FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Laboratories, Inc. and its subsidiaries (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 consolidated financial statements are stated as follows:

Key audit matter - inventory valuation

Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 6(6) for details of inventory, and Note 5(1) for uncertainty of accounting estimates and assumptions in relation to inventory valuation.

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

How our audit addressed the matter

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

A. Obtained an understanding of the Group's operations and industry, assessed the reasonableness of the accounting policy in recognising the allowance for inventory valuation losses, and ascertained whether the accounting policy was applied consistently for both periods.

B. Obtained the net realisable value report of inventories, reviewed the calculation logic used and tested related parameters, including sales and purchase data files and other resource data.

C. Obtained the expiry information date of each inventory item, checked against related supporting documents, and assessed the reasonableness of the provision of allowance for loss on inventory decline in market value.

D. Verified the related documents we gathered during the physical inventory count and performed an inquiry with management and related personnel to verify whether the following have been addressed in the inventory list: a. Slow-moving inventory, b. Inventory that is over certain age, and c. Significant amount of damaged inventory.

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

Description

As of December 31, 2023, the amount of the Company's reinvestment in Formosa Pharmaceuticals, Inc. was significant and the reinvestment generated goodwill. Refer to Note 4(18) for details of related accounting policies, and Notes 5(2) and 6(9) for uncertainty of accounting estimates and assumptions in relation to impairment assessment of investments accounted for using equity method.

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

How our audit addressed the matter

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

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

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

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

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

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Laboratories, Inc. as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Yen, Yu-Fang	Teng, Sheng-wei

For and on Behalf of PricewaterhouseCoopers, Taiwan
March 12, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,526,013	11	$ 1,279,462	10
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	153,065	1	197,519	2
1136	Financial assets at amortised cost - current	6(4)	831,410	6	153,550	1
1170	Accounts receivable, net	6(5)	948,175	7	798,849	6
1180	Accounts receivable - related parties	7	11,834	-	13,628	-
1200	Other receivables		63,325	-	14,590	-
1210	Other receivables - related parties	7	28	-	27	-
1220	Current income tax assets		1,090	-	33	-
130X	Inventory	6(6)	1,597,467	12	1,601,672	13
1410	Prepayments		109,244	1	89,488	1
1470	Other current assets		2,015	-	2,242	-
11XX	**Total current assets**		5,243,666	38	4,151,060	33
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	1,808,766	13	2,177,551	17
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	121,269	1	61,479	-
1550	Investments accounted for under equity method	6(7)	19,808	-	15,425	-
1600	Property, plant and equipment	6(8) and 8	6,025,139	44	5,875,256	46
1755	Right-of-use assets		42,537	-	43,325	-
1780	Intangible assets	6(9)	204,431	2	222,929	2
1840	Deferred income tax assets	6(28)	85,154	1	97,189	1
1900	Other non-current assets	6(8)(10) and 8	85,421	1	106,499	1
15XX	**Total non-current assets**		8,392,525	62	8,599,653	67
1XXX	**Total assets**		$ 13,636,191	100	$ 12,750,713	100

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12) and 8	$ 1,434,000	11	$ 1,449,666	11
2110	Short-term notes and bills payable	6(13)	99,959	1	49,909	-
2130	Current contract liabilities	6(22)	174,875	1	55,775	1
2150	Notes payable		1,017	-	1,017	-
2170	Accounts payable		202,109	1	186,473	2
2200	Other payables	6(14)	653,159	5	584,625	5
2220	Other payables - related parties	7	2,636	-	-	-
2230	Current income tax liabilities		98,702	1	141,374	1
2280	Current lease liabilities		23,358	-	22,093	-
2320	Long-term liabilities, current portion	6(15) and 8	448,784	3	619,017	5
2399	Other current liabilities	9	102,792	1	31,700	-
21XX	**Total current liabilities**		3,241,391	24	3,141,649	25
	Non-current liabilities					
2520	Financial liabilities at amortised cost - non-current	6(11) and 7	61,410	1	61,420	1
2527	Contract liabilities - non-current	6(22)	18,227	-	16,989	-
2540	Long-term borrowings	6(15) and 8	2,037,897	15	1,637,756	13
2570	Deferred income tax liabilities	6(28)	24,303	-	24,634	-
2580	Non-current lease liabilities		19,391	-	21,436	-
2600	Other non-current liabilities	9	23,371	-	50,556	-
25XX	**Total non-current liabilities**		2,184,599	16	1,812,791	14
2XXX	**Total liabilities**		5,425,990	40	4,954,440	39
	Equity attributable to owners of parent					
	Share capital	1 and 6(18)				
3110	Common stock		1,202,560	9	1,202,560	9
	Capital surplus	6(17)(19)				
3200	Capital surplus		3,552,070	26	3,514,488	27
	Retained earnings	6(20)				
3310	Legal reserve		485,958	3	444,979	4
3320	Special reserve		54,984	-	20	-
3350	Unappropriated retained earnings		2,269,213	17	2,364,300	19
	Other equity interest	6(21)				
3400	Other equity interest		6,167	-	(5,703)	-
31XX	**Equity attributable to owners of the parent**		7,570,952	55	7,520,644	59
36XX	Non-controlling interest	4(3)	639,249	5	275,629	2
3XXX	**Total equity**		8,210,201	60	7,796,273	61
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
	Significant Events after the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 13,636,191	100	$ 12,750,713	100

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
4000	Sales revenue	6(22) and 7	$ 4,360,448	100	$ 3,765,504	100
5000	Operating costs	6(6)(26)(27) and 7	(2,437,119)	(56)	(2,375,312)	(63)
5900	Net operating margin		1,923,329	44	1,390,192	37
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(187,772)	(4)	(187,120)	(5)
6200	General and administrative expenses		(245,173)	(6)	(234,219)	(6)
6300	Research and development expenses		(841,872)	(19)	(777,016)	(21)
6450	Impairment gain (impairment loss)	12(2)	26,463	-	(28,348)	(1)
6000	Total operating expenses		(1,248,354)	(29)	(1,226,703)	(33)
6900	Operating profit		674,975	15	163,489	4
	Non-operating income and expenses					
7100	Interest income	6(23)	23,708	1	2,144	-
7010	Other income		6,881	-	2,551	-
7020	Other gains and losses	6(2)(24)	(534,000)	(12)	176,729	5
7050	Finance costs	6(25)	(34,735)	(1)	(19,319)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	5,562	-	7,587	-
7000	Total non-operating income and expenses		(532,584)	(12)	169,692	5
7900	**Profit before income tax**		142,391	3	333,181	9
7950	Income tax expense	6(28)	(194,650)	(4)	(116,371)	(3)
8200	**(Loss) profit for the year**		($ 52,259)	(1)	$ 216,810	6

