

FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public 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 Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only 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 Company 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 Company'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.

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

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

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

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

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

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

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

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

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

Yen, Yu-Fang

Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2023

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

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

FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY 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)	\$ 994,993	8	\$ 505,438	4
1110	Current financial assets at fair value through profit or loss	6(2) and 8	195,592	2	361,708	3
1150	Notes receivable, net	6(4)	-	-	2,586	-
1170	Accounts receivable, net	6(4)	798,849	6	758,855	7
1180	Accounts receivable - related parties	7	22,808	-	18,986	-
1200	Other receivables		14,590	-	28,634	-
1210	Other receivables - related parties	7	598	-	675	-
130X	Inventory	6(5)	1,601,672	13	1,639,197	14
1410	Prepayments		72,967	1	63,765	1
1470	Other current assets		2,133	-	3,792	-
11XX	Total current assets		<u>3,704,202</u>	<u>30</u>	<u>3,383,636</u>	<u>29</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	2,177,551	18	1,960,383	17
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	61,479	-	114,962	1
1550	Investments accounted for under equity method	6(6)	273,688	2	192,433	2
1600	Property, plant and equipment	6(7) and 8	5,871,964	48	5,844,675	50
1755	Right-of-use assets		36,438	-	47,822	-
1780	Intangible assets		27,213	-	35,139	-
1840	Deferred income tax assets	6(26)	97,189	1	72,302	-
1900	Other non-current assets	6(7)(8) and 8	105,826	1	92,777	1
15XX	Total non-current assets		<u>8,651,348</u>	<u>70</u>	<u>8,360,493</u>	<u>71</u>
1XXX	Total assets		<u>\$ 12,355,550</u>	<u>100</u>	<u>\$ 11,744,129</u>	<u>100</u>

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FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY 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(10) and 8	\$ 1,449,666	12	\$ 1,017,388	9
2110	Short-term notes and bills payable	6(9)	49,909	-	159,939	1
2130	Current contract liabilities	6(19) and 7	75,440	1	120,220	1
2150	Notes payable		1,017	-	1,636	-
2170	Accounts payable		186,473	2	202,418	2
2200	Other payables	6(11)	552,535	4	528,374	5
2230	Current income tax liabilities		141,374	1	22,891	-
2280	Current lease liabilities		19,597	-	24,979	-
2320	Long-term liabilities, current portion	6(12)(13) and 8	619,017	5	284,861	2
2399	Other current liabilities		31,560	-	20,233	-
21XX	Total current liabilities		<u>3,126,588</u>	<u>25</u>	<u>2,382,939</u>	<u>20</u>
Non-current liabilities						
2527	Non-current contract liabilities	6(19) and 7	16,989	-	-	-
2540	Long-term borrowings	6(13) and 8	1,637,756	14	1,906,992	17
2570	Deferred income tax liabilities	6(26)	19,695	-	18,512	-
2580	Non-current lease liabilities		17,030	-	23,080	-
2600	Other non-current liabilities	6(14)	16,848	-	17,376	-
25XX	Total non-current liabilities		<u>1,708,318</u>	<u>14</u>	<u>1,965,960</u>	<u>17</u>
2XXX	Total liabilities		<u>4,834,906</u>	<u>39</u>	<u>4,348,899</u>	<u>37</u>
Share capital						
		1 and 6(15)				
3110	Common stock		1,202,560	10	1,202,560	10
Capital surplus						
		6(12)(16)				
3200	Capital surplus		3,514,488	28	3,503,382	30
Retained earnings						
		6(17)				
3310	Legal reserve		444,979	4	319,935	3
3320	Special reserve		20	-	20	-
3350	Unappropriated retained earnings		2,364,300	19	2,320,072	20
Other equity interest						
		6(18)				
3400	Other equity interest		(5,703)	-	49,261	-
3XXX	Total equity		<u>7,520,644</u>	<u>61</u>	<u>7,395,230</u>	<u>63</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
		9				
Significant Events after the Balance Sheet Date						
		11				
3X2X	Total liabilities and equity		<u>\$ 12,355,550</u>	<u>100</u>	<u>\$ 11,744,129</u>	<u>100</u>

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

FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY 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	Operating revenue	6(19) and 7	\$ 3,804,145	100	\$ 3,169,023	100
5000	Operating costs	6(5)(24)(25)	(2,386,736)	(63)	(2,189,585)	(69)
5900	Gross profit		1,417,409	37	979,438	31
5910	Unrealised profit from sales		-	-	(14,025)	(1)
5920	Realised profit from sales		3,102	-	2,693	-
5950	Net operating margin		1,420,511	37	968,106	30
	Operating expenses	6(24)(25)				
6100	Selling expenses		(187,120)	(5)	(170,921)	(5)
6200	General and administrative expenses		(208,970)	(5)	(261,684)	(8)
6300	Research and development expenses		(471,194)	(12)	(351,326)	(11)
6450	(Impairment loss) impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(28,348)	(1)	13,872	-
6000	Total operating expenses		(895,632)	(23)	(770,059)	(24)
6900	Operating income		524,879	14	198,047	6
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	1,654	-	298	-
7010	Other income	6(21) and 7	3,747	-	25,277	1
7020	Other gains and losses	6(2)(22)	178,199	5	1,280,396	41
7050	Finance costs	6(23)	(18,327)	(1)	(25,844)	(1)
7070	Share of loss of associates and joint ventures accounted for using equity method, net	6(6)	(164,286)	(4)	(187,467)	(6)
7000	Total non-operating income and expenses		987	-	1,092,660	35
7900	Profit before income tax		525,866	14	1,290,707	41
7950	Income tax expense	6(26)	(116,507)	(3)	(41,611)	(2)
8200	Profit for the year		\$ 409,359	11	\$ 1,249,096	39

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FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY 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 income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Gains on remeasurements of defined benefit plan	6(14)	\$ 531	-	\$ 1,682	-
8316	Unrealised (loss) gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(53,483)	(2)	55,972	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(106)	-	(336)	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(53,058)	(2)	57,318	2
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations		(1,851)	-	(8,054)	-
8399	Income tax relating to the components of other comprehensive loss	6(26)	370	-	1,611	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(1,481)	-	(6,443)	-
8300	Total other comprehensive (loss) income for the year		<u>(\$ 54,539)</u>	<u>(2)</u>	<u>\$ 50,875</u>	<u>2</u>
8500	Total comprehensive income for the year		<u>\$ 354,820</u>	<u>9</u>	<u>\$ 1,299,971</u>	<u>41</u>
Earnings per share (in dollars)						
9750	Basic earnings per share	6(27)	<u>\$ 3.40</u>		<u>\$ 10.92</u>	
9850	Diluted earnings per share		<u>\$ 3.39</u>		<u>\$ 10.32</u>	

