

**FORMOSA LABORATORIES, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022**

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' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Formosa Laboratories, Inc. and its subsidiaries (the "Group") as at March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Yen, Yu-Fang

Teng, Sheng-Wei

For and on Behalf of PricewaterhouseCoopers, Taiwan

May 12, 2023

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollar)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,353,413	11	\$ 1,279,462	10	\$ 601,931	5
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	181,357	1	197,519	2	237,096	2
1136	Current financial assets at amortised cost, net	6(4)	-	-	153,550	1	-	-
1150	Notes receivable, net	6(5)	51	-	-	-	2,431	-
1170	Accounts receivable, net	6(5)	740,287	6	798,849	6	767,717	7
1180	Accounts receivable - related parties	7	32,621	-	13,628	-	12,461	-
1200	Other receivables		15,994	-	14,590	-	15,705	-
1210	Other receivables - related parties	7	44	-	27	-	33	-
1220	Current income tax assets		299	-	33	-	-	-
130X	Inventory	6(6)	1,610,327	13	1,601,672	13	1,601,798	14
1410	Prepayments		121,350	1	89,488	1	68,619	1
1470	Other current assets		5,747	-	2,242	-	2,202	-
11XX	Total current assets		<u>4,061,490</u>	<u>32</u>	<u>4,151,060</u>	<u>33</u>	<u>3,309,993</u>	<u>29</u>
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	2,087,269	17	2,177,551	17	1,615,778	14
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	77,512	1	61,479	-	117,165	1
1550	Investments accounted for under equity method	6(7)	12,552	-	15,425	-	10,325	-
1600	Property, plant and equipment	6(8) and 8	5,907,427	47	5,875,256	46	5,901,434	52
1755	Right-of-use assets		37,594	-	43,325	-	46,791	-
1780	Intangible assets	6(9)	217,508	2	222,929	2	241,567	2
1840	Deferred income tax assets	6(28)	92,475	1	97,189	1	76,119	1
1900	Other non-current assets	6(8)(10) and 8	50,723	-	106,499	1	72,491	1
15XX	Total non-current assets		<u>8,483,060</u>	<u>68</u>	<u>8,599,653</u>	<u>67</u>	<u>8,081,670</u>	<u>71</u>
1XXX	Total assets		<u>\$ 12,544,550</u>	<u>100</u>	<u>\$ 12,750,713</u>	<u>100</u>	<u>\$ 11,391,663</u>	<u>100</u>

(Continued)

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollar)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11) and 8	\$ 1,452,057	12	\$ 1,449,666	11	\$ 948,335	8
2110	Short-term notes and bills payable	6(12)	49,988	-	49,909	-	159,939	2
2130	Current contract liabilities	6(21)	68,026	1	55,775	1	79,681	1
2150	Notes payable		714	-	1,017	-	1,126	-
2170	Accounts payable		154,595	1	186,473	2	138,737	1
2200	Other payables	6(13)	515,146	4	584,625	5	466,324	4
2220	Other payables to related parties	7	468	-	-	-	336	-
2230	Current income tax liabilities		179,728	1	141,374	1	35,301	-
2280	Current lease liabilities		20,311	-	22,093	-	25,774	-
2320	Long-term liabilities, current portion	6(14) and 8	346,219	3	619,017	5	363,853	3
2399	Other current liabilities	9	65,631	1	31,700	-	49,162	1
21XX	Total current liabilities		<u>2,852,883</u>	<u>23</u>	<u>3,141,649</u>	<u>25</u>	<u>2,268,568</u>	<u>20</u>
Non-current liabilities								
2500	Non-current financial liabilities at fair value through profit or loss	6(2) and 7	60,900	-	61,420	1	-	-
2527	Non-current contract liabilities	6(22)	18,391	-	16,989	-	43,688	-
2540	Long-term borrowings	6(14) and 8	1,826,821	15	1,637,756	13	1,834,678	16
2570	Deferred income tax liabilities	6(28)	24,054	-	24,634	-	26,252	-
2580	Non-current lease liabilities		17,113	-	21,436	-	20,893	-
2600	Other non-current liabilities	9	16,849	-	50,556	-	48,765	1
25XX	Total non-current liabilities		<u>1,964,128</u>	<u>15</u>	<u>1,812,791</u>	<u>14</u>	<u>1,974,276</u>	<u>17</u>
2XXX	Total liabilities		<u>4,817,011</u>	<u>38</u>	<u>4,954,440</u>	<u>39</u>	<u>4,242,844</u>	<u>37</u>
Equity attributable to owners of parent								
3110	Share capital	1 and 6(17)	1,202,560	10	1,202,560	9	1,202,560	11
3200	Capital surplus	6(16)(18)	3,514,648	28	3,514,488	27	3,503,382	31
3310	Retained earnings	6(19)	444,979	3	444,979	4	319,935	3
3320	Legal reserve		20	-	20	-	20	-
3350	Special reserve		2,339,138	19	2,364,300	19	1,919,718	17
3400	Unappropriated retained earnings		2,339,138	19	2,364,300	19	1,919,718	17
31XX	Other equity interest	6(20)	(5,325)	-	(5,703)	-	50,917	-
36XX	Equity attributable to owners of the parent		<u>7,496,020</u>	<u>60</u>	<u>7,520,644</u>	<u>59</u>	<u>6,996,532</u>	<u>62</u>
3XXX	Non-controlling interest	4(3)	231,519	2	275,629	2	152,287	1
3XXX	Total equity		<u>7,727,539</u>	<u>62</u>	<u>7,796,273</u>	<u>61</u>	<u>7,148,819</u>	<u>63</u>
3X2X	Significant Contingent Liabilities and Unrecognised Contract Commitments	9						
3X2X	Significant Events after the Balance Sheet Date	11						
3X2X	Total liabilities and equity		<u>\$ 12,544,550</u>	<u>100</u>	<u>\$ 12,750,713</u>	<u>100</u>	<u>\$ 11,391,663</u>	<u>100</u>

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(UNAUDITED)

	Items	Notes	Three months ended March 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 931,969	100	\$ 834,944	100
5000	Operating costs	6(6)(26)(27) and 7	(520,175)	(56)	(579,593)	(69)
5900	Net operating margin		411,794	44	255,351	31
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(39,289)	(4)	(36,829)	(5)
6200	General and administrative expenses		(50,892)	(6)	(48,420)	(6)
6300	Research and development expenses		(215,638)	(23)	(210,940)	(25)
6450	Impairment gain (Impairment loss) and reversal of impairment loss determined in accordance with IFRS 9	12(2)	28,202	3	(9,722)	(1)
6000	Total operating expenses		(277,617)	(30)	(305,911)	(37)
6900	Operating profit (loss)		134,177	14	(50,560)	(6)
	Non-operating income and expenses					
7100	Interest income	6(22)	4,833	1	7	-
7010	Other income	6(23)	2,631	-	131	-
7020	Other gains and losses	6(2)(24)	(154,319)	(17)	(392,162)	(47)
7050	Finance costs	6(25)	(10,283)	(1)	(3,051)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	(2,656)	-	2,420	-
7000	Total non-operating income and expenses		(159,794)	(17)	(392,655)	(47)
7900	Loss before income tax		(25,617)	(3)	(443,215)	(53)
7950	Income tax expense	6(28)	(42,956)	(4)	(11,037)	(1)
8200	Loss for the period		<u>(\$ 68,573)</u>	<u>(7)</u>	<u>(\$ 454,252)</u>	<u>(54)</u>

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)			
			\$ 1,138	-	\$ 2,203
8310	Other comprehensive income that will not be reclassified to profit or loss		1,138	-	2,203
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(1,834)	-	(1,434)
8399	Income tax relating to the components of other comprehensive income	6(28)	190	-	137
8360	Other comprehensive loss that will be reclassified to profit or loss		(1,644)	-	(1,297)
8300	Total other comprehensive (loss) income for the period		<u>(\$ 506)</u>	<u>-</u>	<u>\$ 906</u>
8500	Total comprehensive loss for the period		<u>(\$ 69,079)</u>	<u>(7)</u>	<u>(\$ 453,346)</u>
Loss attributable to:					
8610	Owners of the parent		(\$ 25,162)	(3)	(\$ 400,354)
8620	Non-controlling interest		(43,411)	(4)	(53,898)
			<u>(\$ 68,573)</u>	<u>(7)</u>	<u>(\$ 454,252)</u>
Comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 24,784)	(2)	(\$ 398,698)
8720	Non-controlling interest		(44,295)	(5)	(54,648)
			<u>(\$ 69,079)</u>	<u>(7)</u>	<u>(\$ 453,346)</u>
Loss per share (in dollars)					
9750	Basic loss per share	6(29)	<u>(\$ 0.21)</u>		<u>(\$ 3.33)</u>
9850	Diluted loss per share	6(29)	<u>(\$ 0.21)</u>		<u>(\$ 3.33)</u>