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FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
	Other comprehensive income (loss) for the year					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plans	6(17)	($ 6,414)	-	$ 531	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	12,995	-	(53,483)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	1,283	-	(106)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		7,864	-	(53,058)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(8,428)	-	(3,797)	-
8399	Income tax relating to the components of other comprehensive income	6(28)	909	-	370	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(7,519)	-	(3,427)	-
8300	**Total other comprehensive income (loss) for the year**		$ 345	-	($ 56,485)	(2)
8500	**Total comprehensive income for the year**		($ 51,914)	(1)	$ 160,325	4
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 126,243	3	$ 409,359	11
8620	Non-controlling interest		(178,502)	(4)	(192,549)	(5)
			($ 52,259)	(1)	$ 216,810	6
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 132,982	3	$ 354,820	9
8720	Non-controlling interest		(184,896)	(4)	(194,495)	(5)
			($ 51,914)	(1)	$ 160,325	4
	Earnings per share (in dollars)	6(29)				
9750	Basic earnings per share		$ 1.05		$ 3.40	
9850	Diluted earnings per share		$ 1.05		$ 3.39	

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

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

		Equity attributable to owners of the parent										
			Capital Reserves		Retained Earnings			Other Equity Interest				
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Capital Surplus, changes in ownership interests in subsidiaries	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2022												
Balance at January 1, 2022		$ 1,202,560	$ 3,083,576	$ 419,806	$ 319,935	$ 20	$ 2,320,072	($ 8,566)	$ 57,827	$ 7,395,230	$ 206,935	$ 7,602,165
Profit (loss) for the year		-	-	-	-	-	409,359	-	-	409,359	(192,549)	216,810
Other comprehensive income (loss)		-	-	-	-	-	425	(1,481)	(53,483)	(54,539)	(1,946)	(56,485)
Total comprehensive income (loss)		-	-	-	-	-	409,784	(1,481)	(53,483)	354,820	(194,495)	160,325
Appropriations of 2021 retained earnings	6(20)											
Legal reserve		-	-	-	125,044	-	(125,044)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(240,512)	-	-	(240,512)	-	(240,512)
Changes in ownership interests in subsidiaries	6(30)	-	-	9,902	-	-	-	-	-	9,902	261,806	271,708
Amortisation of compensation cost of employee stock options	6(17)	-	-	1,204	-	-	-	-	-	1,204	1,383	2,587
Balance at December 31, 2022		$ 1,202,560	$ 3,083,576	$ 430,912	$ 444,979	$ 20	$ 2,364,300	($ 10,047)	$ 4,344	$ 7,520,644	$ 275,629	$ 7,796,273
2023												
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
Profit (loss) for the year		-	-	-	-	-	126,243	-	-	126,243	(178,502)	(52,259)
Other comprehensive income (loss)		-	-	-	-	-	(5,131)	(3,638)	15,508	6,739	(6,394)	345
Total comprehensive income (loss)		-	-	-	-	-	121,112	(3,638)	15,508	132,982	(184,896)	(51,914)
Appropriations of 2022 retained earnings	6(20)											
Legal reserve		-	-	-	40,979	-	(40,979)	-	-	-	-	-
Special reserve		-	-	-	-	54,964	(54,964)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(120,256)	-	-	(120,256)	-	(120,256)
Changes in ownership interests in subsidiaries	6(30)	-	-	36,470	-	-	-	-	-	36,470	547,205	583,675
Amortisation of compensation cost of employee stock options	6(17)	-	-	1,112	-	-	-	-	-	1,112	1,311	2,423
Balance at December 31, 2023		$ 1,202,560	$ 3,083,576	$ 468,494	$ 485,958	$ 54,984	$ 2,269,213	($ 13,685)	$ 19,852	$ 7,570,952	$ 639,249	$ 8,210,201

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

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

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 142,391	$ 333,181
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(26)	462,479	442,452
Amortisation	6(26)	25,850	28,463
Expected credit impairment (gain) loss	12(2)	(26,463)	28,348
Net losses (gains) on financial assets at fair value through profit or loss	6(24)	428,918	(178,784)
Interest expense	6(25)	34,735	19,319
Interest income	6(23)	(23,708)	(2,144)
Compensation cost of employee stock options	6(17)	2,423	2,587
Share of profit of associates accounted for using equity method	6(7)	(5,562)	(7,587)
Gain on disposal of property, plant and equipment	6(24)	(88)	(51)
Gain from lease modification	6(24)	(21)	(24)
Expenses transferred from prepayments for equipment (shown as other non-current assets)	6(8)	5,049	12,801
Loss from measurement of contingent consideration	6(24)	34,529	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		988	263
Notes receivable		-	2,586
Accounts receivable		(122,864)	(68,342)
Accounts receivable - related parties		1,795	(1,296)
Other payables		(68,563)	14,759
Other receivables - related parties		(1)	11
Inventory		4,205	37,525
Prepayments		(19,756)	(9,679)
Other current assets		227	1,568
Other non-current assets		(1,251)	(231)
Changes in operating liabilities			
Contract liabilities		93,078	(36,922)
Notes payable		-	(619)
Accounts payable		15,636	(15,945)
Other payables		45,282	55,842
Other payables - related parties		2,636	-
Other current liabilities		1,161	10,948
Other non-current liabilities		6,524	11,294
Cash inflow generated from operations		1,039,629	680,323
Interest received		21,961	2,144
Interest paid (excluding interest capitalization)		(30,799)	(17,734)
Income taxes paid		(204,191)	(21,647)
Net cash flows from operating activities		826,600	643,086

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

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		$ -	($ 14,976)
Proceeds from disposal of financial assets at fair value through profit or loss		7,333	142,756
Acquisition of financial assets at amortised cost		(832,732)	(158,750)
Proceeds from disposal of financial assets at amortised cost		158,750	-
Acquisition of property, plant and equipment	6(31)	(476,942)	(380,940)
Acquisition of intangible assets	6(9)	(1,978)	(1,553)
Prepayments for equipment (shown as other non-current assets)	6(8)	(61,586)	(57,489)
Prepayments for investments (shown as other non-current assets)		(52,025)	(38,895)
Decrease (increase) in guarantee deposits paid		1,601	(1,099)
Share of profit of associates accounted for using equity method dividends received		65	45
Acquisition of subsidiaries		-	(29,871)
Proceeds from disposal of property, plant and equipment		88	51
Net cash flows used in investing activities		(1,257,426)	(540,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term loans	6(32)	(15,666)	432,278
Increase (decrease) in short-term notes and bills payable	6(32)	50,050	(110,030)
Proceeds from long-term debt	6(32)	4,037,800	3,396,000
Repayments of long-term debt (including current portion)	6(32)	(3,807,892)	(3,331,080)
Payments of lease liabilities	6(32)	(27,567)	(28,809)
Increase in financial liabilities at amortised cost	6(11)	-	58,390
Cash dividends paid	6(20)	(120,256)	(240,512)
Subsidiary cash increase and employee stock options	6(30)	583,675	271,708
Net cash flows from financing activities		700,144	447,945
Effect of exchange rate changes on cash and cash equivalents		(22,767)	(383)
Net increase in cash and cash equivalents		246,551	549,927
Cash and cash equivalents at beginning of year		1,279,462	729,535
Cash and cash equivalents at end of year		$ 1,526,013	$ 1,279,462

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

FORMOSA LABORATORIES, INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 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, 2023, the Company's authorised capital and paid-in capital were $1,600,000 and $1,202,560, respectively, with a par value of $10 (in dollars) per share.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2024.