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

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

	Notes	Capital Reserves			Retained Earnings			Other Equity Interest		Total equity	
		Common stock	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
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
Profit for the year		-	-	-	-	-	-	1,249,096	-	-	1,249,096
Other comprehensive income (loss)		-	-	-	-	-	-	1,346	(6,443)	55,972	50,875
Total comprehensive income (loss)		-	-	-	-	-	-	1,250,442	(6,443)	55,972	1,299,971
Appropriation and distribution of retained earnings: 6(17)											
Legal reserve		-	-	-	-	39,791	-	(39,791)	-	-	-
Conversion of convertible bonds	6(12)	119,434	610,659	-	(33,387)	-	-	-	-	-	696,706
Changes in ownership interests in subsidiaries	6(28)	-	-	193,480	-	-	-	-	-	-	193,480
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
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
Profit for the year		-	-	-	-	-	-	409,359	-	-	409,359
Other comprehensive income (loss)		-	-	-	-	-	-	425	(1,481)	(53,483)	(54,539)
Total comprehensive income (loss)		-	-	-	-	-	-	409,784	(1,481)	(53,483)	354,820
Appropriations and distribution of retained earnings: 6(17)											
Legal reserve		-	-	-	-	125,044	-	(125,044)	-	-	-
Cash dividends		-	-	-	-	-	-	(240,512)	-	-	(240,512)
Changes in ownership interests in subsidiaries	6(28)	-	-	11,106	-	-	-	-	-	-	11,106
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

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

FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY 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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 525,866	\$ 1,290,707
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	437,651	439,938
Amortisation	6(24)	11,753	12,770
Expected credit impairment loss (gain)	12(2)	28,348	(13,872)
Net gains on financial assets at fair value through profit or loss	6(22)	(178,832)	(1,292,184)
Interest expense	6(23)	18,327	25,844
Interest income	6(20)	(1,654)	(298)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	164,286	187,467
(Realised) unrealised gain on inter-affiliate accounts		(3,102)	11,332
Losses on disposal of property, plant and equipment	6(22)	(51)	(310)
Gain from lease modification	6(22)	(24)	(139)
Expenses transferred from prepayments for equipment (shown as other non-current assets)		12,801	8,041
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		-	275
Notes receivable		2,586	(2,586)
Accounts receivable		(68,342)	(238)
Accounts receivable - related parties		(3,822)	(911)
Other receivables		14,311	(9,836)
Other receivables - related parties		77	2,294
Inventory		37,525	(188,146)
Prepayments		(9,202)	17,681
Other current assets		1,659	1,222
Other non-current assets		(231)	(1,955)
Changes in operating liabilities			
Current contract liabilities		(44,780)	78,165
Non-current contract liabilities		16,989	-
Notes payable		(619)	1,636
Accounts payable		(15,945)	(5,720)
Other payables		33,863	141,816
Other current liabilities		11,327	14,439
Cash inflow generated from operations		990,765	717,432
Interest received		1,654	298
Interest paid		(16,742)	(19,710)
Income taxes paid		(21,728)	(33,030)
Net cash flows from operating activities		<u>953,949</u>	<u>664,990</u>

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FORMOSA LABORATORIES, INC.
PARENT COMPANY ONLY 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
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets at amortised cost		\$ -	\$ 20,000
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
Acquisition of investments accounted for using equity method		(233,229)	(79,506)
Received cash dividends from investments accounted for using equity method		45	51
Acquisition of property, plant and equipment (including capitalised interests)	6(29)	(380,940)	(383,162)
Proceeds from disposal of property, plant and equipment		51	310
Acquisition of intangible assets		(1,553)	(4,216)
(Increase) decrease in refundable deposits		(1,078)	8,045
Increase in prepayments for business facilities (shown as other non-current assets)	6(7)	(57,488)	(125,395)
Prepayments for investments (shown as other non-current assets)		(38,895)	-
Net cash flows used in investing activities		(585,307)	(596,919)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(30)	432,278	(80,680)
Decrease in short-term notes and bills payable	6(30)	(110,030)	(9,958)
Proceeds from long-term debt	6(30)	3,396,000	3,450,203
Repayments of long-term debt (including current portion)	6(30)	(3,331,080)	(3,420,040)
Payments of lease liabilities		(25,743)	(26,943)
Cash dividends paid	6(19)	(240,512)	-
Repayment of matured corporate bonds	6(12)	-	(2,500)
Net cash flows from (used in) financing activities		120,913	(89,918)
Net increase (decrease) in cash and cash equivalents		489,555	(21,847)
Cash and cash equivalents at beginning of year		505,438	527,285
Cash and cash equivalents at end of year		\$ 994,993	\$ 505,438

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

FORMOSA LABORATORIES, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE 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 is 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 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:

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

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

(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:

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by 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 Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

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:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange

rate at the date of that balance sheet;

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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.

(5) 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.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. 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 Company measures the financial assets at fair value and recognises the

transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

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

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the

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

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

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Inter-company transactions, balances and significant unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries were in consistent with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' 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 a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.
- 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.
- E. Associates are all entities over which the Company 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.
- F. 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.
- G. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent

company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only financial statements is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(13) Property, plant and equipment

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments

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

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

(15) Intangible assets

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

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for 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.

(17) 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.

(18) 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.

(19) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and put options. The Company 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'.

(20) Derecognition of financial liabilities

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

(21) 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.

(22) 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 Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest 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.

(23) 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 parent company only 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.

(24) 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.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

- (a) The Company 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 Company 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.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company 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 Company 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 Company 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 assessment procedure of goodwill impairment which was generated from premiums on investment relies on the Company'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.

(3) Revenue recognition

The Company 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 Company reassesses the reasonableness of estimates periodically.

For the year ended December 31, 2022, the amount of commissioned service revenue recognised was \$215,129.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash and cash on hand	\$ 534	\$ 521
Demand deposits	428,785	383,379
Foreign currency demand deposits	504,254	121,538
Time deposits	<u>61,420</u>	<u>-</u>
	<u>\$ 994,993</u>	<u>\$ 505,438</u>

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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.	<u>16,484</u>	<u>71,907</u>
	98,582	161,958
Valuation adjustment	<u>97,010</u>	<u>199,750</u>
	<u>\$ 195,592</u>	<u>\$ 361,708</u>
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.	<u>35,340</u>	<u>35,340</u>
	639,072	624,096
Valuation adjustment	<u>1,538,479</u>	<u>1,336,287</u>
	<u>\$ 2,177,551</u>	<u>\$ 1,960,383</u>

A. The Company recognised net profit amounting to \$178.832 and \$1,292,184 on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. Details of the Company'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

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

A. The Company 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:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
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 Company was \$61,479 and \$114,962, respectively.

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

(4) Notes and accounts receivable, net

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

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	<u>6,490</u>	<u>-</u>	<u>20,009</u>	<u>-</u>
	<u>\$ 832,623</u>	<u>\$ -</u>	<u>\$ 764,281</u>	<u>\$ 2,586</u>

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 Company 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 Company'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).