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Notes	Equity attributable to owners of the parent										Total equity	
	Capital Reserves			Retained Earnings			Other Equity Interest			Total		Non-controlling interest
	Share capital - common stock	Total capital surplus, additional paid-in capital	Capital Surplus, changes in ownership interests in subsidiaries	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				
<u>2022</u>												
Balance at January 1, 2022	\$ 1,202,560	\$ 3,083,576	\$ 419,806	\$ 319,935	\$ 20	\$ 2,320,072	(\$ 8,566)	\$ 57,827	\$ 7,395,230	\$ 206,935	\$ 7,602,165	
Loss for the period	-	-	-	-	-	(400,354)	-	-	(400,354)	(53,898)	(454,252)	
Other comprehensive income (loss)	-	-	-	-	-	-	(547)	2,203	1,656	(750)	906	
Total comprehensive income (loss)	-	-	-	-	-	(400,354)	(547)	2,203	(398,698)	(54,648)	(453,346)	
Balance at March 31, 2022	\$ 1,202,560	\$ 3,083,576	\$ 419,806	\$ 319,935	\$ 20	\$ 1,919,718	(\$ 9,113)	\$ 60,030	\$ 6,996,532	\$ 152,287	\$ 7,148,819	
<u>2023</u>												
Balance at January 1, 2023	\$ 1,202,560	\$ 3,083,576	\$ 430,912	\$ 444,979	\$ 20	\$ 2,364,300	(\$ 10,047)	\$ 4,344	\$ 7,520,644	\$ 275,629	\$ 7,796,273	
Loss for the period	-	-	-	-	-	(25,162)	-	-	(25,162)	(43,411)	(68,573)	
Other comprehensive income (loss)	-	-	-	-	-	-	(760)	1,138	378	(884)	(506)	
Total comprehensive income (loss)	-	-	-	-	-	(25,162)	(760)	1,138	(24,784)	(44,295)	(69,079)	
Amortisation of compensation cost of employee stock options 6(16)	-	-	160	-	-	-	-	-	160	185	345	
Balance at March 31, 2023	\$ 1,202,560	\$ 3,083,576	\$ 431,072	\$ 444,979	\$ 20	\$ 2,339,138	(\$ 10,807)	\$ 5,482	\$ 7,496,020	\$ 231,519	\$ 7,727,539	

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 25,617)	(\$ 443,215)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(26)	112,272	110,820
Amortisation	6(26)	6,978	7,396
Expected credit impairment (gain) loss	12(2)	(28,202)	9,722
Net losses on financial assets at fair value through profit or loss	6(24)	127,029	397,333
Interest expense	6(25)	10,283	3,051
Interest income	6(22)	(4,833)	(7)
Share of loss (profit) of associates accounted for using equity method	6(7)	2,656	(2,420)
Gain from lease modification	6(24)	-	(4)
Compensation cost of employee stock options	6(17)	345	-
Expenses transferred from prepayment for equipment (shown as other non-current assets)		-	1,991
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		1,045	74,122
Notes receivable		(51)	155
Accounts receivable		86,770	(18,584)
Accounts receivable - related parties		(18,999)	(129)
Other payables		(1,670)	13,677
Other receivables - related parties		(17)	5
Inventory		(8,655)	37,399
Prepayments		(31,862)	11,190
Other current assets		(3,505)	1,608
Other non-current assets		(204)	(227)
Changes in operating liabilities			
Current contract liabilities		13,653	13,683
Notes payable		(303)	(510)
Accounts payable		(31,878)	(63,681)
Other payables		(101,899)	(68,595)
Other payables - related parties		468	336
Other current liabilities		33,931	28,410
Other non-current liabilities		(34,408)	(27,760)
Cash inflow generated from operations		103,327	85,766
Interest received		4,833	7
Interest paid		(10,914)	(2,934)
Income taxes paid		-	(137)
Net cash flows from operating activities		<u>97,246</u>	<u>82,702</u>

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through profit or loss		\$ 2,370	\$ -
Disposal of financial assets at amortised cost		158,750	-
Acquisition of property, plant and equipment	6(31)	(72,374)	(115,900)
Acquisition of intangible assets	6(9)	(394)	(96)
Decrease (increase) in refundable deposits		2,416	(2,147)
Acquisition of subsidiaries		-	(14,976)
Prepayments for equipment (shown as other non-current assets)	6(8)	(18,641)	(7,479)
Net cash flows from (used in) investing activities		<u>72,127</u>	<u>(140,598)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(32)	2,391	(69,053)
Increase in short-term notes and bills payable	6(32)	79	-
Proceeds from long-term debt	6(32)	757,800	450,000
Repayments of long-term debt (including current portion)	6(32)	(841,533)	(443,322)
Payments of lease liabilities		(7,260)	(8,211)
Net cash flows used in financing activities		<u>(88,523)</u>	<u>(70,586)</u>
Effect of exchange rate changes on cash and cash equivalents		(6,899)	878
Net increase (decrease) in cash and cash equivalents		73,951	(127,604)
Cash and cash equivalents at beginning of period		<u>1,279,462</u>	<u>729,535</u>
Cash and cash equivalents at end of period		<u>\$ 1,353,413</u>	<u>\$ 601,931</u>

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

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

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

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on May 12, 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 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 Group’s financial condition and financial performance based on the Group’s assessment.

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

None.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The preparation principle of this consolidated financial report is the same as that of the 2022 consolidated financial report..

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2023	December 31, 2022	March 31, 2022	
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Research and development of new biotechnology medicine	46.55	46.55	46.63	Note 1 and Note 2
Formosa Laboratories, Inc.	Epione Pharmaceuticals, Inc.	Research and development of new biotechnology medicine	100	100	100	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Medicine, chemical trade and investment business	100	100	100	
Epione Investment Cayman Limited	Epione Investment HK Limited	Medicine, chemical trade and investment business	100	100	100	
Epione Investment HK Limited	Shanghai Epione Enterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	100	100	100	
Formosa Pharmaceuticals Inc.	Activus Pharma.Co., Ltd.	Research and development of new biotechnology medicine	99.23	99.23	99.23	

Note 1: In the second half of 2022, as Formosa Pharmaceuticals Inc.’s employees gradually

exercised share options, the Group's shareholding ratio in Formosa Pharmaceuticals Inc. decreased to 46.55%. Refer to Note 6(30).

Note 2: On December 31, 2023, although the Company's equity interest held in Formosa Pharmaceuticals Inc. did not exceed 50%, the Company was its single major shareholder and has significant influence over its business activities, which met the controlling factor in paragraph 7 of IFRS 10, 'Consolidated Financial Statements', Accordingly, Formosa Pharmaceuticals Inc. was included in the consolidated financial statements.

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

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

E. Significant restrictions: None.

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the non-controlling interest amounted to \$231,519, \$275,629 and \$152,287, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		March 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Pharmaceuticals Inc.	Taiwan	\$ 231,519	53.45%	\$ 275,629	53.45%

Name of subsidiary	Principal place of business	Non-controlling interest	
		March 31, 2022	
		Amount	Ownership (%)
Formosa Pharmaceuticals Inc.	Taiwan	\$ 152,287	53.37%

Summarised financial information of the subsidiaries:

Balance sheets

	Formosa Pharmaceuticals Inc.		
	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 388,528	\$ 456,314	\$ 160,300
Non-current assets	412,269	421,593	444,244
Current liabilities	(87,805)	(43,057)	(68,167)
Non-current liabilities	(304,064)	(340,941)	(256,892)
Total net assets	<u>\$ 408,928</u>	<u>\$ 493,909</u>	<u>\$ 279,485</u>

	Formosa Pharmaceuticals Inc.	
	Three months ended March 31, 2023	Three months ended March 31, 2022
Loss before income tax	(\$ 83,744)	(\$ 112,476)
Income tax benefit	<u>57</u>	<u>123</u>
Loss for the year	(83,687)	(112,353)
Other comprehensive loss, net of tax	(1,639)	(1,395)
Total comprehensive loss for the year	<u>(\$ 85,326)</u>	<u>(\$ 113,748)</u>
Comprehensive loss attributable to non- controlling interest	<u>(\$ 44,295)</u>	<u>(\$ 54,648)</u>

	Formosa Pharmaceuticals Inc.	
	Three months ended March 31, 2023	Three months ended March 31, 2022
Net cash provided by (used in) operating activities	(\$ 62,196)	(\$ 85,595)
Net cash used in investing activities	153,084	-
Net cash provided by financing activities	(769)	(746)
Effect of exchange rates on cash and cash equivalents	(5,149)	7,361
Increase in cash and cash equivalents	84,970	(78,980)
Cash and cash equivalents, beginning of period	<u>267,338</u>	<u>208,917</u>
Cash and cash equivalents, end of period	<u>\$ 352,308</u>	<u>\$ 129,937</u>

