subscribe to the capital increase in proportion to its ownership percentage and the employees continuously exercised its stock options, the Group's shareholding ratio in this subsidiary decreased from 58.92% to 46.63%. The transaction increased non-controlling interest by $338,488 and increased the equity attributable to owners of parent by $193,480. For the year ended December 31, 2021, the effects from changes in owner's equity of Formosa Pharmaceuticals. Inc. to owner's equity attributable to parent company were as follows:

	Year ended December 31, 2021
Cash	$ 531,968
Increase in the carrying amount of non-controlling interest	(338,488)
Capital surplus	
- recognition of changes in ownership interest in subsidiaries	$ 193,480

(32) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31,	
	2022	2021
Purchase of property, plant and equipment	$ 369,653	$ 367,195
Add: Opening balance of payable on equipment	65,947	82,135
Less: Ending balance of payable on equipment	(54,660)	(65,947)
Cash paid during the year	$ 380,940	$ 383,383

	Year ended December 31,	
	2022	2021
Acquisition of subsidiary	$ -	$ -
Add: Opening balance of payable on contingent consideration (shown as other liabilities)	57,196	91,120
Currency exchange losses	5,437	(2,069)
Less: Interest expense	947	2,132
Loss on contingent consideration	-	37,043
Ending balance of payable on contingent consideration (shown as other liabilities)	(33,709)	(57,196)
Cash paid during the year	$ 29,871	$ 71,030

(33) Changes in liabilities from financing activities

	2022				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liability	Liabilities from financing activities-gross
At January 1	$ 1,017,388	$ 159,939	$ 2,191,853	$ 51,239	$ 3,420,419
Changes in cash flow from financing activities	432,278	(110,030)	64,920	(28,809)	358,359
Changes in other non-cash items	-	-	-	21,099	21,099
At December 31	$ 1,449,666	$ 49,909	$ 2,256,773	$ 43,529	$ 3,799,877

	2021				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liability	Liabilities from financing activities-gross
At January 1	$ 1,098,068	$ 169,897	$ 2,161,690	$ 49,348	$ 3,479,003
Changes in cash flow from financing activities	(80,680)	(9,958)	30,163	(29,973)	(90,448)
Changes in other non-cash items	-	-	-	31,865	31,865
At December 31	$ 1,017,388	$ 159,939	$ 2,191,853	$ 51,240	$ 3,420,420

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As the Group’s shares were widely held by the public, the Group had no ultimate parent company and ultimate controlling party.

(2) Names of related parties and the relationship with the Group

Names of related parties	Relationship with the Company
TaiRx, Inc.	Other related party
EirGenix Inc.	Other related party
ImmunAdd Therapeutic Inc.	Other related party
AimMax Therapeutics, Inc. (Note)	Other related party
Formosa Labarotories Japan, Inc.	Associate
A. R. Z Taiwan Limited	Associate

Note: The former director of the subsidiary, Formosa Pharmaceuticals Inc., was the same as this company's chief executive officer. Since the reelection of directors on July 9, 2021, he was no longer a director and related party from that date. Only related party transactions up to the date of directors' reelection are disclosed.

(3) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2022	2021
Sales of goods:		
Associates	$ 63,628	$ 45,212

Goods are sold based on the price lists in force and terms that would be available to third parties.

	Year ended December 31,	
	2022	2021
Sales of services:		
Other related parties	$ 20,105	$ 9,019

The Group was appointed to develop the manufacturing process and research method of active pharmaceutical ingredients. As there were no similar transactions for reference, the price cannot be compared with general customers and was based on mutual agreement. The payment term was not significantly different from regular transactions.

B. Purchases

	Year ended December 31,	
	2022	2021
Purchases of goods:		
Other related parties	$ 11,190	$ -

Goods and services are purchased from associates and an entity controlled by key management personnel on normal commercial terms and conditions.