(5) 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
	<u>\$ 1,983,929</u>	<u>(\$ 382,257)</u>	<u>\$ 1,601,672</u>

	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
	<u>\$ 1,946,682</u>	<u>(\$ 307,485)</u>	<u>\$ 1,639,197</u>

Current expenses related to inventories are as follows:

	Year ended December 31,	
	2022	2021
Cost of goods sold	\$ 2,236,114	\$ 1,992,824
Loss on valuation decline and scrapped inventory	74,772	101,018
Cost of services	76,907	97,145
Others	(1,057)	(1,402)
	<u>\$ 2,386,736</u>	<u>\$ 2,189,585</u>

(6) Investments accounted for using equity method

<u>Accounted as assets (shown as “investments accounted for using equity method”)</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Formosa Pharmaceuticals, Inc.	\$ 239,553	\$ 166,347
Epione Investment Cayman Limited	5,790	4,516
A. R. Z Taiwan Limited	614	794
Epione Pharmaceuticals, Inc.	12,920	13,457
Formosa Laboratories Japan	14,811	7,319
	<u>\$ 273,688</u>	<u>\$ 192,433</u>

- A. Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company’s subsidiaries.
- B. Because the proportion of A. R. Z Taiwan Limited’s and Formosa Laboratories Japan’s assets, liabilities, income and profit or loss presented in the Company was minimal, and the two companies were not significant associates. Accordingly, the related accounts are not disclosed separately.

(7) 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	\$ 2,885,370	\$ 97,668	\$ 368,116	\$ 206,603	\$ 96,261	\$ 15,243	\$ 277,673	\$ 2,293,505	\$ 8,471,446	\$ 85,433
Accumulated depreciation	-	(452,426)	(1,550,851)	(78,172)	(182,277)	(112,373)	(72,262)	(10,401)	(168,009)	-	(2,626,771)	-
	<u>\$ 655,950</u>	<u>\$ 1,122,631</u>	<u>\$ 1,334,519</u>	<u>\$ 19,496</u>	<u>\$ 185,839</u>	<u>\$ 94,230</u>	<u>\$ 23,999</u>	<u>\$ 4,842</u>	<u>\$ 109,664</u>	<u>\$ 2,293,505</u>	<u>\$ 5,844,675</u>	<u>\$ 85,433</u>
Year ended December 31, 2022												
Opening net book amount as at January 1												
	\$ 655,950	\$ 1,122,631	\$ 1,334,519	\$ 19,496	\$ 185,839	\$ 94,230	\$ 23,999	\$ 4,842	\$ 109,664	\$ 2,293,505	\$ 5,844,675	\$ 85,433
Additions (Note 2)	-	2,655	32,413	-	25,926	491	2,761	-	14,135	291,272	369,653	57,488
Transfers (Note 4)	-	20,524	71,238	-	4,343	10,871	11,744	-	8,983	(58,135)	69,568	(83,216)
Reclassifications	-	-	(1,649)	-	1,445	(49)	-	-	253	-	-	-
Depreciation charge	-	(59,537)	(257,618)	(2,009)	(40,074)	(17,124)	(9,186)	(762)	(26,622)	-	(412,932)	-
Closing net book amount as at December 31	<u>\$ 655,950</u>	<u>\$ 1,086,273</u>	<u>\$ 1,178,903</u>	<u>\$ 17,487</u>	<u>\$ 177,479</u>	<u>\$ 88,419</u>	<u>\$ 29,318</u>	<u>\$ 4,080</u>	<u>\$ 106,413</u>	<u>\$ 2,526,642</u>	<u>\$ 5,870,964</u>	<u>\$ 59,705</u>
At December 31, 2022												
Cost	\$ 655,950	\$ 1,598,236	\$ 2,981,623	\$ 97,668	\$ 399,315	\$ 217,964	\$ 110,766	\$ 15,244	\$ 300,818	\$ 2,526,642	\$ 8,904,226	\$ 59,705
Accumulated depreciation	-	(510,963)	(1,802,720)	(80,181)	(221,836)	(129,545)	(81,448)	(11,164)	(194,405)	-	(3,032,262)	-
	<u>\$ -</u>	<u>\$ 1,087,273</u>	<u>\$ 1,178,903</u>	<u>\$ 17,487</u>	<u>\$ 177,479</u>	<u>\$ 88,419</u>	<u>\$ 29,318</u>	<u>\$ 4,080</u>	<u>\$ 106,413</u>	<u>\$ 2,526,642</u>	<u>\$ 5,871,964</u>	<u>\$ 59,705</u>

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	\$ 2,773,838	\$ 97,668	\$ 365,547	\$ 206,273	\$ 92,000	\$ 15,243	\$ 239,067	\$ 2,044,326	\$ 8,007,205	\$ 116,352
Accumulated depreciation	-	(412,596)	(1,323,728)	(76,152)	(142,268)	(96,156)	(63,233)	(9,370)	(139,932)	-	(2,263,435)	-
	<u>\$ 655,950</u>	<u>\$ 1,104,697</u>	<u>\$ 1,450,110</u>	<u>\$ 21,516</u>	<u>\$ 223,279</u>	<u>\$ 110,117</u>	<u>\$ 28,767</u>	<u>\$ 5,873</u>	<u>\$ 99,135</u>	<u>\$ 2,044,326</u>	<u>\$ 5,743,770</u>	<u>\$ 116,352</u>
Year ended December 31, 2021												
Opening net book amount as at January 1												
	\$ 655,950	\$ 1,104,697	\$ 1,450,110	\$ 21,516	\$ 223,279	\$ 110,117	\$ 28,767	\$ 5,873	\$ 99,135	\$ 2,044,326	\$ 5,743,770	\$ 116,352
Additions (Note 2)	-	8,799	37,365	-	10,647	330	2,573	-	9,449	297,811	366,974	125,395
Transfers (Note 4)	-	64,772	99,170	-	89	-	1,758	-	29,806	(48,632)	146,963	(156,314)
Reclassifications	-	-	7,740	-	(7,740)	-	-	-	-	-	-	-
Depreciation charge	-	(55,637)	(259,866)	(2,020)	(40,436)	(16,217)	(9,099)	(1,031)	(28,726)	-	(413,032)	-
Closing net book amount as at December 31	<u>\$ 655,950</u>	<u>\$ 1,122,631</u>	<u>\$ 1,334,519</u>	<u>\$ 19,496</u>	<u>\$ 185,839</u>	<u>\$ 94,230</u>	<u>\$ 23,999</u>	<u>\$ 4,842</u>	<u>\$ 109,664</u>	<u>\$ 2,293,505</u>	<u>\$ 5,844,675</u>	<u>\$ 85,433</u>
At December 31, 2021												
Cost	\$ 655,950	\$ 1,575,057	\$ 2,885,370	\$ 97,668	\$ 368,116	\$ 206,603	\$ 96,261	\$ 15,243	\$ 277,673	\$ 2,293,505	\$ 8,471,446	\$ 85,433
Accumulated depreciation	-	(452,426)	(1,550,851)	(78,172)	(182,277)	(112,373)	(72,262)	(10,401)	(168,009)	-	(2,626,771)	-
	<u>\$ 655,950</u>	<u>\$ 1,122,631</u>	<u>\$ 1,334,519</u>	<u>\$ 19,496</u>	<u>\$ 185,839</u>	<u>\$ 94,230</u>	<u>\$ 23,999</u>	<u>\$ 4,842</u>	<u>\$ 109,664</u>	<u>\$ 2,293,505</u>	<u>\$ 5,844,675</u>	<u>\$ 85,433</u>