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®”) Accounting Standards 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 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 IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	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.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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
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 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2023	December 31, 2022	Description
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Research and development of new biotechnology medicine	45.84	46.55	Notes 1 and 2
Formosa Laboratories, Inc.	EPIONE PHARMACEUTICALS, INC.	Research and development of new biotechnology medicine	100	100	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Medicine, chemical trade and investment business	100	100	
Epione Investment Cayman Limited	Epione Investment HK Limited	Medicine, chemical trade and investment business	100	100	
Epione Investment HK Limited	Shanghai Epione Eenterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	100	100	
Formosa Pharmaceuticals Inc.	Activus Pharma.Co., Ltd.	Research and development of new biotechnology medicine	99.23	99.23	

Note 1: In the second half of 2023, because Formosa Pharmaceuticals Inc.'s employees gradually exercised share options, the Group's shareholding ratio in Formosa Pharmaceuticals Inc. decreased to 45.84%. 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 conducted its relevant activities, which met the controlling factor in paragraph 7 of IFRS 10, 'Consolidated Financial Statements'. Accordingly, Formosa Pharmaceuticals Inc. was included in the consolidated financial statements.

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

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

E. Significant restrictions: None.

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

As of December 31, 2023 and 2022, the non-controlling interest amounted to $639,249 and $275,629, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2023		December 31, 2022	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Formosa Pharmaceuticals Inc.	Taiwan	$ 639,249	54.16%	$ 275,629	53.45%

Summarised financial information of the subsidiaries:

Balance sheets

	Formosa Pharmaceuticals Inc.	
	December 31, 2023	December 31, 2022
Current assets	$ 1,288,330	$ 456,314
Non-current assets	438,451	421,593
Current liabilities	(257,979)	(69,568)
Non-current liabilities	(328,232)	(340,941)
Total net assets	$ 1,140,570	$ 467,398

Statements of comprehensive income

	Formosa Pharmaceuticals Inc. Year ended December 31 2023	2022
Revenue	$ 31,172	$ 1,315
Loss before income tax	($ 300,065)	($ 406,593)
Income tax (expense) benefit	(21,862)	424
Loss for the year	(321,927)	(406,169)
Other comprehensive loss, net of tax	(11,824)	(3,631)
Total comprehensive loss for the year	($ 333,751)	($ 409,800)
Comprehensive loss attributable to non-controlling interest	($ 25)	($ 75)

Statements of cash flows

	Formosa Pharmaceuticals Inc. Year ended December 31 2023	2022
Net cash used in operating activities	($ 196,038)	($ 346,150)
Net cash used in investing activities	(676,214)	(188,641)
Net cash provided by financing activities	999,877	558,863
Effect of exchange rates on cash and cash equivalents	(10,258)	34,349
Increase in cash and cash equivalents	117,367	58,421
Cash and cash equivalents, beginning of year	267,338	208,917
Cash and cash equivalents, end of year	$ 384,705	$ 267,338

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

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

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

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

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

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

(9) Financial liabilities at amortised cost

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

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

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

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

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

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

(15) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	2 to 50 years
Machinery and equipment	2 to 20 years
Utilities equipment	7 to 20 years
Testing equipment	2 to 13 years
Pollution-prevention equipment	5 to 15 years
Office equipment	2 to 20 years
Leasehold improvements	3 to 15 years
Other equipment	2 to 20 years

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

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

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

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

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

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

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

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

(17) Intangible assets

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

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

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

(18) Impairment of non-financial assets

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

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

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

(19) Borrowings

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

(20) Accounts and notes payable

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

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

(21) Financial liabilities at fair value through loss

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

(a) Hybrid (combined) contracts; or

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

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

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

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(25) Employee share-based payment

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

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

(26) Income tax

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

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

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

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

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

(27) Share capital

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

(28) Dividends

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

(29) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells active pharmaceutical ingredients and ultraviolet absorber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

B. Research and development revenue

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

C. Revenue from licencing intellectual property

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

(30) Operating segments

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

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

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

Critical accounting estimates and assumptions

(1) Evaluation of inventories

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

As of December 31, 2023, the carrying amount of inventories was $1,597,467.

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

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

(3) Revenue recognition

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

For the year ended December 31, 2023, the amount of commissioned service revenue recognised was $171,365.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash and cash on hand	$ 346	$ 554
Demand deposits	831,438	655,866
Foreign currency demand deposits	469,294	511,622
Time deposits	224,935	111,420
	$ 1,526,013	$ 1,279,462

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

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

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

	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 28,285	$ 29,158
TOT Biopharm International Company Limited	51,262	52,940
Emerging stocks		
TaiRx, Inc.	15,085	16,484
Derivatives		
- the redemption rights of convertible bonds	1,305	2,010
	95,937	100,592
Valuation adjustment	57,128	96,927
	$ 153,065	$ 197,519
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 588,756	$ 588,756
Unlisted stocks		
Hcmed Innovations Co., Ltd.	14,976	14,976
AG Global Inc.	35,340	35,340
Forward BioT Venture Capital	24,000	-
	663,072	639,072
Valuation adjustment	1,145,694	1,538,479
	$ 1,808,766	$ 2,177,551

A. The Group recognised net (loss) gain amounting to ($428,918) and $178,784 on financial assets at fair value through profit or loss for the years ended December 31, 2023 and 2022, respectively.

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

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Listed stocks		
Eyenovia, Inc.	$ 31,900	$ -
Unlisted stocks		
Oncomatryx Biopharma, S.L.	57,135	57,135
PHARMASTAR INC.	14,895	-
	103,930	57,135
Valuation adjustment	17,339	4,344
	$ 121,269	$ 61,479

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 $121,269 and $61,479 as at December 31, 2023 and 2022, respectively.

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

	Year ended December 31,	
	2023	2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 12,995	($ 53,483)

C. As at December 31, 2023 and 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 $121,269 and $61,479, respectively.

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

(4) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Current items:		
Time deposits with a maturity of more than three months	$ 831,410	$ 153,550

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

	For the years ended December 31,	
	2023	2022
Interest income	9,219	-

B. As at December 31, 2023 and 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 $831,410 and $153,550, 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). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Accounts receivable	$ 955,487	$ 832,623
Less: Allowance for uncollectible accounts	(7,312)	(33,774)
	$ 948,175	$ 798,849

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

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 871,497	$ -	$ 711,139	$ -
Up to 30 days past due	53,919	-	68,145	-
31~ 90 days past due	13,474	-	46,849	-
91~ 180 days past due	15,381	-	-	-
181 days past due	1,216	-	6,490	-
	$ 955,487	$ -	$ 832,623	$ -

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 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 December 31, 2023 and 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 $0 and $0, $948,175 and $798,849, respectively.