C. Service expenses (shown as research and development expenses)

	Year ended December 31,	
	2022	2021
AimMax Therapeutics, Inc.	$ -	$ 38,946
Other related parties	4,343	4,704
	$ 4,343	$ 43,650

The above represents service expense in relation to clinical research and development subcontracted to other related parties. Prices and terms are determined based on mutual agreements. The Company will pay expenses based on the progress of the research and development in accordance with the contract. The maximum amount was US$12,071 thousand.

D. Accounts receivable

	December 31, 2022	December 31, 2021
Associates	$ 12,086	$ 11,013
Other related parties	1,546	1,323
Loss allowance	(4)	(4)
	$ 13,628	$ 12,332

Receivables from related parties arose from sales of goods and service transactions, except for some service revenue which were recognised based on the percentage-of-completion method. The credit terms were 30-90 days from the date of sale. The receivables are unsecured in nature and bear no interest.

E. Other income and other receivables

	December 31, 2022	December 31, 2021
Other receivables (Note 1)	$ -	$ -
Associates	27	17
Other related parties	-	21
	$ 27	$ 38

Note 1: Refer to the G. for details.

F. Acquisition of financial liabilities (shown as ‘financial liabilities at fair value through profit or loss’)

	December 31, 2022	December 31, 2021
Other receivables	$ 58,390	$ -

The above represents consideration due from other related parties under a new medicine development revenue share agreement of TSY-110. Refer to Note 6(2).

D. Loans to /from related parties:

Loans to related parties:

The Group had no loans to /from related parties as of December 31, 2022.

	Year ended December 31, 2021				
	Maximum balance	Ending balance	Coupon rate	Total interest income	Ending interest receivable
Formosa Labarotories Japan, Inc.	$ 2,786	$ -	1.50%	$ 34	$ -

(4) Key management compensation

	Year ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	$ 78,410	$ 77,676
Post-employment benefits	1,420	1,395
Share-based payments	276	-
	$ 80,106	$ 79,071

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2022	December 31, 2021	Purpose
Financial assets at fair value through profit or loss	$ 1,230,000	$ 557,500	Guarantee for short-term borrowings
Land	655,950	655,950	Guarantee for short-term borrowings and mid-term and long-term borrowings
Buildings and structures	981,515	1,024,440	"
Machinery and equipment	167,727	187,663	Guarantee for mid-term and long-term borrowings
Pollution-prevention equipment	5,540	6,414	"
Unfinished construction and equipment under acceptance	974,278	902,694	"
Guarantee deposits paid (shown as"other non-current assets")	3,225	2,271	Performance guarantee
	$ 4,018,235	$ 3,336,932	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 303,174	$ 280,414

(2) On August 10, 2017, the Group acquired a 100% equity interest in Activus Pharma. Co., Ltd. by cash of $107,294 plus a contingent consideration of $170,097 (US$5,621 thousand). Activus Pharma Co., Ltd. is primarily engaged in the research and development of medicine of nano grinding technology and is a micromolecule nanotechnology platform company. The above acquisition can strengthen the Group's nanomanufacturing process, and expand market with this technology and existing collaboration.

The aforementioned contingent price will be paid in accordance with the progress for application of clinical testing, patent and new medicine. The maximum amount is US$8,500 thousand, which will be paid based on a certain percentage of the sales amount as specified in the contract when the product is launched in the market. As of December 31, 2022 and 2021, accumulated payments of the contact price were US$6,000 thousand and US$5,000 thousand, respectively. As of December 31, 2022, the outstanding payment of $ 33,709 (US$1,098 thousand) was shown as other non-current liabilities.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Information about the appropriations of 2022 earnings of the Group is provided in Note 6(20)F.

(2) The subsidiary, Formosa Pharmaceuticals. Inc., announced the completion of comprehensive statistical analysis of human clinical trials of ophthalmic drug APP13007 on January 31, 2023, and its main efficacy indicators reached clinical and statistical significance. The subsidiary plans to submit a license application with the U.S. Food and Drug Administration (FDA) in the first half of 2024.