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:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Amount capitalised	\$ 33,498	\$ 22,949
Range of the interest rates for capitalisation	1.159%~1.531%	0.9200%~0.9450%

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

(8) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for business facilities	\$ 59,705	\$ 85,433
Guarantee deposits paid (Note 1)	5,711	4,633
Prepayments for investment (Note 2)	38,895	-
Others	1,515	2,711
	<u>\$ 105,826</u>	<u>\$ 92,777</u>

Note 1: Refer to Note 8 for the performance guarantees provided.

Note 2: As the capital increase procedure has not yet been completed, the capital contribution was recognised as prepayments for investment.

(9) Short-term borrowings

	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
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%	"
	<u>\$ 1,449,666</u>		
	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 820,000	1.04%~1.15%	None
Import and export financing	197,388	1.00%~1.19%	"
	<u>\$ 1,017,388</u>		

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

(10) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus payable	\$ 209,696	\$ 178,063
Payable on machinery and equipment	54,660	65,947
Consumables payable	56,303	51,182
Accrued commission	36,160	30,576
Repairs and maintenance expense payable	37,067	39,501
Employees' compensation and directors' and supervisors' remuneration payable	36,498	73,800
Service expenses payable	27,192	2,508
Utilities expense payable	17,401	14,475
Others	77,558	72,322
	<u>\$ 552,535</u>	<u>\$ 528,374</u>

(11) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$ 50,000	\$ 160,000
Less: Unamortized commercial paper payable	(91)	(61)
	<u>\$ 49,909</u>	<u>\$ 159,939</u>

Range of the interest rates	<u>2.1%</u>	<u>1% ~ 1.02%</u>
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(12) Bonds payable

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

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

- (a) The Company 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 Company 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 Company 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 Company 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, the 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 Company.
- F. Further, on March 4, 2021, the Board of Directors of the Company 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 abolition of the capital raising event.

(13) 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 range	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.	1.36%	"	297,800
				<u>2,191,853</u>
Less: Current portion (shown as other current liabilities)				<u>(284,861)</u>
				<u>\$ 1,906,992</u>

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 Company 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 Company has met all the required covenants.
- B. As at December 31, 2022 and 2021, the Company had total undrawn borrowing facilities of \$1,551,084 and \$1,908,773, respectively.

(14) Pensions

A. Defined benefit plans

- (a) The Company 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 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 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 will make contributions for the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows:

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

(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
	<u>41,750</u>	<u>(23,673)</u>	<u>18,077</u>
Remeasurements:			
Change in financial assumptions	(614)	-	(614)
Experience adjustments	2,086	(2,003)	83
	<u>1,472</u>	<u>(2,003)</u>	<u>(531)</u>
Pension fund contribution	-	(698)	(698)
Benefits paid	(2,074)	2,074	-
At December 31	<u>\$ 41,148</u>	<u>(\$ 24,300)</u>	<u>\$ 16,848</u>
	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
	<u>45,351</u>	<u>(25,646)</u>	<u>19,705</u>
Remeasurements:			
Change in financial assumptions	757	-	757
Experience adjustments	(2,083)	(356)	(2,439)
	<u>(1,326)</u>	<u>(356)</u>	<u>(1,682)</u>
Pension fund contribution	-	(647)	(647)
Benefits paid	(3,093)	3,093	-
At December 31	<u>\$ 40,932</u>	<u>(\$ 23,556)</u>	<u>\$ 17,376</u>

(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:

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

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:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>934</u>)	<u>\$ 965</u>	<u>\$ 941</u>	(\$ <u>915</u>)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ <u>1,002</u>)	<u>\$ 1,037</u>	<u>\$ 1,009</u>	(\$ <u>980</u>)

(f) Expected contributions to the defined benefit pension plans of the Company 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 plan

(a) The Company 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 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 Company for the years ended December 31, 2022 and 2021 were \$33,182 and \$31,766, respectively.

(15) Share capital

A. As of December 31, 2022, the Company’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 Company), 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 Company’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(13)E.

(16) Capital surplus

Pursuant to the R.O.C. Company 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 Company 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.

(17) 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 Company 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 Company’s dividend distribution policy was based on the Company’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 Company's paid-in capital.
- D.(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. 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, 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	240,512	\$ 2.00	-	\$ -
	<u>\$ 365,556</u>		<u>\$ 39,791</u>	

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

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

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

(18) Other equity items

	<u>Year ended December 31, 2022</u>		
	<u>Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income</u>	<u>Currency translation differences</u>	<u>Total</u>
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	<u>\$ 4,344</u>	<u>(\$ 10,047)</u>	<u>(\$ 5,703)</u>

	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	<u>\$ 57,827</u>	<u>(\$ 8,566)</u>	<u>\$ 49,261</u>

(19) Operating revenue

	Year ended December 31,	
	2022	2021
Revenue from contracts with customers		
Sales revenue	\$ 3,598,016	\$ 2,975,658
Service revenue	215,129	179,340
Other operating revenue	-	14,025
	<u>\$ 3,813,145</u>	<u>\$ 3,169,023</u>

A. Disaggregation of revenue from contracts with customers

The Company 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	Total
India	\$ 918,782	\$ -	918,782
Taiwan	308,087	111,061	419,148
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	613,504	-	613,504
	<u>\$ 3,589,016</u>	<u>\$ 215,129</u>	<u>\$ 3,804,145</u>

	Year ended December 31, 2021		
	At a point in time	Over time	Total
India	\$ 751,042	\$ 333	\$ 751,375
Taiwan	267,981	92,868	360,849
Netherlands	88,441	-	88,441
Switzerland	333,461	-	333,461
Germany	247,221	-	247,221
Japan	253,814	-	253,814
China	109,257	-	109,257
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
	<u>\$ 2,989,683</u>	<u>\$ 179,340</u>	<u>\$ 3,169,023</u>

B. Contract assets and liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	\$ -	\$ -	\$ 275
Contract liabilities	\$ 92,429	\$ 120,220	\$ 42,055

The Company 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	\$ 101,291	\$ 15,846

(20) Interest income

	Year ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 1,654	\$ 136
Financial assets at amortised cost		
Interest income	-	128
Other interest income	-	34
	\$ 1,654	\$ 298