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

(6) Inventories

	December 31, 2023		
	Cost	Allowance for valuation losses and loss on obsolete and slow-moving inventories	Carrying amount
Goods	$ 2,120	($ 213)	$ 1,907
Raw materials	570,238	(71,937)	498,301
Work in progress	436,191	(56,765)	379,426
Finished goods	902,780	(184,947)	717,833
	$ 1,911,329	($ 313,862)	$ 1,597,467

	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
	$ 1,983,929	($ 382,257)	$ 1,601,672

Current expenses related to inventories are as follows:

	Year ended December 31,	
	2023	2022
Cost of goods sold	$ 2,371,441	$ 2,230,987
(Gain from price recovery of inventory) loss on valuation decline and scrapped inventory	(31,598)	74,772
Cost of services	98,492	70,610
Others	(1,216)	(1,057)
	$ 2,437,119	$ 2,375,312

For the year ended December 31, 2023, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventories which were previously provided with allowance were subsequently sold.

(7) Investments accounted for using equity method

	December 31, 2023		December 31, 2022	
A. R. Z Taiwan Limited	$	169	$	614
Formosa Labarotories Japan, Inc.		19,639		14,811
	$	19,808	$	15,425

A. The Group's share of profit or loss of associates accounted for using the equity method for the years ended December 31, 2023 and 2022 was $5,562 and $7,587, respectively.

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

(8) Property, plant and equipment

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 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)	-
	$ 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
Year ended December 31, 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)	-	30,705	32,983	-	22,975	2,931	3,189	453	12,014	395,931	501,181	61,586
Transfers (Note 4)	-	749,066	235,076	-	30,443	4,672	5,082	-	25,015	(965,750)	83,604	(94,421)
Reclassifications	-	-	(279)	-	279	-	-	-	-	-	-	-
Depreciation charge	-	(73,923)	(259,332)	(1,998)	(43,925)	(15,560)	(9,509)	(770)	(29,885)	-	(434,902)	-
Closing net book amount as at December 31	$ 655,950	$ 1,793,122	$ 1,189,856	$ 15,489	$ 188,038	$ 80,462	$ 28,079	$ 3,763	$ 113,558	$ 1,956,822	$ 6,025,139	$ 26,870
At December 31, 2023												
Cost	$ 655,950	$ 2,377,114	$ 3,248,782	$ 97,668	$ 450,144	$ 225,567	$ 118,906	$ 15,696	$ 337,484	$ 1,956,822	$ 9,484,133	$ 26,870
Accumulated depreciation	-	(583,992)	(2,058,926)	(82,179)	(262,106)	(145,105)	(90,827)	(11,933)	(223,926)	-	(3,458,994)	-
	$ 655,950	$ 1,793,122	$ 1,189,856	$ 15,489	$ 188,038	$ 80,462	$ 28,079	$ 3,763	$ 113,558	$ 1,956,822	$ 6,025,139	$ 26,870

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)	-
	$ 655,950	$ 1,122,631	$ 1,337,581	$ 19,496	$ 187,692	$ 94,230	$ 24,030	$ 4,953	$ 109,664	$ 2,293,504	$ 5,849,731	$ 85,433
Year ended December 31, 2022												
Opening net book amount as at January 1	$ 655,950	$ 1,122,631	$ 1,337,581	$ 19,496	$ 187,692	$ 94,230	$ 24,030	$ 4,953	$ 109,664	$ 2,293,504	$ 5,849,731	$ 85,433
Additions (Note 2)	-	2,655	32,413	-	25,926	491	2,761	-	14,135	291,272	369,653	57,489
Transfers (Note 4)	-	20,524	71,238	-	4,343	10,871	11,744	-	8,983	(58,135)	69,568	(83,217)
Reclassifications	-	-	(1,649)	-	1,445	(49)	-	-	253	-	-	-
Depreciation charge	-	(58,536)	(258,175)	(2,009)	(41,140)	(17,124)	(9,218)	(873)	(26,621)	-	(413,696)	-
Closing net book amount as at December 31	$ 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
At December 31, 2022												
Cost	$ 655,950	$ 1,598,236	$ 2,985,520	$ 97,668	$ 402,763	$ 217,964	$ 110,861	$ 16,782	$ 300,818	$ 2,526,641	$ 8,913,203	$ 59,705
Accumulated depreciation	-	(510,962)	(1,804,112)	(80,181)	(224,497)	(129,545)	(81,544)	(12,702)	(194,404)	-	(3,037,947)	-
	$ 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

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

Note 2: Including capitalised interests.

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

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

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

	Year ended December 31,	
	2023	2022
Amount capitalised	$ 43,002	$ 33,489
Range of the interest rates for capitalisation	1.815%~1.8435%	1.159%~1.531%

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

(9) Intangible assets

	2023				
		Professional expertise			
	Goodwill	APP13007 Ophthalmic anti-inflammatory agents	APP13002 Antibiotic medicament for eyes	Computer software	Total
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)
	$ 30,544	$ 163,703	$ 924	$ 27,758	$ 222,929
Opening net book amount as at January 1	$ 30,544	$ 163,703	$ 924	$ 27,758	$ 222,929
Additions	-	-	-	1,978	1,978
Reclassifications (Note)	-	-	-	4,409	4,409
Amortisation charge	-	(16,370)	(84)	(8,374)	(24,828)
Net exchange differences	-	-	(57)	-	(57)
Closing net book amount as at December 31	$ 30,544	$ 147,333	$ 783	$ 25,771	$ 204,431
At December 31					
Cost	$ 82,166	$ 231,912	$ 1,303	$ 100,282	$ 415,663
Accumulated amortisation and impairment	(51,622)	(84,579)	(520)	(74,511)	(211,232)
	$ 30,544	$ 147,333	$ 783	$ 25,771	$ 204,431

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

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

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

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

	Year ended December 31,	
	2023	2022
Operating costs	$ 4,774	$ 5,720
Administrative expenses	2,875	3,246
Research and development expenses	17,179	18,071
	$ 24,828	$ 27,037

B. On December 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 years ended December 31, 2023 and 2022, the discounts rates were 18.51% and 17.90%, respectively.

(10) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for business facilities	$ 26,870	$ 59,705
Prepayments for investment (Note 1)	52,025	38,895
Guarantee deposits paid (Note 2)	4,783	6,384
Others	1,743	1,515
	$ 85,421	$ 106,499

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) Financial liabilities at amortised cost

Items	December 31, 2023	December 31, 2022
Non-current items:		
New medicine development revenue share agreement	$ 61,410	$ 61,420

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 commercialization of the product. Under the agreement, the Group will share the future authorization income with EirGenix Inc. and is entitled to a consideration of US$30,000 thousand, which will be received in accordance with the schedule as specified in the contract. As of December 31, 2023, the Group has received US$2,000 thousand.

(12) Short-term borrowings

		December 31, 2023	Interest rate range	Collateral
Bank borrowings				
Secured borrowings	$	224,000	1.75%	Refer to Note 8
Unsecured borrowings		1,210,000	1.75%	None
	$	1,434,000		

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

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

Interest expense recognised in profit or loss amounted to $28,620 and $15,828 for the years ended December 31, 2023 and 2022, respectively.