(3) In order to improve the corporate image of the Group's long-term operations and development, the board of directors of the subsidiary, Formosa Pharmaceuticals, Inc., during its meeting on March 6, 2023 resolved to apply for stock listing with the Taiwan Securities Over-the-counter Trading Center at an appropriate time. In order to comply with the relevant laws and regulations of the application for listing, the Board of Directors during its meeting on March 6, 2023 proposed for the issuance of new shares for a cash capital increase at an appropriate time. The original shareholders will be requested to give up their right to subscribe, as the new shares will be used for public underwriting.

(4) In order to generate additional capital, the board of directors of the subsidiary, Formosa Pharmaceuticals, Inc., during its meeting on March 6, 2023 resolved to issue common shares up to a maximum of 26,000,000 shares. The price per share is NT$40 to NT$60, and the denomination of each share is NT$10. As resolved by the board of directors during its meeting on March 9, 2023, the Group participated in the domestic cash increase issuance of shares of its subsidiary, Formosa Pharmaceuticals. Inc., with an investment of up to $653,562 for an equity interest of not less than the current shareholding ratio of 46.55%.

(5) As resolved by the Board of Directors during its meeting on March 9, 2023, the Board of Directors is authorised to handle matters related to the cash capital increase of its subsidiary, Formosa Pharmaceuticals. Inc., in the following year. The shareholding ratio of the Group after the

completion of the capital increase shall be compared with the cumulative reduction of the ratio in the previous three years, which shall not exceed 20%.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or convertible bonds. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net liabilities is calculated as total borrowings (including short-term borrowings, short-term notes and bills payable, corporate bonds payable and long-term borrowings (including current portion)) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2022, the Group's strategy, which was unchanged from 2021, was to maintain the gearing ratio within a certain range. The gearing ratios at December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	$ 3,756,348	$ 3,369,180
Less: Cash and cash equivalents	(1,279,462)	(729,535)
Net debt	2,476,886	2,639,645
Total equity	7,796,273	7,602,165
Total capital	$ 10,273,159	$ 10,241,810
Gearing ratio	24.11%	25.77%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 2,375,070	$ 2,324,329
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 61,479	$ 114,962
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,279,462	$ 729,535
Financial assets at amortised cost	153,550	-
Notes and accounts receivable (including related parties)	812,477	773,773
Other receivables due from related parties	14,617	29,420
Guarantee deposits paid (shown as “other non-current assets”)	6,384	5,286
	$ 2,266,490	$ 1,538,014

	December 31, 2022	December 31, 2021
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities mandatorily measured at fair value through profit or loss	$ 61,420	$ -
Financial liabilities at amortised cost		
Short-term borrowings	$ 1,449,666	$ 1,017,388
Short-term notes and bills payable	49,909	159,939
Notes and accounts payable	187,490	204,054
Other payables	584,625	538,483
Long-term borrowings (including current portion)	2,256,773	2,191,853
Contingent consideration (shown as other liabilities)	33,709	57,196
	$ 4,562,172	$ 4,168,913
Lease liability (including current portion)	$ 43,529	$ 51,239

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on the Group's financial status and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

ii. Management has set up a policy to require each entity of the Group to manage their foreign exchange risk against their functional currency. Each entity of the Group is required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and EUR expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

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

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 47,813	30.71	$ 1,468,337
USD:JPY	3,400	132.14	104,414
Non-monetary items			
JPY:NTD	512,041	0.23	120,160
USD:NTD	1,632	30.71	50,129
EUR:NTD	1,879	32.72	61,479
Financial liabilities			
Monetary items			
USD:NTD	17,104	30.71	535,270