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes as of March 31, 2023. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Petty cash and cash on hand	\$ 524	\$ 554	\$ 517
Demand deposits	661,694	655,866	455,864
Foreign currency demand deposits	691,195	511,622	145,550
Time deposits	-	111,420	-
	<u>\$ 1,353,413</u>	<u>\$ 1,279,462</u>	<u>\$ 601,931</u>

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

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks			
EirGenix, Inc.	\$ 28,867	\$ 29,158	\$ 37,111
TOT Biopharm International Company Limited	52,940	52,940	52,940
Emerging stocks			
TaiRx, Inc.	15,716	16,484	37,193
Derivatives			
- the redemption rights of convertible	<u>1,000</u>	<u>2,010</u>	<u>5,040</u>
	98,523	100,592	132,284
Valuation adjustment	<u>82,834</u>	<u>96,927</u>	<u>104,812</u>
	<u>\$ 181,357</u>	<u>\$ 197,519</u>	<u>\$ 237,096</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks			
EirGenix, Inc.	\$ 588,756	\$ 588,756	\$ 588,756
Unlisted stocks			
Hcmed Innovatios Co., Ltd.	14,976	14,976	-
AG Global Inc.	35,340	35,340	35,340
Forward BioT Venture Capital	<u>24,000</u>	<u>-</u>	<u>-</u>
	663,072	639,072	624,096
Valuation adjustment	<u>1,424,197</u>	<u>1,538,479</u>	<u>991,682</u>
	<u>\$ 2,087,269</u>	<u>\$ 2,177,551</u>	<u>\$ 1,615,778</u>
Non-current financial liabilities items:			
Financial liabilities designated as at fair value through profit or loss			
New medicine development revenue share agreement			
	\$ 58,390	\$ 58,390	\$ -
Valuation adjustment	<u>2,510</u>	<u>3,030</u>	<u>-</u>
	<u>\$ 60,900</u>	<u>\$ 61,420</u>	<u>\$ -</u>

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

income of US\$30,000 thousand which will be received in accordance with the schedule as specified in the contract. As of March 31, 2023, the Group has received US\$2,000 thousand.

B. The Group recognised net profit amounting to \$127,029 and \$397,333 on financial assets at fair value through profit or loss for the three-month periods then ended, respectively.

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

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

Items	March 31, 2023	December 31, 2022	March 31, 2022
Non-current items:			
Equity instruments			
Unlisted stocks			
Oncomatryx Biopharma, S.L.	\$ 57,135	\$ 57,135	\$ 57,135
PharmaSTAR Inc.	14,895	-	-
	72,030	57,135	57,135
Valuation adjustment	5,482	4,344	60,030
	\$ 77,512	\$ 61,479	\$ 117,165

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$77,512, \$61,479 and \$117,165 as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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

	Three Months Ended	
	March 31, 2023	March 31, 2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 1,138	\$ 2,203

C. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$77,512, \$61,479 and \$117,165, respectively.

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

(4) Financial assets at amortised cost

Items	March 31, 2023	December 31, 2022	March 31, 2022
Current items:			
Time deposits with a maturity of more than three months	\$ -	\$ 153,550	\$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Interest income	\$ 2,504	\$ -

B. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company were \$0, \$153,550 and \$0, respectively.

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

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

(5) Notes and accounts receivable, net

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 51	\$ -	\$ 2,431
Accounts receivable	\$ 745,853	\$ 832,623	\$ 782,865
Less: Allowance for uncollectible accounts	(5,566)	(33,774)	(15,148)
	\$ 740,287	\$ 798,849	\$ 767,717

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

	March 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 677,976	\$ 51	\$ 711,139	\$ -
Up to 30 days past due	26,828	-	68,145	-
31~ 90 days past due	40,281	-	46,849	-
91~ 180 days past due	-	-	-	-
181 days past due	768	-	6,490	-
	\$ 745,853	\$ 51	\$ 832,623	\$ -

	<u>March 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 667,140	\$ 2,431
Up to 30 days past due	61,094	-
31~ 90 days past due	28,277	-
91~ 180 days past due	20,685	-
181 days past due	<u>5,669</u>	<u>-</u>
	<u>\$ 782,865</u>	<u>\$ 2,431</u>

The above ageing analysis was based on past due date.

- B. As of March 31, 2023, December 31, 2022 and March 31, 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$761,441.
- C. The Group did not hold any collateral for the security of notes and accounts receivable.
- D. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$51, \$0, \$2,431, and \$740,287, \$798,849, \$767,717, respectively.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

March 31, 2023			
	Cost	Allowance for valuation losses and loss on obsolete and slow-moving inventories	Carrying amount
Goods	\$ 3,568	(\$ 282)	\$ 3,286
Raw materials	630,334	(99,183)	531,151
Work in progress	500,231	(119,383)	380,848
Finished goods	886,514	(191,472)	695,042
	<u>\$ 2,020,647</u>	<u>(\$ 410,320)</u>	<u>\$ 1,610,327</u>
December 31, 2022			
	Cost	Allowance for valuation losses and loss on 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>
March 31, 2022			
	Cost	Allowance for valuation losses and loss on obsolete and slow-moving inventories	Carrying amount
Goods	\$ 9,284	(\$ 5)	\$ 9,279
Raw materials	584,265	(86,682)	497,583
Work in progress	493,388	(95,332)	398,056
Finished goods	839,122	(142,242)	696,880
	<u>\$ 1,926,059</u>	<u>(\$ 324,261)</u>	<u>\$ 1,601,798</u>

Current expenses related to inventories are as follows:

	<u>Three Months Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Cost of goods sold	\$ 481,631	\$ 559,477
Loss on valuation decline and scrapped inventory	28,063	16,775
Cost of services	10,698	3,557
Others	<u>(217)</u>	<u>(216)</u>
	<u>\$ 520,175</u>	<u>\$ 579,593</u>

(7) Investments accounted for using equity method

Accounted as assets (shown as “investments accounted for using equity method”)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
A. R. Z Taiwan Limited	\$ 324	\$ 614	\$ 1,103
Formosa Laboratories Japan, Inc.	<u>12,228</u>	<u>14,811</u>	<u>9,222</u>
	<u>\$ 12,552</u>	<u>\$ 15,425</u>	<u>\$ 10,325</u>

- A. The Group’s share of profit or loss of associates accounted for using the equity method for the three months ended March 31, 2023 and 2022 was (\$2,656) and \$2,420, respectively.
- B. The percentage of A. R. Z Taiwan Limited’s and Formosa Laboratories Japan, Inc.’s assets, liabilities, income and profit or loss presented in the Group was minimal, and the two companies were not significant associates. Accordingly, the related accounts are not disclosed separately.