(21) Other income

	Year ended December 31,	
	2022	2021
Indemnities	\$ 58	\$ 3
Grant revenues	326	70
Income from managerial services	1,945	1,608
Income from settlement	-	11,540
Others	1,418	12,056
	\$ 3,747	\$ 25,277

(22) Other gains and losses

	Year ended December 31,	
	2022	2021
Net currency exchange gains (losses)	\$ 12,093	(\$ 10,832)
Net gains on financial assets at fair value through profit or loss	178,832	1,292,184
Gains on disposal of property, plant and equipment	51	310
Gains arising from lease modifications	24	139
Miscellaneous disbursements	(12,801)	(1,405)
	\$ 178,199	\$ 1,280,396

(23) Finance costs

	Year ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 51,235	\$ 42,507
Convertible bonds	-	5,597
Others	590	689
	<u>51,825</u>	<u>48,793</u>
Less: Capitalisation of qualifying assets	(33,498)	(22,949)
Finance costs	<u>\$ 18,327</u>	<u>\$ 25,844</u>

(24) Expenses by nature

	Year ended December 31,	
	2022	2021
Employee benefit expense	<u>\$ 944,605</u>	<u>\$ 951,510</u>
Depreciation charges on right-of-use assets, property, plant and equipment	<u>\$ 437,651</u>	<u>\$ 439,938</u>
Amortisation charges on intangible assets and other non-current assets	<u>\$ 11,753</u>	<u>\$ 12,770</u>

(25) Employee benefit expense

	Year ended December 31,	
	2022	2021
Wages and salaries	\$ 822,311	\$ 836,781
Labour and health insurance fees	66,868	63,080
Pension costs	33,883	32,413
Other personnel expenses	21,543	19,236
	<u>\$ 944,605</u>	<u>\$ 951,510</u>

- 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 Company 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 Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 127,278	\$ 22,891
Tax on undistributed surplus earnings	14,244	-
Prior year income tax overestimation	(1,575)	(603)
Total current tax	139,947	22,288
Deferred tax:		
Origination and reversal of temporary differences	(23,440)	19,323
Income tax expense	<u>\$ 116,507</u>	<u>\$ 41,611</u>

- (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
	<u>(\$ 264)</u>	<u>(\$ 1,275)</u>

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	\$ 105,173	\$ 258,141
Expenses disallowed by tax regulation	18,192 (194,100)
Tax exempt income by tax regulation	(19,519)	(21,827)
Prior year income tax overestimation	(1,574)	(603)
Tax on undistributed surplus earnings	14,244	-
Foreign withholding tax on dividends	(9)	-
Income tax expense	<u>\$ 116,507</u>	<u>\$ 41,611</u>

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
Cumulative translation adjustments	<u>2,142</u>	<u>-</u>	<u>370</u>	<u>2,512</u>
	<u>72,302</u>	<u>24,623</u>	<u>264</u>	<u>97,189</u>
– Deferred tax liabilities:				
Land revaluation increment	(17,529)	-	-	(17,529)
Unrealised exchange gain	(324)	324	-	-
Foreign investment income	(659)	(1,507)	-	(2,166)
	<u>(18,512)</u>	<u>(1,183)</u>	<u>-</u>	<u>(19,695)</u>
	<u>\$ 53,790</u>	<u>\$ 23,440</u>	<u>\$ 264</u>	<u>\$ 77,494</u>

	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
	<u>89,367</u>	<u>(18,340)</u>	<u>1,275</u>	<u>72,302</u>
– Deferred tax liabilities:				
Land revaluation increment	(17,529)	-	-	(17,529)
Unrealised exchange gain	-	(324)	-	(324)
Foreign investment income	-	(659)	-	(659)
	<u>(17,529)</u>	<u>(983)</u>	<u>-</u>	<u>(18,512)</u>
	<u>\$ 71,838</u>	<u>(\$ 19,323)</u>	<u>\$ 1,275</u>	<u>\$ 53,790</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(27) 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)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 409,359	120,256	\$ 3.40
<u>Diluted earnings per share</u>			
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	<u>\$ 409,359</u>	<u>120,884</u>	<u>\$ 3.39</u>

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,249,096	114,356	\$ 10.92
<u>Diluted earnings per share</u>			
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

(28) 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:

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

(29) Supplemental cash flow information

Investing activities with partial cash payments

	<u>Year ended December 31,</u>			
	<u>2022</u>		<u>2021</u>	
Purchase of property, plant and equipment	\$	369,653	\$	366,974
Add: Opening balance of payable on equipment		65,947		82,135
Less: Ending balance of payable on equipment	(<u>54,660)</u>	(<u>65,947)</u>
Cash paid during the year	\$	<u>380,940</u>	\$	<u>383,162</u>

(30) Changes in liabilities from financing activities

	<u>2022</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liability</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 1,017,388	\$ 159,939	\$ 2,191,853	\$ 48,059	\$ 3,417,239
Changes in cash flow from financing activities	432,278	(110,030)	64,920	(25,743)	361,425
Changes in other non-cash items	-	-	-	14,311	14,311
At December 31	<u>\$ 1,449,666</u>	<u>\$ 49,909</u>	<u>\$ 2,256,773</u>	<u>\$ 36,627</u>	<u>\$ 3,792,975</u>
	<u>2021</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liability</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 1,098,068	\$ 169,897	\$ 2,161,690	\$ 43,137	\$ 3,472,792
Changes in cash flow from financing activities	(80,680)	(9,958)	30,163	(26,943)	(87,418)
Changes in other non-cash items	-	-	-	31,865	31,865
At December 31	<u>\$ 1,017,388</u>	<u>\$ 159,939</u>	<u>\$ 2,191,853</u>	<u>\$ 48,059</u>	<u>\$ 3,417,239</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Pharmaceuticals, Inc.	Subsidiary
Activus Pharma Co., Ltd.	Subsidiary
Epione Pharmaceuticals, Inc.	Subsidiary
Epione Investment Cayman Limited	Subsidiary
Epione Investment HK Limited	Subsidiary
Shanghai Epione Enterprise Co., LTD	Subsidiary
A. R. Z Taiwan Limited	Associate
Formosa Laboratories Japan, Inc	Associate
EirGenix Inc.	Other related party
TaiRx, Inc.	Other related party
ImmunAdd Therapeutic Inc.	Other related party

(3) Significant related party transactions

A. Operating revenue

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Subsidiaries	\$ 24,393	\$ 957
Associates	63,628	45,212
	<u>\$ 88,021</u>	<u>\$ 46,169</u>

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

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of services:		
Subsidiaries	\$ 15,563	\$ 40,164
Other related parties	20,105	9,019
	<u>\$ 35,668</u>	<u>\$ 49,183</u>

The Company 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:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Other related parties	<u>\$ 11,190</u>	<u>\$ -</u>

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

C. Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 9,180	\$ 6,654
Associates	12,086	11,013
Other related parties	1,546	1,323
Loss allowance	(4)	(4)
	<u>\$ 22,808</u>	<u>\$ 18,986</u>

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.

D. Contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current contract liabilities		
Formosa Pharmaceuticals. Inc.	<u>\$ 19,665</u>	<u>\$ 10,533</u>

C. Other income and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables (Note 1)		
Subsidiaries	\$ 571	\$ 658
Associates	27	17
	<u>\$ 598</u>	<u>\$ 675</u>

Note 1: Other receivables arose from providing administrative resource management service provided, the collection terms were based on the mutual agreement and collected according to the contract period. For the years ended December 31, 2022 and 2021, the Company recognised other income from subsidiaries and associates were \$1,060, \$98 and \$1,555, \$52, respectively.

D. Loans to /from related parties:

Loans to related parties:

The Company 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 interests receivable
Formosa Laboratories Japan	\$ 2,786	\$ -	1.50%	\$ 34	\$ -

(4) Key management compensation

	Year ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 67,017	\$ 67,344
Post-employment benefits	1,243	1,188
	<u>\$ 68,260</u>	<u>\$ 68,532</u>

8. PLEGDED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (shown as "current financial assets at amortised cost")	\$ -	\$ -	Cash collateral lodged
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 facility
Buildings and structures	981,515	1,024,440	"
Machinery and equipment	167,727	187,663	Guarantee for mid-term and long-term borrowings facility
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
	<u>\$ 4,018,235</u>	<u>\$ 3,336,932</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ 303,174	\$ 280,414

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 Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, issue new shares or convertible bonds. The Company 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 parent company only balance sheet plus net debt.

During the year ended December 31, 2022, the Company’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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 3,756,348	\$ 3,369,180
Less: Cash and cash equivalents	(994,993)	(505,438)
Net debt	2,761,355	2,863,742
Total equity	<u>7,520,644</u>	<u>7,395,230</u>
Total capital	\$ <u>10,281,999</u>	\$ <u>13,122,714</u>
Gearing ratio	<u>26.86%</u>	<u>27.91%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 2,373,143</u>	<u>\$ 2,322,091</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 61,479</u>	<u>\$ 114,962</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 994,993	\$ 505,438
Notes and accounts receivable (including related parties)	821,657	780,427
Other receivables due from related parties	15,188	29,309
Guarantee deposits paid (shown as “other non-current assets”)	<u>5,711</u>	<u>4,633</u>
	<u>\$ 1,837,549</u>	<u>\$ 1,319,807</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
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	552,535	528,374
Long-term borrowings (including current portion)	<u>2,256,773</u>	<u>2,191,853</u>
	<u>\$ 4,496,373</u>	<u>\$ 4,101,608</u>
Lease liability (including current portion)	<u>\$ 36,627</u>	<u>\$ 48,059</u>

B. Financial risk management policies

The Company'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 Company's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on the Company's financial status and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company 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 Company to manage their foreign exchange risk against their functional currency. Each entity of the Company is required to hedge their entire foreign exchange risk exposure with the Company 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 Company'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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 42,773	30.71	\$ 1,313,559
<u>Non-monetary items</u>			
USD:NTD	1,632	30.71	50,129
EUR:NTD	1,879	32.72	61,479
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,907	30.71	89,274

December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 27,477	27.68	\$ 760,563
<u>Non-monetary items</u>			
USD:NTD	3,065	27.68	84,850
EUR:NTD	3,671	31.32	114,962
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	9,407	27.68	260,386

- iv. The exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$12,903 and (\$10,832), 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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 13,136	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	501	-
EUR:NTD	1%	-	615
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	893	-

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 7,606	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	2,604	-

Price risk

- i. The Company'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 Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company'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 \$23,731 and \$23,221, 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 Company'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 Company 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 Company to fair value interest rate risk. During 2022 and 2021, the Company'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 Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and financial assets stated at amortised cost.
- ii. According to the Company's credit policy, the Company 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 Company adopts the assumption under IFRS 9, that is, default occurs when the contract payments are past due over 90 days.
- iv. The Company 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 Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision roll rate matrix based on the loss rate methodology to estimate the expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue

executing the recourse procedures to secure their rights.

vii. The Company 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 Company 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:

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
<u>December 31, 2022</u>			
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		<u>\$ 266,949</u>	<u>\$ 33,604</u>
	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
<u>December 31, 2021</u>			
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		<u>\$ 137,202</u>	<u>\$ 5,238</u>

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

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

	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	<u>\$ 5,426</u>	<u>\$ 4</u>	<u>\$ 5,430</u>

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. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational requirements.
- ii. The table below analyses the Company'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
Short-term borrowings	\$ 1,458,236	\$ -	\$ -	\$ -
Short-term notes and bills payable	49,909	-	-	-
Notes payable	1,017	-	-	-
Accounts payable	186,473	-	-	-
Other payables	552,535	-	-	-
Lease liability (including current portion)	19,976	11,653	2,969	2,653
Long-term borrowings (including current portion)	659,573	651,979	681,355	343,298
	<u>\$ 2,927,719</u>	<u>\$ 663,632</u>	<u>\$ 684,324</u>	<u>\$ 345,951</u>

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	528,374	-	-	-
Lease liability (including current portion)	25,484	14,196	7,893	1,297
Long-term borrowings (including current portion)	313,290	1,251,412	432,775	250,855
	<u>\$ 2,249,627</u>	<u>\$ 1,265,608</u>	<u>\$ 440,668</u>	<u>\$ 252,152</u>

(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 Company'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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss - equity securities	\$ 2,358,167	\$ -	\$ 14,976	\$ 2,373,143
Financial assets at fair value through other comprehensive income - equity securities	-	-	61,479	61,479
Total	<u>\$ 2,358,167</u>	<u>\$ -</u>	<u>\$ 76,455</u>	<u>\$ 2,434,622</u>

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss - equity securities	\$ 2,322,091	\$ -	\$ -	\$ 2,322,091
Financial assets at fair value through other comprehensive income - equity securities	-	-	114,962	114,962
Total	<u>\$ 2,322,091</u>	<u>\$ -</u>	<u>\$ 114,962</u>	<u>\$ 2,437,053</u>

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. For the instruments the Company used market quoted prices as their fair values (that is, Level 1), the Company 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 Company 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 Company were restricted due to lock-up period, thus the Company 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:

	<u>Equity securities and derivative instruments</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 114,962	\$ 64,611
Recognised in profit or loss	-	(5,621)
Gains and losses recognised in other comprehensive income	(53,483)	55,972
Acquired during the year	14,976	-
At December 31	<u>\$ 76,455</u>	<u>\$ 114,962</u>

- 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	\$ <u>76,455</u>	Latest transaction prices in inactive market	Not applicable	-	Not applicable
	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	\$ <u>114,962</u>	Latest transaction prices in inactive market	Not applicable	-	Not applicable

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. 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.

13. SUPPLEMENTARY DISCLOSURES

(1) 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 Companys' 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-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

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

(3) 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.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

In accordance with the Article 22 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company was not required to prepare segment information within the scope of IFRS 8 in its parent company only financial statements.