(13) Short-term notes and bills payable

		December 31, 2023		December 31, 2022
Commercial paper payable	$	100,000	$	50,000
Less: Unamortized commercial paper payable	(	41)	(	91)
	$	99,959	$	49,909
Interest rate		1.83%		2.1%

(14) Other payables

		December 31, 2023		December 31, 2022
Salaries and bonus payable	$	219,269	$	216,335
Payable on machinery and equipment		78,899		54,660
Service expenses payable		77,624		51,490
Accrued commission		42,785		36,160
Consumables payable		41,462		56,303
Repairs and maintenance expense payable		31,718		37,067
Utilities expense payable		20,970		17,401
Employees' compensation and directors' and supervisors' remuneration payable		19,844		36,498
Withholding tax payable		18,423		-
Import and export charges payable		14,222		15,570
Others		87,943		63,141
	$	653,159	$	584,625

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 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.	2.08%	Note 2	$ 350,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2022.	2.20%	〃	34,415
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	2.00%	〃	15,500
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.25%	〃	36,750
	2022.7.28 ~ 2025.7.28 Quarterly and average repayment starting from April 2023.	2.25%	〃	28,700
	2023.8.4 ~ 2026.8.4 Quarterly and average repayment starting from May 2024.	2.25%	None	100,000
O-Bank Co., Ltd. (Note 1)	2023.6.15 ~ 2025.6.14 The principal will be repaid upon maturity.	2.15%	〃	200,000
DBS Bank Limited (Note 1)	2023.6.30 ~ 2025.6.30 The principal will be repaid upon maturity.	1.90%	〃	100,000
Taishin International Bank. (Note 1)	2023.7.31 ~ 2025.7.31 The principal will be repaid upon maturity.	2.20%	〃	200,000
CTBC Bank Co., Ltd. Tao-Yuan Branch (Note 1)	2023.2.28 ~ 2025.2.28 The principal will be repaid upon maturity.	2.18%	〃	100,000
TAICHUNG COMMERCIAL BANK Co., Ltd. LINKOU BRANCH (Note 1)	2023.11.30 ~ 2026.11.30 Quarterly and average repayment starting from February 2024.	2.20%	〃	100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	2.03%	〃	37,500
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from June 2023.	2.03%	〃	62,500
SUNNY BANK.	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	2.08%	Note 2	500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	2.08%	None	233,516
	2023.3.10 ~ 2026.3.10 (Note 1) The principal will be repaid upon maturity.	2.08%	〃	297,800
Bank of Panhsin	2023.9.1 ~ 2025.9.1 Starting from December 2023, $10 million will be repaid every quarter. The remaining balance shall be paid off in lump sum upon maturity.	2.24%	〃	90,000
				2,486,681
Less: Current portion (shown as other current liabilities)				(448,784)
				$ 2,037,897

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 April 2023.	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 June 2023.	1.91%	〃	100,000
SUNNY BANK.	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	1.83%	Note 2	500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	1.83%	None	280,000
	2021.12.28 ~ 2023.12.28 (Note 1) The principal will be repaid upon maturity.	1.83%	〃	297,800
				2,256,773
Less: Current portion (shown as other current liabilities)				(619,017)
				$ 1,637,756

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

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

A. Under the loan agreements, the Group is required to compute and maintain certain financial covenants based on the annual and semi-annual consolidated financial statements. As of December 31, 2023 and 2022, the Group has met all the required covenants.

B. As at December 31, 2023 and 2022, the Group had total undrawn borrowing facilities of $1,605,730 and $1,551,084, respectively.

(16) Pensions

A. Defined benefit plans

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

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 46,778	$ 41,148
Fair value of plan assets	(23,407)	(24,300)
Net defined benefit liability (shown as "other non-current liabilities")	$ 23,371	$ 16,848

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

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1			
Current service cost	$ 41,148	($ 24,300)	$ 16,848
Interest expense (income)	648	-	648
	700	(419)	281
Remeasurements:	42,496	(24,719)	17,777
Change in financial assumptions			
Experience adjustments	1,917	-	1,917
	4,590	(93)	4,497
Pension fund contribution	6,507	(93)	6,414
Benefits paid	-	(820)	(820)
At December 31	(2,225)	2,225	-
	$ 46,778	($ 23,407)	$ 23,371

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2023	2022
Discount rate	1.196%	1.70%
Future salary increases	2.50%	2.50%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2023 and 2022.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	($ 955)	$ 985	$ 955	($ 931)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to $840.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 8.46 years.

B. Defined contribution plans

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

(b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $36,372 and $34,173, respectively.

(17) Share-based payment

A. For the years ended December 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	6 hundred thousand shares	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	40.80
Options expired	(50,000)	40.80	(60,000)	40.80
Options outstanding at December 31	490,000	$ 39.70	540,000	$ 40.80
Options exercisable at December 31	-	$ -	-	$ -

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

		December 31, 2023	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)
2022.03.09	2027.03.08	490,000	$ 39.70

		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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Formosa Pharmaceuticals Inc.-Employee stock options	2022.03.09	$39.50 (Note 1)	$ 39.70	49.67% (Note 2)	3.5 ~ 4.5 years	0%	0.56%	$13.8687 ~ 15.0536

Note 1: It was set based on the closing price of target shares in Taipei Exchange on the grant date.

Note 2: The expected price volatility was estimated based on the closing price of stocks of comparable companies at time length which approximates the expected duration.

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

	Year ended December 31,	
	2023	2022
Equity-settled	$ 2,423	$ 2,587

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

G. Formosa Pharmaceuticals Inc. - employee share options - 111 adjusted the performance price of employee share options to NT$39.7 in accordance with the regulations on employee share options on June 29, 2023. The aforementioned adjustment of performance price did not significantly affect the fair value of employee share options

(18) Share capital

As of December 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.

(19) Capital surplus

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

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

(20) Retained earnings

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

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

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

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

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

E. On June 27, 2023 and June 23, 2022, the Group's shareholders resolved the appropriations of earnings for the years ended December 31, 2022 and 2021 as follows:

	Year ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 40,979		$ 125,044	
Special reserve	54,964		-	
Cash dividends	120,256	$ 1.00	240,511	$ 2.00
	$ 216,199		$ 365,555	

F. On March 12, 2024, the Company's Board of Directors proposed for the appropriations of earnings for the year ended December 31, 2023 as follows:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 12,111	
Special reserve	(54,964)	
Cash dividends	240,512	$ 2.00
	$ 197,659	

As of March 12, 2024, the aforementioned appropriations of 2023 earnings have not yet been resolved by the shareholders.