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 27,485	27.68	$ 760,785
USD:JPY	3,400	115.09	94,112
Non-monetary items			
JPY:NTD	422,568	0.24	102,912
USD:NTD	3,065	27.68	84,850
EUR:NTD	3,671	31.32	114,962
Financial liabilities			
Monetary items			
USD:NTD	22,574	27.68	624,841

iv. The exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to $10,382 and ($6,860), respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	1%	$	14,683	$ -
USD:JPY	1%		1,044	-
Non-monetary items				
JPY:NTD	1%			1,202
USD:NTD	1%		501	-
EUR:NTD	1%		-	615
Financial liabilities				
Monetary items				
USD:NTD	1%		5,353	-

	Year ended December 31, 2021			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	1%	$	7,608	$ -
USD:JPY	1%		941	
Financial liabilities				
Monetary items				
USD:NTD	1%		6,248	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise equity instruments issued by domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by $23,751 and $23,243, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased by $615 and $1,150, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arose from short-term notes and bills payable, short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which was partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

ii. For the years ended December 31, 2022 and 2021, if the borrowing interest rate increased by 0.1% (such as 1% increased to 1.1%) with all other variables held constant, the profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased by $1,805 and $1,753, respectively. The main factor is that increases in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and financial assets stated at amortised cost.

ii. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, default occurs when the contract payments are past due over 90 days.

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

v. The Group classifies customer's accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision roll rate matrix based on the loss rate methodology to estimate the expected credit loss.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. The Group distinguished customers into optimal customers and non-optimal customers based on the customers' rating. Related information is as follows:

(i) The loss allowance for optimal customers' accounts was estimated to be 0.03% by using expected loss rate method. As of December 31, 2022 and 2021, the balances of loss allowance were $174 and $192, respectively.

(ii) The loss allowance for non-optimal customers' accounts was estimated by using provision roll rate matrix. As of December 31, 2022 and 2021, related information is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2022			
Not past due	0.35%	$ 211,197	$ 734
Up to 30 days past due	48.46%	44,400	21,518
31~ 90 days past due	100.00%	11,352	11,352
91~ 180 days past due	100.00%	-	-
181 days past due	100.00%	-	-
Total		$ 266,949	$ 33,604

	Expected loss rate	Total book value	Loss allowance
December 31, 2021			
Not past due	0.19%	$ 106,136	$ 200
Up to 30 days past due	20.22%	12,354	2,498
31~ 90 days past due	46.35%~65.39%	57	27
91~ 180 days past due	22.77%~45.38%	5,482	2,488
181 days past due	22.77%	13,173	25
Total		$ 137,202	$ 5,238

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Year ended December 31, 2022		
	Non-related parties	Related parties	Total
Balance at January 1	$ 5,426	$ 4	$ 5,430
Reversal of impairment loss	28,348	-	28,348
Balance at December 31	$ 33,774	$ 4	$ 33,778

	Year ended December 31, 2021		
	Non-related parties	Related parties	Total
Balance at January 1	$ 19,297	$ 5	$ 19,302
Reversal of impairment loss	(13,871)	(1)	(13,872)
Balance at December 31	$ 5,426	$ 4	$ 5,430

For provisioned loss on December 31, 2022 and 2021, the impairment losses (reversal) arising from customers' contracts are $28,348 and ($13,872), respectively.

(c) Liquidity risk

i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational requirements.

ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 61,420	$ -
Short-term borrowings	1,458,236	-	-	-
Short-term notes and bills payable	49,909	-	-	-
Notes payable	1,017	-	-	-
Accounts payable	186,473	-	-	-
Other payables	584,625	-	-	-
Lease liability (including current portion)	22,549	13,801	5,295	2,653
Long-term borrowings (including current portion)	659,573	651,979	681,355	343,298
	$ 2,962,382	$ 665,780	$ 748,070	$ 345,951

Non-derivative financial liabilities:

December 31, 2021	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	$ 1,018,486	$ -	$ -	$ -
Short-term notes and bills payable	159,939	-	-	-
Notes payable	1,636	-	-	-
Accounts payable	202,418	-	-	-
Other payables	538,483	-	-	-
Lease liability (including current portion)	28,268	14,621	7,893	1,297
Long-term borrowings (including current portion)	313,290	1,251,412	432,775	250,855
Other non-current liabilities (including current portion)	-	57,196	-	-
	$ 2,262,520	$ 1,323,229	$ 440,668	$ 252,152

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Group’s financial instruments not measured at fair value comprise cash and cash equivalents, contract assets, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, corporate bonds payable and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss - equity securities	$ 2,358,167	$ -	$ 14,976	$ 2,373,143
Convertible bonds	1,927	-	-	1,927
Financial assets at fair value through other comprehensive income - equity securities	-	-	61,479	61,479
Total	$ 2,360,094	$ -	$ 76,455	$ 2,436,549
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value	$ -	$ -	$ 61,420	$ 61,420

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss - equity securities	$ 2,322,091	$ -	$ -	$ 2,322,091
Convertible bonds	2,238	-	-	2,238
Financial assets at fair value through other comprehensive income - equity securities	-	-	114,962	114,962
Total	$ 2,324,329	$ -	$ 114,962	$ 2,439,291

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price of market quoted price to measure the listed and emerging shares.

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. Some of the listed stocks which were invested by the Group were restricted by lock-up period. Their fair values were determined based on the quoted prices of the same and unrestricted instruments in the active market, adjusted by the restricted effects, and calculated by inputting available market information in the model at the balance sheet date.

D. For the year ended December 31, 2021, some of the listed stocks which were invested by the Group were restricted due to lock-up period, thus the Group transferred the adopted fair value from Level 1 into Level 2 at the end of the month when the event incurred. As of December 31, 2022, the aforementioned stocks which were restricted due to lock-up period were transferred from Level 2 into Level 1 as the lock-up period has expired.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	Equity securities and derivative instruments		New medicine development revenue share agreement
	2022	2021	2022
At January 1	$ 114,962	$ 64,611	$ -
Recognised in profit or loss	-	(5,621)	3,030
Gains and losses recognised in other comprehensive income	(53,483)	55,972	-
Acquired during the year	14,976	-	58,390
At December 31	$ 76,455	$ 114,962	$ 61,420

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and periodically reviewed.

G. The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 76,455	Latest transaction prices in inactive market	Not applicable	-	Not applicable
New medicine development revenue share agreement	$ 61,420	Income method of royalty saving method	Discount rate	24.58%	The higher the discount rate, the lower the fair value
			Market share rate	1.0% ~ 5.4%	The higher the market share rate, the higher the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 114,962	Latest transaction prices in inactive market	Not applicable	-	Not applicable

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

December 31,2022 and 2021: None.

			December 31, 2022			
			Recognised in profit or loss		Gains and losses recognised in other comprehensive income	
	Input	variation	Favorable change	Adverse change	Favorable change	Adverse change
Financial liabilities						
Revenue share agreement	Discount rate / Market share rate	±1%	$ 614	($ 614)	$ -	$ -

13. SUPPLEMENTARY DISCLOSURES

(4) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Groups' paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2).

J. Significant inter-Group transactions during the reporting periods: Refer to table 4.

(5) Information on investees

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

(6) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(7) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group considers the business from a product type perspective and distinguishes the business into active pharmaceutical ingredients segment and other segments.

(2) Measurement of segment information

The Group measured the performance of operating segment with the post-tax profit of continuing operations. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	API	Other operating departments	Elimination	Total
Revenue from external customers	$ 3,764,189	$ 1,315	$ -	$ 3,765,504
Inter-segment revenue	39,956	-	(39,956)	-
Total segment revenue	$ 3,804,145	$ 1,315	($ 39,956)	$ 3,765,504
Segment income	$ 409,359	($ 402,541)	$ 209,992	$ 216,810
Segment income (loss), including				
Depreciation and amortisation	($ 449,404)	($ 39,402)	$ 17,891	($ 470,915)
Income tax expense	($ 116,507)	$ 136	$ -	($ 116,371)
Recognised investment profit or loss accounted for using equity method	$ 7,587	$ -	$ -	$ 7,587