(8) Property, plant and equipment

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2023												
Cost	\$ 655,950	\$ 1,598,236	\$ 2,985,520	\$ 97,668	\$ 402,763	\$ 217,964	\$ 110,861	\$ 16,782	\$ 300,818	\$ 2,526,641	\$ 8,913,203	\$ 59,705
Accumulated depreciation	-	(510,962)	(1,804,112)	(80,181)	(224,497)	(129,545)	(81,544)	(12,702)	(194,404)	-	(3,037,947)	-
	<u>\$ 655,950</u>	<u>\$ 1,087,274</u>	<u>\$ 1,181,408</u>	<u>\$ 17,487</u>	<u>\$ 178,266</u>	<u>\$ 88,419</u>	<u>\$ 29,317</u>	<u>\$ 4,080</u>	<u>\$ 106,414</u>	<u>\$ 2,526,641</u>	<u>\$ 5,875,256</u>	<u>\$ 59,705</u>
At January 1, 2023												
Opening net book amount as at January 1	\$ 655,950	\$ 1,087,274	\$ 1,181,408	\$ 17,487	\$ 178,266	\$ 88,419	\$ 29,317	\$ 4,080	\$ 106,414	\$ 2,526,641	\$ 5,875,256	\$ 59,705
Additions (Note 2)	-	-	1,913	-	5,238	-	420	-	432	97,422	105,425	18,641
Transfers (Note 4)	-	21,677	25,343	-	8,359	2,410	1,585	-	12,564	(39,806)	32,132	(33,053)
Reclassifications	-	-	248	-	(248)	-	-	-	-	-	-	-
Depreciation charge	-	(15,217)	(64,664)	(500)	(10,852)	(4,453)	(2,315)	(181)	(7,204)	-	(105,386)	-
Closing net book amount as at March 31	<u>\$ 655,950</u>	<u>\$ 1,093,734</u>	<u>\$ 1,144,248</u>	<u>\$ 16,987</u>	<u>\$ 180,763</u>	<u>\$ 86,376</u>	<u>\$ 29,007</u>	<u>\$ 3,899</u>	<u>\$ 112,206</u>	<u>\$ 2,584,257</u>	<u>\$ 5,907,427</u>	<u>\$ 45,293</u>
At March 31, 2023												
Cost	\$ 655,950	\$ 1,619,913	\$ 3,016,989	\$ 97,668	\$ 411,685	\$ 220,374	\$ 112,866	\$ 16,782	\$ 313,814	\$ 2,584,257	\$ 9,050,298	\$ 45,293
Accumulated depreciation	-	(526,179)	(1,872,741)	(80,681)	(230,922)	(133,998)	(83,859)	(12,883)	(201,608)	-	(3,142,871)	-
	<u>\$ -</u>	<u>\$ 1,093,734</u>	<u>\$ 1,144,248</u>	<u>\$ 16,987</u>	<u>\$ 180,763</u>	<u>\$ 86,376</u>	<u>\$ 29,007</u>	<u>\$ 3,899</u>	<u>\$ 112,206</u>	<u>\$ 2,584,257</u>	<u>\$ 5,907,427</u>	<u>\$ 45,293</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, 2022												
Cost	\$ 655,950	\$ 1,575,057	\$ 2,889,266	\$ 97,668	\$ 371,564	\$ 206,603	\$ 96,356	\$ 16,782	\$ 277,673	\$ 2,293,504	\$ 8,480,423	\$ 85,433
Accumulated depreciation	-	(452,426)	(1,551,685)	(78,172)	(183,872)	(112,373)	(72,326)	(11,829)	(168,009)	-	(2,630,692)	-
	<u>\$ 655,950</u>	<u>\$ 1,122,631</u>	<u>\$ 1,337,581</u>	<u>\$ 19,496</u>	<u>\$ 187,692</u>	<u>\$ 94,230</u>	<u>\$ 24,030</u>	<u>\$ 4,953</u>	<u>\$ 109,664</u>	<u>\$ 2,293,504</u>	<u>\$ 5,849,731</u>	<u>\$ 85,433</u>
At January 1, 2022												
Opening net book amount as at January 1												
	\$ 655,950	\$ 1,122,631	\$ 1,337,581	\$ 19,496	\$ 187,692	\$ 94,230	\$ 24,030	\$ 4,953	\$ 109,664	\$ 2,293,504	\$ 5,849,731	\$ 85,433
Additions (Note 2)	-	-	9,515	-	9,118	-	-	-	189	93,398	112,220	7,479
Transfers (Note 4)	-	-	5,610	-	3,192	-	4,982	-	1,295	27,416	42,495	(45,184)
Reclassifications	-	-	312	-	(516)	-	-	-	204	-	-	-
Depreciation charge	-	(14,691)	(64,327)	(508)	(10,108)	(4,035)	(2,248)	(218)	(6,877)	-	(103,012)	-
Closing net book amount as at March 31	<u>\$ 655,950</u>	<u>\$ 1,107,940</u>	<u>\$ 1,288,691</u>	<u>\$ 18,988</u>	<u>\$ 189,378</u>	<u>\$ 90,195</u>	<u>\$ 26,764</u>	<u>\$ 4,735</u>	<u>\$ 104,475</u>	<u>\$ 2,414,318</u>	<u>\$ 5,901,434</u>	<u>\$ 47,728</u>
At March 31, 2022												
Cost	\$ 655,950	\$ 1,575,057	\$ 2,904,814	\$ 97,668	\$ 382,993	\$ 206,603	\$ 101,338	\$ 16,782	\$ 279,405	\$ 2,414,318	\$ 8,634,928	\$ 47,728
Accumulated depreciation	-	(467,117)	(1,616,123)	(78,680)	(193,615)	(116,408)	(74,574)	(12,047)	(174,930)	-	(2,733,494)	-
	<u>\$ 655,950</u>	<u>\$ 1,107,940</u>	<u>\$ 1,288,691</u>	<u>\$ 18,988</u>	<u>\$ 189,378</u>	<u>\$ 90,195</u>	<u>\$ 26,764</u>	<u>\$ 4,735</u>	<u>\$ 104,475</u>	<u>\$ 2,414,318</u>	<u>\$ 5,901,434</u>	<u>\$ 47,728</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:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Amount capitalised	\$ 7,442	\$ 7,462
Range of the interest rates for capitalisation	1.1700%	1.2548%

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

(9) Intangible assets

	2023				
	<u>Goodwill</u>	<u>Professional expertise</u>		<u>Computer software</u>	<u>Total</u>
		<u>APP13007</u>	<u>APP13002</u>		
	<u>Ophthalmic anti-inflammatory agents</u>	<u>Antibiotic medicament for eyes</u>			
At January 1					
Cost	\$ 82,166	\$ 231,912	\$ 1,408	\$ 94,091	\$ 409,577
Accumulated amortisation and impairment	(51,622)	(68,209)	(484)	(66,333)	(186,648)
	<u>\$ 30,544</u>	<u>\$ 163,703</u>	<u>\$ 924</u>	<u>\$ 27,758</u>	<u>\$ 222,929</u>
Opening net book amount as at January 1	\$ 30,544	\$ 163,703	\$ 924	\$ 27,758	\$ 222,929
Additions	-	-	-	394	394
Reclassifications (Note)	-	-	-	921	921
Amortisation charge	-	(4,093)	(22)	(2,607)	(6,722)
Net exchange differences	-	-	(14)	-	(14)
Closing net book amount as at March 31	<u>\$ 30,544</u>	<u>\$ 159,610</u>	<u>\$ 888</u>	<u>\$ 26,466</u>	<u>\$ 217,508</u>
At March 31					
Cost	\$ 82,166	\$ 231,912	\$ 1,373	\$ 95,406	\$ 410,857
Accumulated amortisation and impairment	(51,622)	(72,302)	(485)	(68,940)	(193,349)
	<u>\$ 30,544</u>	<u>\$ 159,610</u>	<u>\$ 888</u>	<u>\$ 26,466</u>	<u>\$ 217,508</u>

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

	2022				
	Goodwill	Professional expertise		Computer software	Total
		APP13007 Ophthalmic anti-inflammatory agents	APP13002 Antibiotic medicament for eyes		
At January 1					
Cost	\$ 82,166	\$ 231,912	\$ 1,443	\$ 91,690	\$ 407,211
Accumulated amortisation and impairment	(51,622)	(51,839)	(396)	(55,754)	(159,611)
	<u>\$ 30,544</u>	<u>\$ 180,073</u>	<u>\$ 1,047</u>	<u>\$ 35,936</u>	<u>\$ 247,600</u>
Opening net book amount as at January 1	\$ 30,544	\$ 180,073	\$ 1,047	\$ 35,936	\$ 247,600
Additions	-	-	-	96	96
Reclassifications (Note)	-	-	-	698	698
Amortisation charge	-	(4,093)	(23)	(2,695)	(6,811)
Net exchange differences	-	-	(16)	-	(16)
Closing net book amount as at March 31	<u>\$ 30,544</u>	<u>\$ 175,980</u>	<u>\$ 1,008</u>	<u>\$ 34,035</u>	<u>\$ 241,567</u>
At March 31					
Cost	\$ 82,166	\$ 231,912	\$ 1,412	\$ 92,484	\$ 407,974
Accumulated amortisation and impairment	(51,622)	(55,932)	(404)	(58,449)	(166,407)
	<u>\$ 30,544</u>	<u>\$ 175,980</u>	<u>\$ 1,008</u>	<u>\$ 34,035</u>	<u>\$ 241,567</u>

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

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Operating costs	\$ 1,530	\$ 1,622
Administrative expenses	754	867
Research and development expenses	4,438	4,322
	<u>\$ 6,722</u>	<u>\$ 6,811</u>

B. On March 31, 2023 and 2022, goodwill is allocated to the Group's cash-generating units - the subsidiary, Formosa Pharmaceuticals Inc., which was identified according to the operating segment.

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on the value in use which was calculated from the expected economic income of related research and development projects. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are operating profit margin, growth rate and discount rate. Management determined budgeted net operating profit margin based on its expectations of market development. The assumptions used for growth rates are based on expectations of industry; the assumption used for discount rate is the weighted average capital cost of the same industry. For the three months ended March 31, 2023 and 2022, the discount rates were 17.90% and 21.38%, respectively.

(10) Other non-current assets

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Prepayments for business facilities	\$ 45,293	\$ 59,705	\$ 47,728
Prepayments for investment (Note 1)	-	38,895	14,976
Guarantee deposits paid (Note 2)	3,968	6,384	7,433
Others	1,462	1,515	2,354
	<u>\$ 50,723</u>	<u>\$ 106,499</u>	<u>\$ 72,491</u>

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

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

(11) Short-term borrowings

	<u>March 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 464,000	1.69~1.75%	Refer to Note 8
Unsecured borrowings	960,000	1.69~1.79%	None
Import and export financing	28,057	1.73%	"
	<u>\$ 1,452,057</u>		
	<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>March 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 715,530	1.04%~1.20%	None
Import and export financing	232,805	1.00%~1.50%	"
	<u>\$ 948,335</u>		

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

Interest expense recognised in profit or loss amounted to \$7,120 and \$3,227 for the three months ended March 31, 2023 and 2022, respectively.