(21) Other equity items

	Year ended December 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	15,508	-	15,508
Currency translation differences:			
–Subsidiaries and associates	-	(4,547)	(4,547)
–Tax on subsidiaries and associates	-	909	909
At December 31	$ 19,852	($ 13,685)	$ 6,167

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

(22) Operating revenue

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers		
Sales revenue	$ 4,157,911	$ 3,564,622
Service revenue	171,365	200,882
Authorization	31,172	-
	$ 4,360,448	$ 3,765,504

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2023			
	At a point in time		Over time	
	Sales revenue	Technology licensing	Service revenue	Total
India	$ 1,031,114	$ -	$ -	$ 1,031,114
Netherlands	577,197	-	-	577,197
Japan	310,006	-	1,971	311,977
Germany	306,894	-	-	306,894
Taiwan	175,556	-	102,527	278,083
China	240,588	31,172	808	272,568
Switzerland	284,488	-	(12,434)	272,054
United States	237,549	-	31,766	269,315
Canada	137,226	-	798	138,024
Others	857,293	-	45,929	903,222
	$ 4,157,911	$ 31,172	$ 171,365	$ 4,360,448

	Year ended December 31, 2022							
	At a point in time				Over time			
	Sales revenue		Technology licensing		Service revenue		Total	
India	$	918,782	$	-	$	-	$	918,782
Taiwan		283,694		-		96,814		380,508
Netherlands		377,799		-		-		377,799
Switzerland		227,939		-		52,408		280,347
Germany		231,162		-		-		231,162
Japan		228,515		-		236		228,751
China		220,018		-		-		220,018
Canada		204,047		-		4,472		208,519
United States		172,338		-		18,001		190,339
Others		700,328		-		28,951		729,279
	$	3,564,622	$	-	$	200,882	$	3,765,504

B. Contract assets and liabilities

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

	December 31, 2023		December 31, 2022		January 1, 2022	
Contract liabilities	$	193,102	$	72,764	$	109,686

The Group recognised the revenue-related contract liabilities arising from advance sales receipts and licensing fee.

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

	Year ended December 31,			
	2023		2022	
Revenue recognised that was included in the contract liability balance at the beginning of the year	$	27,238	$	90,757

C. For the aforementioned technology license, the Group and Grandpharma (China) Co., Ltd. entered into a contract for collaborative development and authorisation agreement on new medicines in China, Hong Kong, Macao, etc. The Group transferred professional knowledge and provided related data to Grandpharma (China) Co., Ltd. who was responsible for clinical development. When Grandpharma (China) Co., Ltd. successfully develops new medicines, it will obtain the right of production and sales in China, Hong Kong and Macao. Under the contract, the Group can charge signing bonus, milestone payment and royalties proportionately to the sales amount in the future. For the years ended December 31, 2023, the Group recognised the licensing revenue of $31,172, and from the date of signing the contract to December 31, 2023, the accumulated revenue was $59,023.

D. The Group and Eyenovia, Inc. (EYEN) entered into a contract for authorisaion on new medicines in U.S. The Group will transfer the drug license and the right of production and sales in the US.

Under the contract, the Group can charge EYEN for signing bonus, development milestones and sales milestones. As of December 31, 2023, the Group has received US$1,000 and 487 thousand ordinary shares of EYEN, shown as 'non-current financial assets at fair value through other comprehensive income' and from the date of signing the contract to December 31, 2023, the Group has not yet recognised any revenue.

(23) Interest income

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income from bank deposits	$ 14,434	$ 2,144
Financial assets at amortised cost		
Interest income	9,219	-
Other interest income	55	-
	$ 23,708	$ 2,144

(24) Other gains and losses

	Year ended December 31, 2023	Year ended December 31, 2022
Gains on disposal of property, plant and equipment	$ 88	$ 51
Gains arising from lease modifications	21	24
Net currency exchange (losses) gains	(65,776)	10,382
Net (losses) gains on financial assets at fair value through profit or loss	(428,918)	178,784
Consideration to measure losses (Note)	(34,529)	-
Miscellaneous disbursements	(4,886)	(12,512)
	($ 534,000)	$ 176,729

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.

(25) Finance costs

	Year ended December 31, 2023	Year ended December 31, 2022
Interest expense:		
Bank borrowings	$ 73,185	$ 51,235
Others	4,552	1,582
	77,737	52,817
Less: Capitalisation of qualifying assets	(43,002)	(33,498)
Finance costs	$ 34,735	$ 19,319

(26) Expenses by nature

	Year ended December 31,	
	2023	2022
Employee benefit expense	$ 1,012,524	$ 977,536
Depreciation charges on right-of-use assets, property, plant and equipment	$ 462,479	$ 442,452
Amortisation charges on intangible assets and other non-current assets	$ 25,850	$ 28,463

(27) Employee benefit expense

	Year ended December 31,	
	2023	2022
Wages and salaries	$ 860,692	$ 838,460
Labour and health insurance fees	75,852	68,558
Pension costs	37,301	34,874
Other personnel expenses	27,590	22,325
Directors’ remuneration	8,666	10,732
Employee stock options	2,423	2,587
	$ 1,012,524	$ 977,536

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

B. For the years ended December 31, 2023 and 2022, employees’ compensation was accrued at $15,944 and $28,500, respectively; while directors’ and supervisors’ remuneration was accrued at $3,900 and $7,998, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 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.

   On March 12, 2024, the employees’ compensation and directors’ and supervisors’ remuneration resolved by the Board of Directors were $15,944 and $3,900, respectively, and the employees’ compensation will be paid in cash.

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) <u>Income tax</u>

A. Income tax expense

(a) Components of income tax:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	$ 190,978	$ 127,348
Tax on undistributed surplus earnings	-	14,244
Prior year income tax overestimation	(10,224)	(1,287)
Total current tax	180,754	140,305
Deferred tax:		
Origination and reversal of temporary differences	13,896	(23,934)
Income tax expense	$ 194,650	$ 116,371

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

	Year ended December 31,	
	2023	2022
Currency translation differences	($ 909)	($ 370)
Remeasurement of defined benefit obligations	(1,283)	106
	($ 2,192)	($ 264)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	($ 119)	$ 24,710
Expenses disallowed by tax regulation	124,145	18,218
Tax exempt income by tax regulation	(831)	(19,510)
Temporary differences not recognised as deferred tax assets	411	599
Taxable loss not recognised as deferred tax assets	59,479	79,900
Prior year income tax overestimation	(10,224)	(1,287)
Tax on undistributed surplus earnings	-	14,244
Reversal of deferred tax liabilities	(494)	(494)
Foreign withholding tax on dividends	22,283	(9)
Income tax expense	$ 194,650	$ 116,371

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

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised inventory valuation loss	$ 76,451	($ 13,679)	$ -	$ 62,772
Unrealised exchange loss	3,218	5,491	-	8,709
Amount of allowance for bad debts that exceed the limit for tax purpose	6,241	(6,241)	-	-
Pensions	3,689	-	1,283	4,972
Unrealised expenses	5,078	202	-	5,280
Cumulative translation adjustments	2,512	-	909	3,421
	97,189	(14,227)	2,192	85,154
—Deferred tax liabilities:				
Foreign investment income	(2,166)	(163)	-	(2,329)
Land revaluation increment	(17,529)	-	-	(17,529)
Deferred tax liabilities arising from acquisitions	(4,939)	494	-	(4,445)
	(24,634)	331	-	(24,303)
	$ 72,555	($ 13,896)	$ 2,192	$ 60,851