	API	Other operating departments	Elimination	Total
Revenue from external customers	$ 3,113,877	$ 28,529	$ -	$ 3,142,406
Inter-segment revenue	55,146	-	(55,146)	-
Total segment revenue	$ 3,169,023	$ 28,529	($ 55,146)	$ 3,142,406
Segment income	$ 1,249,096	($ 397,969)	$ 192,491	$ 1,043,618
Segment income (loss), including				
Depreciation and amortisation	($ 452,708)	($ 37,727)	$ 15,436	($ 474,999)
Income tax expense	($ 41,611)	($ 2,397)	$ -	($ 44,008)
Recognised investment profit or loss accounted for using equity method	$ 9,172	$ -	$ -	$ 9,172

(4) Reconciliation for segment income (loss)

The post-tax profit of continuing operations reported to the chief operating decision-maker is measured in a manner consistent with the revenue and expenses in the statement of comprehensive income. Amounts of total assets and total liabilities of segments are not provided to the chief operating decision–maker to make strategic decisions. There is no difference between the presentation of segment report and income statement which were provided to the chief operating decision–maker and accordingly, no reconciliation is required to be disclosed.

(5) Information on products and services

	Year ended December 31,	
	2022	2021
Cholesterol and Phosphate Binders	$ 1,292,494	$ 1,048,247
Vit. D Derivatives	700,968	605,813
Contract Development and Manufacturing Organization (CDMO)	535,512	449,013
Respiratory Agents	357,355	198,845
Anti-inflammatory and Analgesic Agents	225,977	187,719
CNS Agents	180,025	95,116
Others	473,173	557,653
	$ 3,765,504	$ 3,142,406

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
India	$ 918,782	$ -	$ 751,375	$ -
Taiwan	380,508	6,241,624	306,381	6,236,431
Netherlands	377,799	-	88,441	-
Switzerland	280,347	-	333,461	-
Germany	231,162	-	247,221	-
Japan	228,751	-	253,814	-
China	220,018	-	137,108	-
Canada	208,519	-	269,292	-
United States	190,339	-	116,200	-
Spain	115,776	-	290,044	-
Others	613,503	-	349,069	-
	$ 3,765,504	$ 6,241,624	$ 3,142,406	$ 6,236,431

(7) Major customer information

The Group had no sales to a customer accounting for more than 10% of total sales for the year ended December 31, 2022. Major customer information of the Group for the year ended December 31, 2022 is as follows:

	Year ended December 31, 2022	
	Revenue	Segment
A	$ 377,505	API

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Formosa Laboratories, Inc.	Formosa Laboratories Japan	Other receivables due from related parties	Y	$ 50,000	$ 50,000	$ -	2%	2	$ -	Revolving funds	$ -	None	$ -	$ 752,064	$ 1,504,128	Note 2

Note 1: The column of ‘Nature of loan’ shall fill in 1: ‘Business transaction or 2: ‘Short-term financing’.

Note 2: The Company loans to others:

(1) Ceiling of loans to individual (short-term financing) is 10% of the creditor’s net asset of latest financial statements.