(12) Short-term notes and bills payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Commercial paper payable	\$ 50,000	\$ 50,000	\$ 160,000
Less: Unamortized commercial paper payable	(12)	(91)	(61)
	<u>\$ 49,988</u>	<u>\$ 49,909</u>	<u>\$ 159,939</u>
Range of the interest rates	<u>1.76%</u>	<u>2.1%</u>	<u>1%</u>

(13) Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Salaries and bonus payable	\$ 115,841	\$ 216,335	\$ 107,594
Employees' compensation and directors' and supervisors' remuneration payable	37,841	36,498	71,457
Consumables payable	33,489	56,303	58,614
Payable on machinery and equipment	87,711	54,660	62,266
Service expenses payable	74,890	51,490	23,873
Repairs and maintenance expense payable	43,419	37,067	36,229
Accrued commission	37,101	36,160	26,984
Utilities expense payables	16,191	17,401	14,079
Others	68,663	78,711	65,228
	<u>\$ 515,146</u>	<u>\$ 584,625</u>	<u>\$ 466,324</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2023
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2023.2.25 ~ 2026.2.24 The principal will be repaid upon maturity. 2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2021.	2.03%	Note 2	\$ 280,000
		2.08%	"	44,740
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2019.12.19 ~ 2023.12.19 Quarterly and average repayment starting from March 2021.	1.88%	"	24,500
	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	1.88%	"	31,000
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.13%	"	49,000
	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.	2.03%	None	50,000
O-Bank Co., Ltd. (Note 1)	2022.7.4 ~ 2024.7.3 The principal will be repaid upon maturity.	2.17%	"	50,000
Taishin International Bank. (Note 1)	2022.7.31 ~ 2025.1.31 The principal will be repaid upon maturity.	2.19%	"	150,000
Entie Commercial Bank, Ltd. He Ping Branch (Note 1)	2022.3.16 ~ 2024.3.16 The principal will be repaid upon maturity.	2.19%	"	50,000
TAICHUNG COMMERCIAL BANK Co., Ltd.	2021.9.17 ~ 2024.9.17 Quarterly and average repayment starting from December 2021.	2.08%	"	50,000
JihSun International Commercial Bank Co., Ltd.(Note 1)	2021.8.20 ~ 2024.8.12 The principal will be repaid upon maturity.	1.97%	"	100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.91%	"	75,000
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.91%	"	100,000
SUNNY BANK.	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	1.95%	Note 2	500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	1.95%	None	280,000
	2023.3.10 ~ 2026.3.10 (Note 1) The principal will be repaid upon maturity.	1.95%	"	297,800
				2,173,040
Less: Current portion (shown as other current liabilities)				(346,219)
				\$ 1,826,821

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
				<u>2,256,773</u>
Less: Current portion (shown as other current liabilities)				(619,017)
				<u>\$ 1,637,756</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2022
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2021.	1.35%	Note 2	\$ 55,065
	2022.2.25 ~ 2025.2.24 The principal will be repaid upon maturity.	1.35%	"	250,000
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2019.12.19 ~ 2023.12.19 Quarterly and average repayment starting from March 2021.	1.50%	"	57,167
	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	1.50%	"	51,666
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	1.75%	"	73,500
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)	2022.3.16 ~ 2024.3.16 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%	"	83,333
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
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.53%	"	100,000
	2022.3.10 ~ 2024.3.10 Quarterly and average repayment starting from June 2023.	1.53%	"	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>2,198,531</u>
Less: Current portion (shown as other current liabilities)				(<u>363,853</u>)
				<u>\$ 1,834,678</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 Group is required to compute and maintain certain financial covenants based on the annual and semi-annual consolidated financial statements. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group has met all the required covenants.
- B. As at March 31, 2023, December 31, 2022 and March 31, 2022, the Group had total undrawn borrowing facilities of \$1,738,693, \$1,551,084 and \$2,016,454, respectively.

(15) Pensions

A. Defined benefit plans

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$178 and \$172 for the three months ended March 31, 2023 and 2022, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$712.

B. Defined contribution plans

- (a) The Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2023 and 2022 were \$8,771 and \$8,509, respectively.

(16) Share-based payment

A. For the three months ended March 31, 2023 and 2022, the Group's share-based payment arrangements were as follows:

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

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

	2023		2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	540,000	\$ 40.80	-	\$ -
Options granted	-	-	600,000	41.70
Options expired	(50,000)	40.80	-	-
Options outstanding at March 31	<u>490,000</u>	<u>\$ 40.80</u>	<u>600,000</u>	<u>41.70</u>
Options exercisable at March 31	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

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

		March 31, 2023	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)
2022.03.09	2027.03.08	490,000	\$ 40.80

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

		March 31, 2022	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)
2022.03.09	2027.03.08	600,000	\$ 41.70

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

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Formosa Pharmaceuticals Inc.- Employee stock options	2022.03.09	39.50 (Note3)	40.80	49.67% (Note2)	3.5 ~ 4.5 years	0%	0.56%	13.8687 ~ 15.0536

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

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

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

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Equity-settled	\$ 345	\$ -

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

(17) Share capital

A. As of March 31, 2023, the Group's authorised capital was \$1,600,000, consisting of 160,000 thousand shares of ordinary stock (including 8,000 thousand shares reserved for employee stock options issued by the Group), and the paid-in capital was \$1,202,560 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

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

B. Refer to 6(16) for details of capital surplus, share options.

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, current year's earnings, if any, shall first be used to pay all taxes and offset prior years' deficit and then 10% of the remaining amount shall be set aside as legal reserve (until the legal reserve equals the paid-in capital), and the Group shall appropriate or reverse special reserve in accordance with laws or regulations of the authority. The remainder, if any, along with prior years' accumulated undistributed earnings shall be distributed as shareholders' bonus or retained for operating requirements which shall be proposed by the Board of Directors and resolved by the shareholders.
- B. The Group's dividend distribution policy was based on the Group's financial structure, operation status and capital budget, etc., along with the consideration of shareholders' interest and balancing dividends. The distribution of earnings shall be in the form of stock or cash or both, and the cash dividends shall account for at least 10% of total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.
- D.(a) In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Group as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. On March 9, 2023, the Board of Directors proposed the appropriations of 2022 earnings, while on June 23, 2022, the Group's shareholders resolved the appropriations of 2021 earnings. No appropriation of earnings for stock dividends was resolved.

	Year ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 40,978		\$ 125,044	
Special reserve	54,964		-	
Cash dividends	120,256	\$ 1.00	240,511	\$ 2
	<u>\$ 216,198</u>		<u>\$ 365,555</u>	

As of May 12, 2023, the aforementioned appropriations of 2022 earnings have not yet been resolved by the shareholders.

(20) Other equity items

	Three months ended March 31, 2023		
	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Currency translation differences	Total
At January 1	\$ 4,344	(\$ 10,047)	(\$ 5,703)
Valuation adjustment	1,138	-	1,138
Currency translation differences:			
–Subsidiaries and associates	-	(950)	(950)
–Tax on subsidiaries and associates	-	190	190
At March 31	<u>\$ 5,482</u>	<u>(\$ 10,807)</u>	<u>(\$ 5,325)</u>

	Three months ended March 31, 2022		
	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Currency translation differences	Total
At January 1	\$ 57,827	(\$ 8,566)	\$ 49,261
Valuation adjustment	2,203	-	2,203
Currency translation differences:			
–Subsidiaries and associates	-	(684)	(684)
–Tax on subsidiaries and associates	-	137	137
At March 31	<u>\$ 60,030</u>	<u>(\$ 9,113)</u>	<u>\$ 50,917</u>

(21) Operating revenue

	Three Months Ended	
	March 31, 2023	March 31, 2022
Revenue from contracts with customers		
Sales revenue	\$ 888,314	\$ 814,425
Service revenue	43,655	20,519
	<u>\$ 931,969</u>	<u>\$ 834,944</u>

A. Disaggregation of revenue from contracts with customers

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

	Three months ended March 31, 2023		
	At a point in time	Over time	
	Sales revenue	Service revenue	Total
India	\$ 208,229	\$ -	208,229
Netherlands	125,721	-	125,721
Japan	96,935	-	96,935
United States	62,993	1,522	64,515
Taiwan	24,891	32,456	57,347
Germany	57,007	-	57,007
Canada	40,781	798	41,579
Switzerland	36,904	-	36,904
China	29,156	808	29,964
Others	205,697	8,071	213,768
	<u>\$ 888,314</u>	<u>\$ 43,655</u>	<u>\$ 931,969</u>

Three months ended March 31, 2022

	At a point in time		Over time		Total
	Sales revenue		Service revenue		
India	\$	186,221	\$	-	\$ 186,221
Taiwan		140,279		18,235	158,514
Netherlands		49,305		-	49,305
Switzerland		70,694		-	70,694
Germany		69,579		-	69,579
Japan		65,775		-	65,775
Canada		58,877		-	58,877
United States		30,330		2,284	32,614
Spain		20,539		-	20,539
Others		122,826		-	122,826
	\$	<u>814,425</u>	\$	<u>20,519</u>	<u>\$ 834,944</u>