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

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

	December 31, 2023			
Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	2011	$ 2,834	$ 2,834	Note 1
	2012	8,419	8,419	〃
	2013	9,019	9,019	〃
	2014	5,702	5,702	〃
	2015	5,046	5,046	〃
	2016	5,143	5,143	〃
	2020	12,973	12,973	Note 2
	2021	107,261	107,261	〃
	2022	75,947	75,947	〃
	2023	54,523	54,523	〃
		$ 286,867	$ 286,867	

Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
	December 31, 2022			
Research and development	2011	$ 2,834	$ 2,834	Note 1
	2012	8,419	8,419	〃
	2013	9,019	9,019	〃
	2014	5,702	5,702	〃
	2015	5,046	5,046	〃
	2016	5,143	5,143	〃
	2020	12,973	12,973	Note 2
	2021	107,261	107,261	〃
	2022	78,228	78,228	〃
		$ 234,625	$ 234,625	

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

Note 2: On August 4, 2020, the subsidiary, Formosa Pharmaceuticals Inc., was approved as a biotechnology and new medicine company by Jing-Shou-Gong-Zi Letter No.10920422850 of the Ministry of Economic Affairs, R.O.C. Accordingly, the Company and the Company’s shareholders were entitled to certain incentives under the ‘Act For The Development Of Biotech And New Pharmaceuticals Industry’. The approval letter was effective within 5 years from the date of the approval. The investment tax credits arising from research and development and employees’ training expenditure shall be deducted from income tax payable. Unused investment tax credits can be deducted from income tax payable within 5 years.

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

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2014	Assessed	$ 22,130	$ 22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Assessed	226,698	226,698	2030
2021	Assessed	413,292	413,292	2031
2022	Filed	373,916	373,916	2032
2023	Filed	297,238	297,238	2033
		$ 1,720,113	$ 1,720,113	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	Assessed	$ 25,894	$ 25,894	2023
2014	Assessed	22,130	22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Assessed	226,698	226,698	2030
2021	Filed	413,292	413,292	2031
2022	Filed	387,075	387,075	2032
		$ 1,461,928	$ 1,461,928	

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

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 17,771	$ 17,771	2025
2016	Assessed	4,938	4,938	2026
2017	Assessed	5,962	5,962	2027
2018	Assessed	4,844	4,844	2028
2019	Assessed	3,965	3,965	2029
2020	Assessed	1,107	1,107	2030
2021	Assessed	209	209	2031
2022	Filed	201	201	2032
2023	Filed	160	160	2033
		$ 39,157	$ 39,157	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 17,771	$ 17,771	2025
2016	Assessed	4,938	4,938	2026
2017	Assessed	5,962	5,962	2027
2018	Assessed	4,844	4,844	2028
2019	Assessed	3,965	3,965	2029
2020	Assessed	1,107	1,107	2030
2021	Filed	209	209	2031
2022	Filed	201	201	2032
		$ 38,997	$ 38,997	

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	$ 242,251	$ 248,386

D. The income tax returns of the Company, Epione Pharmaceuticals, Inc. and Formosa Pharmaceuticals Inc. through 2021 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 126,243	120,256	$ 1.05
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 126,243	120,256	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	235	
Profit attributable to ordinary shareholders of the parent	$ 126,243	120,491	$ 1.05

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

(30) Transactions with non-controlling interest

Cash capital increase of subsidiaries results in changes in the Group's shareholding ratio

A. On May 4, 2023, the Board of Directors of the subsidiary, Formosa Pharmaceuticals. Inc., approved the cash capital increase by issuing 20,500 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 46.55% to 45.84%. The transaction increased non-controlling interest by $547,205 and increased the equity attributable to owners of parent by $36,470. For the year ended

December 31, 2023, the effects from changes in owner's equity of Formosa Pharmaceuticals. Inc. to owner's equity attributable to parent company were as follows:

		Year ended December 31, 2023
Cash	$	583,675
Increase in the carrying amount of non-controlling interest	(	547,205)
Capital surplus - recognition of changes in ownership interest in subsidiaries	$	36,470

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

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

(31) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31,			
	2023		2022	
Purchase of property, plant and equipment	$	501,181	$	369,653
Add: Opening balance of payable on equipment		54,660		65,947
Less: Ending balance of payable on equipment	(	78,899)	(	54,660)
Cash paid during the year	$	476,942	$	380,940

(32) Changes in liabilities from financing activities

	2023					
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liability	New medicine development revenue share agreement	Liabilities from financing activities-gross
At January 1	$ 1,449,666	$ 49,909	$ 2,256,773	$ 43,529	$ 61,420	$ 3,861,297
Changes in cash flow from financing activities	(15,666)	50,050	229,908	(27,567)	-	236,725
Changes in other non-cash items	-	-	-	26,788	(10)	26,778
At December 31	$ 1,434,000	$ 99,959	$ 2,486,681	$ 42,750	$ 61,410	$ 4,124,800

	2022					
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liability	New medicine development revenue share agreement	Liabilities from financing activities-gross
At January 1	$ 1,017,388	$ 159,939	$ 2,191,853	$ 51,239	$ -	$ 3,420,419
Changes in cash flow from financing activities	432,278	(110,030)	64,920	(28,809)	58,390	416,749
Changes in other non-cash items	-	-	-	21,099	3,030	24,129
At December 31	$ 1,449,666	$ 49,909	$ 2,256,773	$ 43,529	$ 61,420	$ 3,861,297

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

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

Names of related parties	Relationship with the Company
TaiRx, Inc.	Other related party
EirGenix Inc.	Other related party
Formosa Labarotories Japan, Inc.	Associate
A. R. Z Taiwan Limited	Associate

(3) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2023	2022
Sales of goods:		
Associates	$ 73,301	$ 63,628
Other related parties	21	-
	$ 73,322	$ 63,628

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

	Year ended December 31,	
	2023	2022
Sales of services:		
Other related parties	$ 16,302	$ 20,105

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

B. Purchases

	Year ended December 31,	
	2023	2022
Purchases of goods:		
Other related parties	$ -	$ 11,190

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

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

	Year ended December 31,	
	2023	2022
Other related parties	$ 5,335	$ 4,343

D. Accounts receivable

	December 31, 2023	December 31, 2022
Associates	$ 7,701	$ 12,086
Other related parties	4,136	1,546
Loss allowance	(3)	(4)
	$ 11,834	$ 13,628

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

E. Other receivables

	December 31, 2023	December 31, 2022
Other receivables		
Associates	$ 28	$ 27

F. Other payables

	December 31, 2023	December 31, 2022
Other related party	$ 2,636	$ -

The above represents the payable for entrusting other related parties to carry out clinical development and research.

F. Financial liabilities at amortised cost

	December 31, 2023	December 31, 2022
Other related party	$ 61,410	$ 61,420

The above represents consideration due from other related parties under a new medicine development revenue share agreement of TSY-110. Refer to Note 6(11).