FORMOSA LABORATORIES, INC.
STATEMENT OF CASH
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty cash and cash on hand		\$ 534
Demand deposits - NTD		428,785
Foreign currency demand deposits -	USD 16,388,926 (Note 1), conversion rate: 30.71;	503,304
	EUR 9,932 (Note 1), conversion rate: 32.72;	325
	HKD 158,571 (Note 1), conversion rate: 3.938;	625
Time deposit	USD 2,000,000 (Note 1), conversion rate: 30.71;	<u>61,420</u>
		<u>\$ 994,993</u>

Note 1: The amounts of foreign currency were shown in units of dollars.

Note 2: The period from December, 1, 2022 to January, 1 2023, with interest rate at 4.3%

FORMOSA LABORATORIES, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Amount</u>	<u>Note</u>
Customer A	\$ 99,125	
Customer B	77,534	
Customer C	66,131	
Customer D	55,529	
Customer E	53,772	
Customer F	45,604	
Customer G	41,816	
Others	393,112	Balance of each client has not exceeded 5% of total account balance.
	<u>832,623</u>	
Less: Allowance for bad debts	(<u>33,774</u>)	
	<u>\$ 798,849</u>	

Note: Because the Company had contracted that names of customers should not be disclosed, the Company named them with code names.

FORMOSA LABORATORIES, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Market price	
Goods	\$ 3,582	\$ 4,846	Net Realizable Value
Finished goods	856,099	1,439,888	//
Work in progress	501,221	1,422,474	//
Raw materials	<u>623,027</u>	754,981	Replacement cost
	1,983,929		
Less: Allowance for valuation losses and loss for obsolete and slow-moving inventories	(<u>382,257</u>)		
	<u>\$ 1,601,672</u>		

FORMOSA LABORATORIES, INC.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Name of Financial Instrument</u>	<u>Description</u>	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>		<u>Note</u>
				<u>Unit Price (Note)</u>	<u>Total Amount</u>	
Listed stocks						
EirGenix Inc.	Common share	18,582,818	\$ 617,914	\$ 123.00	\$ 2,285,687	
TOT Biopharm International Company Limited	Common share	5,299,100	52,940	9.46	50,129	
Emerging stocks						
TaiRx, Inc.	Common share	601,000	16,484	37.19	22,351	
Unlisted stocks						
AG Global Inc.	Preferred share	1,041,666	35,340	48.00	-	
	Common share	312,000	14,976		14,976	
			<u>\$ 737,654</u>		<u>\$ 2,373,143</u>	

(Note) In New Taiwan dollars.

FORMOSA LABORATORIES, INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral	Note
	Shares (Note 1)	Amount	Shares (Note 1)	Amount (Note 2)	Shares (Note 3)	Amount (Note 3)	Shares (Note 1)	Percentage of Ownership (%)	Amount	Unit Price (Note 4)	Total Amount		
Formosa Pharmaceuticals Inc.	46,081	\$ 166,347	6,818	\$ 73,206	-	\$ -	52,899	46.55	\$ 239,553	4.53	\$ 239,553		None
EPIONE PHARMACEUTICA LS, INC.	4,000	13,457	-	-	-	(537)	4,000	100	12,920	3.23	12,920		"
A.R.Z TAIWAN LIMITED	272	794	-	-	-	(180)	272	45	614	2.26	614		"
Epione Investment Cayman Limited	284	4,516	50	1,274	-	-	334	100	5,790	17.34	5,790		"
Formosa Laboratories Japan	-	7,319	-	7,492	-	-	-	40	14,811	37,027.50	14,811		"
		<u>\$ 192,433</u>		<u>\$ 81,972</u>		<u>(\$ 717)</u>			<u>\$ 273,688</u>				

Note 1: In thousands of shares.

Note 2: Additions were new investments for the year, gains on investments accounted for using equity method and accumulated translation adjustment accounted for using equity method.

Note 3: Decreases were losses on investments accounted for using equity method, recognition of changes in ownership interests in subsidiaries, accumulated translation adjustment accounted for using equity method, receipt of cash dividends and realised (unrealised) profit or loss of down-stream transactions.

Note 4: New Taiwan Dollars.

FORMOSA LABORATORIES, INC.
STATEMENT OF CHANGES IN COST, ACCUMULATED DEPRECIATION AND
IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(8) for details.

FORMOSA LABORATORIES, INC.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral	Note
JihSun International Commercial	Secured borrowings	\$ 60,000	111.10.14 ~ 112.01.14	1.52%	\$ 60,000	Yes	
Hua Nan Commercial Bank, Ltd.	"	60,000	111.10.24 ~ 112.10.24	1.91%	300,000	"	
"	"	240,000	111.11.04 ~ 112.11.03	1.85%		"	
"	Unsecured borrowings	50,000	111.12.01 ~ 112.06.01	1.95%	140,000	None	
"	"	90,000	111.12.13 ~ 112.06.13	1.76%		"	
Cathay United Bank Hsinchu Branch	"	50,000	111.11.11 ~ 112.03.22	1.63%	50,000	"	
Mega International Commercial Bank Pateh	"	120,000	111.11.22 ~ 112.02.20	1.60%	120,000	"	
"	Import and export financing	28,058	111.11.22 ~ 112.04.21	1.60%	30,000	"	
First Commercial Bank Nankan Branch	Secured borrowings	64,000	111.11.25 ~ 112.02.23	1.92%	64,000	Yes	
"	Unsecured borrowings	300,000	111.11.25 ~ 112.02.23	1.92%	100,000	None	
"	Import and export financing	37,608	111.11.29 ~ 112.02.24	1.92%	60,000	"	
Bank of China Ltd.	Secured borrowings	100,000	111.11.23 ~ 112.02.23	1.76%	100,000	Yes	
	Unsecured borrowings	100,000	111.11.23 ~ 112.02.23	1.76%	100,000	None	
	"	150,000	111.12.08 ~ 112.03.08	1.76%	150,000	"	
		<u>\$ 1,449,666</u>					

FORMOSA LABORATORIES, INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(14) for details.