(2) Total ceiling of loans to individual (short-term financing) is 20% of the creditor’s net asset of latest financial statements.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2022				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Carrying amount	Ownership (%)	Fair value	Footnote
Formosa Laboratories, Inc.	EirGenix, Inc. common stocks	None	Current/non-current financial assets at fair value through profit or loss	18,582,818	$ 2,295,687	6.12	$ 2,295,687	None
Formosa Laboratories, Inc.	TOT Biopharm International Company Limited common stocks	None	Financial assets at fair value through profit or loss - current	5,299,100	50,129	0.86	50,129	None
Formosa Laboratories, Inc.	TaiRx, Inc. common stocks	None	Financial assets at fair value through profit or loss - current	601,000	22,351	0.67	22,351	None
Formosa Laboratories, Inc.	AG Global Inc Unlisted stocks	None	Financial assets at fair value through profit or loss -	1,041,666	-	1.99	-	None
Formosa Laboratories, Inc.	HCMED INNOVATIONS CO., LTD. common stocks	None	Financial assets at fair value through profit or loss - noncurrent	303,713	61,479	3.69	61,479	None
Formosa Laboratories, Inc.	Oncomatryx Biopharma, S.L.common stocks	None	Non-current financial assets at fair value through other	312,000	14,976	1.28	14,976	None
EPIONE PHARMACEUTICALS, INC.	RiTdisplay Corporation Ⅱ unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	10,000	937	-	937	None
EPIONE PHARMACEUTICALS, INC.	AcBel Polytech Inc. Ⅰ unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	10,000	990	-	990	None

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2015 （Note 1）	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	Same ultimate parent company	$ 104,414	0.00	$ -	-	$ -	$ -

Note 1: The turnover rate is listed as 0.00 because the long-term receivables are listed in the table, so the turnover rate is not applicable.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Operating revenue	$ 39,956	Note 5	1%
1	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Contract liabilities	19,665	Note 5	-
2	Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	3	Other receivables	104,414	Note 6	1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The aforementioned threshold of disclosure was NT$10 million above. Aforementioned related party transactions were written-off when preparing the consolidated financial statements.

Note 5: The transaction price and terms were based on mutual agreement.

Note 6: Represents receivables from authorised transaction in 2018 and was based on terms from mutual agreement, and the transaction price was $196,928. Because it was a business transfer in the Group, the profit or loss was not recognised.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net income of investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				December 31, 2022	December 31, 2021	Number of shares	Ownership (%)	Book value			
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Taiwan	Research and development of new biotechnology medicine	$ 810,811	$ 578,979	52,899,349	46.55%	$ 239,553	($ 401,922)	($ 171,150)	
Formosa Laboratories, Inc.	EPIONE PHARMACEUTICALS, INC.	Taiwan	Research and development of new biotechnology medicine	40,000	40,000	4,000,000	100.00%	12,920	(537)	(537)	
Formosa Laboratories, Inc.	A.R.Z TAIWAN LIMITED	Taiwan	Agency sales of raw materials and intermediates	2,716	2,716	271,620	45.00%	614	(401)	(180)	
Formosa Laboratories, Inc.	Formosa Labarotories Japan, Inc.	Japan	Agency sales of medicine and intermediates	1,105	1,105	400	40.00%	14,811	7,767	7,767	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Cayman Islands	Medicine, chemical trade and investment business	9,568	8,172	334,000	100.00%	5,790	(186)	(186)	
Epione Investment Cayman Limited	Epione Investment HK Limited	Hong Kong	Medicine, chemical trade and investment business	7,591	6,866	266,500	100.00%	5,022	(120)	(120)	
Formosa Pharmaceuticals Inc.	Activus Pharma. Co., Ltd.	Japan	Research and development of new biotechnology medicine	274,633	274,633	1,942	99.23%	13,551	13,551	13,360	

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai Epione Eenterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	$ 6,717	Note 1	$ 6,241	$ 476	$ -	$ 6,717	($ 84)	100%	($ 84)	$ 4,702	$ -	Note 2

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
Note 2: The investment loss for the year ended December 31, 2022 is calculated based on the Company’s financial statements which were audited by independent accountants.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Formosa Laboratories, Inc.	$ 46,341	$ 147,666	$ 4,677,764

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,792 thousand at the exchange rate of 27.68 and translated into $132,653.
Note 4: Ceiling on investments in Mainland China was calculated by the higher of the Company’s net assets and 60% of consolidated net assets.
Note 5: The Company’s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was $39,642, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2022

Table 7

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
CHENG, CHEN-YU	7,743,848	6.43%

Note 1: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.