B. Contract assets and liabilities

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	\$ 86,417	\$ 72,764	\$ 123,369	\$ 109,686

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

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

	Three Months Ended	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 7,136	\$ 49,657

(22) Interest income

	Three Months Ended	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Interest income from bank deposits	\$ 2,330	\$ 7
Financial assets at amortised cost		
Interest income	2,503	-
Other interest income	-	-
	<u>\$ 4,833</u>	<u>\$ 7</u>

(23) Other income

	Three Months Ended	
	March 31, 2023	March 31, 2022
Others	\$ 2,631	\$ 131

(24) Other gains and losses

	Three Months Ended	
	March 31, 2023	March 31, 2022
Gains arising from lease modifications	\$ -	\$ 4
Net currency exchange losses	(27,290)	6,869
Net gains on financial assets at fair value through profit or loss	(127,029)	(397,333)
Others	-	(1,702)
	<u>(\$ 154,319)</u>	<u>(\$ 392,162)</u>

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

(25) Finance costs

	Three Months Ended	
	March 31, 2023	March 31, 2022
Interest expense:		
Bank borrowings	\$ 17,576	\$ 10,333
Others	149	180
	<u>17,725</u>	<u>10,513</u>
Less: Capitalisation of qualifying assets	(7,442)	(7,462)
Finance costs	<u>\$ 10,283</u>	<u>\$ 3,051</u>

(26) Expenses by nature

	Three Months Ended	
	March 31, 2023	March 31, 2022
Employee benefit expense	<u>\$ 231,153</u>	<u>\$ 225,006</u>
Depreciation charges on right-of-use assets, property, plant and equipment	<u>\$ 112,272</u>	<u>\$ 110,820</u>
Amortisation charges on intangible assets and other non-current assets	<u>\$ 6,978</u>	<u>\$ 7,396</u>

(27) Employee benefit expense

	Three Months Ended	
	March 31, 2023	March 31, 2022
Wages and salaries	\$ 196,671	\$ 192,819
Labour and health insurance fees	20,023	18,370
Pension costs	8,949	8,681
Other personnel expenses	5,510	5,136
	<u>\$ 231,153</u>	<u>\$ 225,006</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 three months ended March 31, 2023 and 2022, employees' compensation was accrued at \$960 and \$0, respectively; while directors' and supervisors' remuneration was accrued at \$383 and \$0, respectively. The aforementioned amounts were recognised in salary expenses. For the three months ended March 31, 2023, the Group has accrued the compensation and remuneration according to the profit of current year and the percentage range as regulated in the Company's Articles of Incorporation.
- C. On March 9, 2023, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$28,500 and \$7,998, respectively and the employees' compensation will be distributed in the form of cash.
- D. Information about employees' compensation and directors' and supervisors' remuneration of the Group as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Current tax:		
Current tax on profits for the period	\$ 38,632	\$ 12,410
Deferred tax:		
Origination and reversal of temporary differences	4,324	(1,373)
Income tax expense	<u>\$ 42,956</u>	<u>\$ 11,037</u>

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

	<u>Three Months Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Currency translation differences	<u>\$ 190</u>	<u>(\$ 137)</u>

B. The income tax returns of the Company, Epione Pharmaceuticals, Inc. and Formosa Pharmaceuticals Inc. through 2020 have been assessed and approved by the Tax Authority.

(29) Loss per share

	<u>Three months ended March 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>(\$ 25,162)</u>	<u>120,256</u>	<u>(\$ 0.21)</u>

	<u>Three months ended March 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>(\$ 400,354)</u>	<u>120,256</u>	<u>(\$ 3.33)</u>

Note: Since the Group incurred losses for the three-month periods ended March 31, 2023 and 2022, the inclusion of potential common shares would have an anti-dilutive effect, so it was not included in the calculation of diluted loss per share.

(30) Transactions with non-controlling interest

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:

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

(31) Supplemental cash flow information

Investing activities with partial cash payments

	<u>Three Months Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Purchase of property, plant and equipment	\$ 105,425	\$ 112,219
Add: Opening balance of payable on equipment	54,660	65,947
Less: Ending balance of payable on equipment	(87,711)	(62,266)
Cash paid during the period	<u>\$ 72,374</u>	<u>\$ 115,900</u>
	<u>Three Months Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Add: Opening balance of payable on contingent consideration (shown as other liabilities)	\$ 33,709	\$ 57,196
Currency exchange losses	(703)	1,850
Less: Ending balance of payable on contingent consideration (shown as other liabilities)	(33,006)	(59,046)
(Note)		
Cash paid during the period	<u>\$ -</u>	<u>\$ -</u>

Note: Refer to Note 9(2) for details.

(32) Changes in liabilities from financing activities

	2023				
	<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	\$ 1,449,666	\$ 49,909	\$ 2,256,773	\$ 43,529	\$ 3,799,877
Changes in cash flow from financing activities	2,391	79	(83,733)	(7,260)	(88,523)
Changes in other non-cash items	-	-	-	1,155	1,155
At March 31	<u>\$ 1,452,057</u>	<u>\$ 49,988</u>	<u>\$ 2,173,040</u>	<u>\$ 37,424</u>	<u>\$ 3,712,509</u>
	2022				
	<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	\$ 51,240	\$ 3,420,420
Changes in cash flow from financing activities	(69,053)	-	6,678	(8,211)	(70,586)
Changes in other non-cash items	-	-	-	3,638	3,638
At March 31	<u>\$ 948,335</u>	<u>\$ 159,939</u>	<u>\$ 2,198,531</u>	<u>\$ 46,667</u>	<u>\$ 3,353,472</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
TaiRx, Inc.	Other related party
EirGenix Inc.	Other related party
Formosa Laboratories Japan, Inc.	Associate
A. R. Z Taiwan Limited	Associate

(3) Significant related party transactions

A. Operating revenue

	<u>Three Months Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Sales of goods:		
Associates	<u>\$ 28,891</u>	<u>\$ 11,896</u>

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

	<u>Three Months Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Sales of services:		
Other related parties	\$ 5,552	\$ 7,380

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

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

	<u>Three months ended March 31, 2023</u>	<u>Three months ended March 31, 2022</u>
Other related parties	\$ 760	\$ 1,691

C. Accounts receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Associates	\$ 28,488	\$ 12,086	\$ 9,674
Other related parties	4,143	1,546	2,791
Loss allowance	(10)	(4)	(4)
	<u>\$ 32,621</u>	<u>\$ 13,628</u>	<u>\$ 12,461</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. Other income and other receivables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other receivables			
Associates	\$ 44	\$ 27	\$ 22
Other related parties	-	-	11
	<u>\$ 44</u>	<u>\$ 27</u>	<u>\$ 33</u>

E. Acquisition of financial liabilities (shown as 'financial liabilities at fair value through profit or loss')

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other receivables	\$ 58,390	\$ 58,390	\$ -

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

(4) Key management compensation

	Three Months Ended	
	March 31, 2023	March 31, 2022
Salaries and other short-term employee benefits	\$ 16,534	\$ 17,323
Post-employment benefits	371	342
Share-based payments	83	-
	<u>\$ 16,988</u>	<u>\$ 17,665</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2023	December 31, 2022	March 31, 2022	
Financial assets at fair value through profit or loss	\$ 1,165,000	\$ 1,230,000	\$ 459,500	Guarantee for short-term borrowings
Land	655,950	655,950	655,950	Guarantee for short-term borrowings and mid-term and long-term borrowings facility
Buildings and structures	968,176	981,515	1,011,172	"
Machinery and equipment	162,743	167,727	182,679	Guarantee for mid-term and long-term borrowings facility
Pollution-prevention equipment	5,321	5,540	6,196	"
Unfinished construction and equipment under acceptance	975,882	974,278	905,389	"
Guarantee deposits paid (shown as "other non-current assets")	917	3,225	4,451	Performance guarantee
	<u>\$ 3,933,989</u>	<u>\$ 4,018,235</u>	<u>\$ 3,225,337</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	March 31, 2023	December 31, 2022	March 31, 2022
Property, plant and equipment	<u>\$ 342,694</u>	<u>\$ 303,174</u>	<u>\$ 267,569</u>