FORMOSA LABORATORIES, INC.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Sales revenue		
Cholesterol and Phosphate Binders	\$ 1,292,972.00	
Vit. D Derivatives	706,068	
Contract Development and Manufacturing Organization (CDMO)	515,821	
Respiratory Agents	357,355	
Anti-inflammatory and Analgesic Agents	225,977	
CNS Agents	180,025	
Others	<u>532,222</u>	Balance of each item has not exceeded 5% of total account balance.
Total	3,810,440	
Less: Sales returns and discounts	(<u>6,295</u>)	
	<u>\$ 3,804,145</u>	

FORMOSA LABORATORIES, INC.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Beginning inventory	\$ 12,827
Add: Purchase for the year	64,874
Less: Ending inventory	(3,582)
Transferred to manufacturing expenses	(96)
Scrapping goods	-
Cost of purchasing and selling	<u>74,023</u>
Beginning raw materials	562,742
Add: Raw materials purchased for the year	927,272
Reversal of segment transferred out	53,216
Add: Ending raw materials	(623,027)
Raw materials sold	(5,432)
Transferred to manufacturing expenses	(36,489)
Transferred to operating expenses	(31,945)
Scrapping raw materials	-
Raw materials used during the year	<u>846,337</u>
Direct labor	249,121
Manufacturing expense	<u>1,187,058</u>
Manufacturing cost	<u>2,282,516</u>
Beginning work in progress	518,519
Add: Reversal of segment transferred out	11,532
Less: Ending work in progress	(501,221)
Transferred to manufacturing expenses	(53,670)
Transferred to operating expenses	(10,065)
Selling work in progress	(7,194)
Scrapping work in progress	(249)
Cost of finished goods	<u>2,240,168</u>
Beginning finished goods	852,594
Add: Reversal of segment transferred out	17,805
Less: Ending finished goods	(856,099)
Transferred to manufacturing expenses	(35,782)
Transferred to operating expenses	(54,784)
Transferred to cost of services	(7,492)
Scrapping finished goods	-
Manufacturing and selling costs	<u>2,156,410</u>
Disposal of raw materials and current work in progress	<u>5,681</u>
Cost of goods sold	\$ 2,236,114
Loss on valuation decline and scrapping inventory	74,772
Revenue from sales of scraps	(1,057)
Cost of services	<u>76,907</u>
Operating costs	<u>\$ 2,386,736</u>

FORMOSA LABORATORIES, INC.
STATEMENT OF MANUFACTURING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Depreciation	\$ 367,253	
Wages and salaries	262,547	
Consumables	212,314	
Utilities expense	142,352	
Repairs and maintenance expense	92,734	
Others		Balance of individual accounts has not exceeded 5% of total account balance
	<u>109,858</u>	
	<u>\$ 1,187,058</u>	

FORMOSA LABORATORIES, INC.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Commissions expense	\$ 68,366	
Export expense	57,328	
Wages and salaries	26,734	
Others	34,692	Balance of individual accounts has not exceeded 5% of total account balance
	<u>\$ 187,120</u>	

FORMOSA LABORATORIES, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Wages and salaries	\$ 119,917	
Repairs and maintenance expense	15,622	
Insurance expense	13,359	
Miscellaneous expenses	12,990	
Depreciation	11,136	
Others	35,946	Balance of individual accounts has not exceeded 5% of total account balance
	<u>\$ 208,970</u>	

FORMOSA LABORATORIES, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Wages and salaries	\$ 177,870	
Consumables	106,613	
Depreciation	51,370	
Repairs and maintenance expense	46,589	
Service expense	25,709	
Others	63,043	Balance of individual accounts has not exceeded 5% of total account balance
	<u>\$ 471,194</u>	

FORMOSA LABORATORIES, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	\$ 497,790	\$ 315,635	\$ 813,425	\$ 526,769	\$ 302,772	\$ 829,541
Labour and health insurance fees	41,759	25,109	66,868	41,965	21,115	63,080
Pension costs	20,722	13,161	33,883	22,339	10,074	32,413
Directors' remuneration	-	8,886	8,886	-	7,240	7,240
Other personnel expenses	13,151	8,392	21,543	12,751	6,485	19,236
	<u>\$ 573,422</u>	<u>\$ 371,183</u>	<u>\$ 944,605</u>	<u>\$ 603,824</u>	<u>\$ 347,686</u>	<u>\$ 951,510</u>
Depreciation	\$ 367,253	\$ 70,398	\$ 437,651	\$ 374,398	\$ 65,540	\$ 439,938
Amortisation	\$ 6,798	\$ 4,955	\$ 11,753	\$ 6,864	\$ 5,906	\$ 12,770

Note:

- A. As at December 31, 2022 and 2021, the Company has an average of 837 and 831 employees, respectively, including 7 non-employee directors for both years.
- B. (1) Average employee benefit expense in current year was \$1,127 thousand ((Total employee benefit expense in current year - Total directors' compensation in current year) / (Number of employees in current year - Number of non-employee directors in current year)).
Average employee benefit expense in previous year was \$1,146 thousand ((Total employee benefit expense in previous year - Total directors' compensation in previous year) / (Number of employees in previous year - Number of non-employee directors in previous year)).
- (2) Average employee salaries in current year was \$980 thousand (Total employee salaries in current year / (Number of employees in current year - Number of non-employee directors in current year)).
Average employee salaries in previous year was \$1,007 thousand (Total employee salaries in previous year / (Number of employees in previous year - Number of non-employee directors in previous year)).
- (3) Adjustment of average employee salaries was (3%) ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).
- (4) The Company's supervisors' remuneration for the years ended December 31, 2022 and 2021 were \$1,560 thousand and \$340 thousand, respectively.

FORMOSA LABORATORIES, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

(5) The Company's Compensation Policy is as follows:

- i. Compensation that the Company paid to the employees includes basic salary, performance rewards, year-end bonus and salary increase. The salary standard was referred to internal salary and external market of salary, job classification, education background, professional knowledge and skill, professional working experience to approve competitive salary. The distribution of performance rewards took into consideration the operating performance of the Company and employees' performance. The salary raising would be based on the Company's operation profit of current year, performance assessment and other results and encourage employees' long-term development and with reference to the comprehensive consideration of the salary market standard and overall salary raising status to process annual salary raising.
- ii. The Company's remuneration policies for managers were based on the Company's operation strategies, profit, performance and contributions in work, etc., and referred to salary standard in market, and be executed after being proposed by remuneration committee and approved by the Board of Directors.
- iii. Additionally, under the Company's Articles of Incorporation, if the Company had profit for the year, the Board of Directors should resolve that the profit of the current year shall be distributed by not lower than 5% as employees' compensation and distributed no higher than 2% as directors' and supervisors' remuneration.

FORMOSA LABORATORIES, INC.

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	Balance at	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
					outstanding balance during the year ended December 31, 2022	December 31, 2022							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) was 10% of the creditor's net asset of latest financial statements.
- (2) Total ceiling of loans to individual (short-term financing) was 20% of the creditor's net asset of latest financial statements.

FORMOSA LABORATORIES, INC.

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)

Securities held by	Marketable securities	Relationship with the securities		As of December 31, 2022				
		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.

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

Year ended December 31, 2022

Table 3 Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate (Note 1)	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
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.
 Significant inter-company transactions during the reporting periods
 Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount (Note 4)	Transaction terms	
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: It was 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.

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	Investment	Footnote
				December 31,	December 31,	Number of shares	Ownership (%)	Book value	investee for the	income (loss)	
				2022	2021				year ended	recognised by	
								December 31,	for the year		
								2022	ended	ended	
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 Laboratories Japan	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.
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
				China as of January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022			
Epione Investment Shanghai Limited	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.

Major shareholders information

December 31, 2022

Table 7

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
CHENG,ZHENG-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.