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

The aforementioned contingent price will be paid in accordance with the progress for application of clinical testing, patent and new medicine. The maximum amount is US\$8,500 thousand, which will be paid based on a certain percentage of the sales amount as specified in the contract when the product is launched in the market. As of March 31, 2023 and 2022, accumulated payments of the contact price were US\$6,000 thousand and US\$5,000 thousand, respectively. As of March 31, 2023 and 2022, the outstanding payment of \$33,006 (US\$1,098 thousand) and \$ 59,046 (US\$2,066 thousand) was shown as other non-current liabilities, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2023, the Group's strategy, which was unchanged from 2022, was to maintain the gearing ratio within a certain range. The gearing ratios at March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Total borrowings	\$ 3,675,085	\$ 3,756,348	\$ 3,306,805
Less: Cash and cash equivalents	(1,353,413)	(1,279,462)	(601,931)
Net debt	2,321,672	2,476,886	2,704,874
Total equity	<u>7,727,539</u>	<u>7,796,273</u>	<u>7,148,819</u>
Total capital	<u>\$ 10,049,211</u>	<u>\$ 10,273,159</u>	<u>\$ 9,853,693</u>
Gearing ratio	<u>23.10%</u>	<u>24.11%</u>	<u>27.45%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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	\$ 2,268,626	\$ 2,375,070	\$ 1,852,874
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 77,512	\$ 61,479	\$ 117,165
Financial assets at amortised cost			
Cash and cash equivalents	\$ 1,353,413	\$ 1,279,462	\$ 601,931
Financial assets at amortised cost	-	153,550	-
Notes and accounts receivable (including related parties)	772,959	812,477	782,609
Other receivables due from related parties	16,038	14,617	15,738
Guarantee deposits paid (shown as “other non-current assets”)	3,968	6,384	7,433
	<u>\$ 2,146,378</u>	<u>\$ 2,266,490</u>	<u>\$ 1,407,711</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 60,900	\$ 61,420	\$ -
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,452,057	\$ 1,449,666	\$ 948,335
Short-term notes and bills payable	49,988	49,909	159,939
Notes and accounts payable	155,309	187,490	139,863
Other payables	515,614	584,625	466,660
Long-term borrowings (including current portion)	2,173,040	2,256,773	2,198,531
Contingent consideration (shown as other liabilities)	33,006	33,709	59,046
	<u>\$ 4,379,014</u>	<u>\$ 4,562,172</u>	<u>\$ 3,972,374</u>
Lease liability (including current portion)	<u>\$ 37,424</u>	<u>\$ 43,529</u>	<u>\$ 46,667</u>

B. Financial risk management policies

There was no significant change in the reporting period. Refer to Note 12 in the consolidated financial statements for the year ended December 31, 2022.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

- ii. Management has set up a policy to require each entity of the Group to manage their foreign exchange risk against their functional currency. Each entity of the Group is required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and EUR expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2023			
	Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 45,466	30.45	\$ 1,384,440
USD:JPY	3,400	133.09	103,530
<u>Non-monetary items</u>			
JPY:NTD	506,100	0.23	115,795
USD:NTD	2,288	30.45	63,835
EUR:NTD	1,879	33.15	62,287
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	15,650	30.45	476,543

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	\$ 47,813	30.71	\$ 1,468,337
USD:JPY	3,400	132.14	104,414
<u>Non-monetary items</u>			
JPY:NTD	512,041	0.23	120,160
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	17,104	30.71	535,270

March 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	\$ 27,409	\$ 29	\$ 784,583
USD:JPY	3,400	121.65	92,683
<u>Non-monetary items</u>			
JPY:NTD	438,728	0.24	103,233
USD:NTD	2,366	28.63	67,734
EUR:NTD	3,671	31.92	117,165
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	24,352	28.63	668,697

- iv. The exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2023 and 2022, amounted to (\$27,290) and \$6,869, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2023				
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>				
	1%	\$	13,844	\$ -
USD:NTD				
	1%		1,035	-
USD:JPY				
<u>Non-monetary items</u>				
	1%			1,158
JPY:NTD				
	1%		638	-
USD:NTD				
	1%		-	623
EUR:NTD				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	1%		4,765	-
USD:NTD				

Three months ended March 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>				
	1%	\$	7,846	\$ -
USD:NTD				
	1%		927	-
USD:JPY				
<u>Non-monetary items</u>				
	1%		-	1,032
JPY:NTD				
	1%		678	-
USD:NTD				
	1%		-	1,172
EUR:NTD				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	1%		6,687	-
USD:NTD				

Price risk

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

- ii. The Group's investments in equity securities comprise equity instruments issued by domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2023 and 2022 would have increased/decreased by \$22,686 and \$18,529, 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 \$775 and \$1,172, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arose from short-term notes and bills payable, short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which was partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the three months ended March 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. At March 31, 2023, December 31, 2022 and March 31, 2022, 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 three months ended March 31, 2023 and 2022 would have decreased by \$435 and \$1,759, respectively. The main factor is that increases in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and financial assets stated at amortised cost.
- ii. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9 that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been

a significant increase in credit risk on that instrument since initial recognition.

- v. The Group classifies customer's accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision roll rate matrix based on the loss rate methodology to estimate the expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. The Group distinguished customers into optimal customers and non-optimal customers based on the customers' rating. Related information is as follows:
 - (i) The loss allowance for optimal customers' accounts was estimated to be 0.03% by using expected loss rate method. As of March 31, 2023, December 31, 2022 and March 31, 2022, the balances of loss allowance were \$190, \$174 and \$182, respectively.
 - (ii) The loss allowance for non-optimal customers' accounts was estimated by using provision roll rate matrix. As of March 31, 2023, December 31, 2022 and March 31, 2022, related information is as follows:

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
<u>March 31, 2023</u>			
Not past due	0.35%	\$ 136,043	\$ 473
Up to 30 days past due	48.46%	5,996	2,906
31~ 90 days past due	100.00%	2,007	2,007
91~ 180 days past due	100.00%	-	-
181 days past due	100.00%	-	-
Total		<u>\$ 144,046</u>	<u>\$ 5,386</u>

	<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>March 31, 2022</u>			
Not past due	0.19%	\$ 150,608	\$ 286
Up to 30 days past due	20.22%	4,447	899
31~ 90 days past due	46.35%~65.39%	26,760	12,402
91~ 180 days past due	22.77%~45.38%	204	92
181 days past due	22.77%	5,669	1,291
Total		<u>\$ 187,688</u>	<u>\$ 14,970</u>

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

	<u>Three months ended March 31, 2023</u>		
	<u>Non-related parties</u>	<u>Related parties</u>	<u>Total</u>
Balance at January 1	\$ 33,774	\$ 4	\$ 33,778
Reversal of impairment loss	(28,208)	6	(28,202)
Balance at March 31	<u>\$ 5,566</u>	<u>\$ 10</u>	<u>\$ 5,576</u>

	<u>Three months ended March 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	9,722	-	9,722
Balance at March 31	<u>\$ 15,148</u>	<u>\$ 4</u>	<u>\$ 15,152</u>

For provisioned loss on March 31, 2023 and 2022, the impairment (reversal) losses arising from customers' contracts are \$(28,202) and \$9,722, respectively.

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational requirements.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2023	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
Financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ 60,900	\$ -
Short-term borrowings	1,456,152	-	-	-
Short-term notes and bills payable	49,988	-	-	-
Notes payable	714	-	-	-
Accounts payable	154,595	-	-	-
Other payables	515,614	-	-	-
Lease liability (including current portion)	23,318	13,879	6,720	22,654
Long-term borrowings (including current portion)	<u>386,993</u>	<u>756,648</u>	<u>838,080</u>	<u>283,613</u>
	<u>\$ 2,587,374</u>	<u>\$ 770,527</u>	<u>\$ 905,700</u>	<u>\$ 306,267</u>

Non-derivative financial liabilities:

December 31, 2022	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
Financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ 61,420	\$ -
Short-term borrowings	1,458,236	-	-	-
Short-term notes and bills payable	49,909	-	-	-
Notes payable	1,017	-	-	-
Accounts payable	186,473	-	-	-
Other payables	552,535	-	-	-
Lease liability (including current portion)	22,549	13,801	5,295	2,653
Long-term borrowings (including current portion)	<u>659,573</u>	<u>651,979</u>	<u>681,355</u>	<u>343,298</u>
	<u>\$ 2,930,292</u>	<u>\$ 665,780</u>	<u>\$ 748,070</u>	<u>\$ 345,951</u>

Non-derivative financial liabilities:

March 31, 2022	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
Short-term borrowings	\$ 949,410	\$ -	\$ -	\$ -
Short-term notes and bills payable	159,939	-	-	-
Notes payable	1,126	-	-	-
Accounts payable	138,737	-	-	-
Other payables	466,660	-	-	-
Lease liability (including current portion)	26,276	14,089	6,121	949
Long-term borrowings (including current portion)	391,637	1,029,554	655,446	179,583
Other non-current liabilities (including current portion)	<u>27,681</u>	<u>31,365</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,161,466</u>	<u>\$ 1,075,008</u>	<u>\$ 661,567</u>	<u>\$ 180,532</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 Group's financial instruments not measured at fair value comprise cash and cash equivalents, contract assets, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, corporate bonds payable and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information of 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 are as follows:

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

March 31, 2023	<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	\$ 2,228,690	\$ -	\$ 38,976	\$ 2,267,666
Convertible bonds	960	-	-	960
Financial assets at fair value through other comprehensive income - equity securities	-	-	77,512	77,512
Total	<u>\$ 2,229,650</u>	<u>\$ -</u>	<u>\$ 116,488</u>	<u>\$ 2,346,138</u>
Liabilities				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,900</u>	<u>\$ 60,900</u>

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
Convertible bonds	1,927	-	-	1,927
Financial assets at fair value through other comprehensive income - equity securities	-	-	61,479	61,479
Total	<u>\$ 2,360,094</u>	<u>\$ -</u>	<u>\$ 76,455</u>	<u>\$ 2,436,549</u>
Liabilities				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,420</u>	<u>\$ 61,420</u>
March 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	\$ 1,847,050	\$ -	\$ -	\$ 1,847,050
Convertible bonds	5,824	-	-	5,824
Financial assets at fair value through other comprehensive income - equity securities	-	-	117,165	117,165
Total	<u>\$ 1,852,874</u>	<u>\$ -</u>	<u>\$ 117,165</u>	<u>\$ 1,970,039</u>

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

- i. For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price of market quoted price to measure the listed and emerging shares.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. Some of the listed stocks which were invested by the Group were restricted by lock-up period. Their fair values were determined based on the quoted prices of the same and unrestricted instruments in the active market, adjusted by the restricted effects, and calculated by inputting available market information in the model at the balance sheet date.

- D. For the year ended March 31, 2022, some of the listed stocks which were invested by the Group were restricted due to lock-up period, thus the Group transferred the adopted fair value from Level 1 into Level 2 at the end of the month when the event incurred. As of March 31, 2023, 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 three months ended March 31, 2023 and 2022:

	Equity securities and derivative instruments		New medicine development revenue share agreement	
	2023	2022	2023	2022
At January 1	\$ 76,455	\$ 114,962	\$ 61,420	\$ -
Recognised in profit or loss	-	-	(520)	-
Gains and losses recognised in other comprehensive income	1,138	2,203	-	-
Acquired during the period	38,895	-	-	-
At March 31	<u>\$ 116,488</u>	<u>\$ 117,165</u>	<u>\$ 60,900</u>	<u>\$ -</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 March 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 116,488</u>	Latest transaction prices in inactive market	Not applicable	-	Not applicable
New medicine development revenue share agreement	<u>\$ 60,900</u>	Income method of royalty saving method	Discount rate	24.58%	The higher the discount rate, the lower the fair value
			Market share rate	1.0% ~ 5.4%	The higher the market share rate, the higher the fair value

	Fair value at December 31, 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
New medicine development revenue share agreement	\$ <u>61,420</u>	Income method of royalty saving method	Discount rate	24.58%	The higher the discount rate, the lower the fair value
			Market share rate	1.0% ~ 5.4%	The higher the market share rate, the higher the fair value
	Fair value at March 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ <u>117,165</u>	Latest transaction prices in inactive market	Not applicable	-	Not applicable

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

March 31, 2022: None.

		March 31, 2023				
		Recognised in profit or loss		Gains and losses recognised in other comprehensive income		
		Favorabl e change	Adverse change	Favorable change	Adverse change	
Input	variation					
Financial liabilities						
Revenue share agreement	Discount rate / Market share rate	±1%	\$ <u>609</u>	(\$ <u>609</u>)	\$ <u>-</u>	\$ <u>-</u>

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

13. SUPPLEMENTARY DISCLOSURES

(4) Significant transactions information

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

(5) Information on investees

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

(6) Information on investments in Mainland China

- A. Basic information: Refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(7) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

	API	Other operating departments	Elimination	Total
Revenue from external customers	\$ 931,969	\$ -	\$ -	\$ 931,969
Inter-segment revenue	1,667	-	(1,667)	-
Total segment revenue	<u>\$ 933,636</u>	<u>\$ -</u>	<u>(\$ 1,667)</u>	<u>\$ 931,969</u>
Segment income	<u>(\$ 25,162)</u>	<u>(\$ 83,633)</u>	<u>\$ 40,222</u>	<u>(\$ 68,573)</u>
Segment income (loss), including				
Depreciation and amortisation	(\$ 113,946)	(\$ 9,776)	\$ 4,472	(\$ 119,250)
Expense of income tax	(\$ 43,013)	\$ 57	\$ -	(\$ 42,956)
Recognised investment profit or loss accounted for using equity method	<u>(\$ 2,656)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,656)</u>

	API	Other operating departments	Elimination	Total
Revenue from external customers	\$ 834,944	\$ -	\$ -	\$ 834,944
Inter-segment revenue	586	-	(586)	-
Total segment revenue	<u>\$ 835,530</u>	<u>\$ -</u>	<u>(\$ 586)</u>	<u>\$ 834,944</u>
Segment income	<u>(\$ 400,354)</u>	<u>(\$ 111,870)</u>	<u>\$ 57,971</u>	<u>(\$ 454,253)</u>
Segment income (loss), including				
Depreciation and amortisation	(\$ 112,728)	(\$ 5,488)	\$ -	(\$ 118,216)
Expense of income tax	(\$ 11,161)	\$ 124	\$ -	(\$ 11,037)
Recognised investment profit or loss accounted for using equity method	<u>\$ 2,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,420</u>

(4) Reconciliation for segment income (loss)

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Loans to others

Three months ended March 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2023	Balance at March 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals, Inc.	Other receivables due from related parties	Y	\$ 50,000	\$ 50,000	\$ -	2%	2	\$ -	Revolving funds	\$ -	None	\$ -	\$ 749,602	\$ 1,499,204	Note 2

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

Note 2: The Company loans to others:

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities		As of March 31, 2023				
		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	\$ 2,163,733	6.10	\$ 2,163,733	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	42,764	0.86	42,764	None
Formosa Laboratories, Inc.	TaiRx, Inc. common stocks	None	Financial assets at fair value through profit or loss - current	573,000	22,193	0.64	22,193	None
Formosa Laboratories, Inc.	AG Global Inc Unlisted stocks	None	Financial assets at fair value through profit or loss - noncurrent	1,041,666	-	1.99	-	None
Formosa Laboratories, Inc.	Oncomatryx Biopharma, S.L.common stocks	None	Non-current financial assets at fair value through other comprehensive income	303,713	62,287	3.69	62,287	None
Formosa Laboratories, Inc.	Hcmed Innovations Co., Ltd common stocks	None	Financial assets at fair value through profit or loss - noncurrent	312,000	14,976	1.22	14,976	None
Formosa Laboratories, Inc.	PharmaSTAR Inc.	None	Non-current financial assets at fair value through other comprehensive income	500,000	15,225	20.00	15,225	None
Formosa Laboratories, Inc.	Forward BioT Venture Capital	None	Financial assets at fair value through profit or loss - current	-	24,000	-	24,000	None
Epione Pharmaceuticals, Inc.	RiTdisplay Corporation II unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	10,000	960	-	960	None

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

March 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2023 (Note)	Turnover rate	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	\$ 103,530	0.00	\$ -	-	\$ -	\$ -

Note : 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.

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Three months ended March 31, 2023

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	\$ 1,667	Note 5	0%
1	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Contract liabilities	19,218	Note 5	0%
2	Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	3	Other receivables	103,530	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 did not be recognised.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investees

Three months ended March 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net income of investee for the three months ended March 31, 2023	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Taiwan	Research and development of new biotechnology medicine	\$ 578,979	\$ 578,979	52,899,349	46.55%	\$ 201,151	(\$ 83,686)	(\$ 38,581)	
Formosa Laboratories, Inc.	Epione Pharmaceuticals, Inc.	Taiwan	Research and development of new biotechnology medicine	40,000	40,000	4,000,000	100.00%	12,943	23	23	
Formosa Laboratories, Inc.	A. R. Z Taiwan Limited	Taiwan	Agency sales of raw materials and intermediates	2,716	2,716	271,620	45.00%	325	(644)	(290)	
Formosa Laboratories, Inc.	Formosa Laboratories Japan, Inc.	Japan	Agency sales of medicine and intermediates	1,105	1,105	400	40.00%	12,227	(5,916)	(2,366)	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Cayman Islands	Medicine, chemical trade and investment business	8,172	8,172	334,000	100.00%	5,846	31	31	
Epione Investment Cayman Limited	Epione Investment HK Limited	Hong Kong	Medicine, chemical trade and investment business	6,866	6,866	266,500	100.00%	5,128	82	82	
Formosa Pharmaceuticals Inc.	Activus Pharma. Co., Ltd.	Japan	Research and development of new biotechnology medicine	274,633	274,633	1,942	99.23%	103,568	(134)	(155)	

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Three months ended March 31, 2023

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, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee for the three months ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Book value of investments in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai Epione Enterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	\$ 6,717	Note 1	\$ 6,241	\$ 476	\$ -	\$ 6,717	\$ 43	100%	\$ 43	\$ 4,769	\$ -	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 March 31, 2023 (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.	\$ 47,480	\$ 148,261	\$ 4,636,523

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,808 thousand at the exchange rate of 27.68 and translated into \$148,261.

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 \$39,624, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Major shareholders information

March 31, 2023

Table 7

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

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

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