(4) Key management compensation

	Year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	$ 80,504	$ 78,410
Post-employment benefits	1,614	1,420
Share-based payments	901	276
	$ 83,019	$ 80,106

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Financial assets at fair value through profit or loss	$ 954,750	$ 1,230,000	Guarantee for short-term borrowings
Land	655,950	655,950	Guarantee for short-term borrowings and mid-term and long-term borrowings facility
Buildings and structures	1,644,340	981,515	"
Machinery and equipment	147,802	167,727	Guarantee for mid-term and long-term borrowings facility
Pollution-prevention equipment	4,665	5,540	"
Unfinished construction and equipment under acceptance	433,466	974,278	"
Guarantee deposits paid (shown as "other non-current assets")	1,659	3,225	Performance guarantee
	$ 3,842,632	$ 4,018,235	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	December 31, 2023	December 31, 2022
Property, plant and equipment	$ 356,208	$ 303,174

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

The aforementioned contingent price will be paid in accordance with the progress for application of clinical testing, patent and new medicine. The maximum amount is US$8,500 thousand, which will be paid based on a certain percentage of the sales amount as specified in the contract when the product is launched in the market. As of December 31, 2023 and 2022, accumulated payments of the contact price were US$6,000 thousand and US$6,000 thousand, respectively. As of December 31, 2023 and 2022, the outstanding payment amounted to $69,931 (US$2,278 thousand) and $33,709 (US$1,098 thousand), where the considerations for "other current liabilities" are $69,931 and $0, respectively, and the rest are listed as "other non-current liabilities".

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Information about the appropriations of 2023 earnings of the Group is provided in Note 6(20)F.

(2) The Company's board of directors during its meeting on March 12, 2024 resolved to acquire 100% equity interest in American Company SynChem. The total acquisition price is expected to be no more than US$2,000 thousand.

(3) On March 4, 2024 (U.S. time), Formosa Pharmaceuticals Inc., a subsidiary of the Company, received a notice from the U.S. Food and Drug Administration (FDA) that clobetasol propionate eye drop suspension 0.05% (APP13007) for the treatment of inflammation and pain after ophthalmic surgery has passed the U.S. FDA new drug application review and obtained marketing approval.

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 December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total borrowings	$ 4,020,640	$ 3,756,348
Less: Cash and cash equivalents	(1,526,013)	(1,279,462)
Net debt	2,494,627	2,476,886
Total equity	8,210,201	7,796,273
Total capital	$ 10,704,828	$ 10,273,159
Gearing ratio	23.30%	24.11%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 1,961,831	$ 2,375,070
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 121,269	$ 61,479
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,526,013	$ 1,279,462
Financial assets at amortised cost	831,410	153,550
Notes and accounts receivable (including related parties)	960,009	812,477
Other receivables due from related parties	63,353	14,617
Guarantee deposits paid (shown as "other non-current assets")	4,783	6,384
	$ 3,385,568	$ 2,266,490
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 1,434,000	$ 1,449,666
Short-term notes and bills payable	99,959	49,909
Notes and accounts payable	203,126	187,490
Other payables	655,795	584,625
New medicine development revenue share agreement	61,410	61,420
Long-term borrowings (including current portion)	2,486,681	2,256,773
	$ 4,940,971	$ 4,589,883
Lease liability (including current portion)	$ 42,749	$ 43,529

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

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

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

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 52,916	30.705	$ 1,624,786
USD:JPY	3,400	141.37	104,731
Non-monetary items			
JPY:NTD	555,360	0.2172	121,646
USD:NTD	1,692	30.705	51,947
EUR:NTD	2,315	33.98	78,656
HKD:NTD	10,108	3.929	39,715
Financial liabilities			
Monetary items			
USD:NTD	18,346	30.705	563,314

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

iv. The exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to ($65,776) and $10,382, respectively.

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

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 16,248	$ -
USD:JPY	1%	1,047	-
Financial liabilities			
Monetary items			
USD:NTD	1%	5,633	-

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

Price risk

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

ii. The Group’s investments in equity securities comprise equity instruments issued by domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $19,618 and $23,751, 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 $1,213 and $615, 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 2023 and 2022, the Group’s borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

ii. For the years ended December 31, 2023 and 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 years ended December 31, 2023 and 2022 would have decreased by $1,989 and $1,805, 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 the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

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

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

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

(i) The loss allowance for optimal customers' accounts was estimated to be 0.03% by using expected loss rate method. As of December 31, 2023 and 2022, the balances of loss allowance were $195 and $174, respectively.

(ii) The loss allowance for non-optimal customers' accounts was estimated by using provision roll rate matrix. As of December 31, 2023 and 2022, related information is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2023			
Not past due	1.18%	$ 304,175	$ 3,581
Up to 30 days past due	16.65%	8,978	1,494
31~ 90 days past due	55.92~100%	-	-
91~ 180 days past due	100.00%	829	829
181 days past due	100.00%	1,216	1,216
Total		$ 315,198	$ 7,120

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

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

	Year ended December 31, 2023		
	Non-related parties	Related parties	Total
Balance at January 1	$ 33,774	$ 4	$ 33,778
Reversal of impairment loss	(26,462)	(1)	(26,463)
Balance at December 31	$ 7,312	$ 3	$ 7,315

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

For provisioned loss on December 31, 2023 and 2022, the impairment losses (reversal gains) arising from customers' contracts are ($26,463) and $28,348, respectively.

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

December 31, 2023	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
New medicine development revenue share agreement	$ -	$ -	$ 61,410	$ -
Short-term borrowings	1,436,188	-	-	-
Short-term notes and bills payable	99,959	-	-	-
Notes payable	1,017	-	-	-
Accounts payable	202,109	-	-	-
Other payables	655,795	-	-	-
Lease liability (including current portion)	24,300	12,035	7,848	2,413
Long-term borrowings (including current portion)	497,079	1,019,545	945,651	112,238
	$ 2,916,447	$ 1,031,580	$ 1,014,909	$ 114,651

Non-derivative financial liabilities:

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 are as follows:

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss - equity securities	$ 1,918,749	$ -	$ 17,784	$ 1,936,533
Venture Fund	-	-	24,000	24,000
Convertible bonds	1,298	-	-	1,298
Financial assets at fair value through other comprehensive income - equity securities	-	27,260	94,009	121,269
Total	$ 1,920,047	$ 27,260	$ 135,793	$ 2,083,100
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 69,931	$ 69,931

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss - equity securities	$ 2,358,167	$ -	$ 14,976	$ 2,373,143
Convertible bonds	1,927	-	-	1,927
Financial assets at fair value through other comprehensive income - equity securities	-	-	61,479	61,479
Total	$ 2,360,094	$ -	$ 76,455	$ 2,436,549
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 33,709	$ 33,709

(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. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	Equity securities and derivative instruments		Company acquisition payable	
	2023	2022	2023	2022
At January 1	$ 76,455	$ 114,962	$ 33,709	$ 57,196
Recognised in profit or loss	2,808	-	38,074	(28,924)
Gains and losses recognised in other comprehensive income	17,635	(53,483)	-	-
Acquired during the year	38,895	14,976	-	-
Effect due to changes in exchange rates	-	-	(1,852)	(5,437)
At December 31	$ 135,793	$ 76,455	$ 69,931	$ 22,835

E. 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.

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

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 111,793	Latest transaction prices in inactive market	Not applicable	-	Not applicable
Venture Fund	$ 24,000	Net asset value	Not applicable	-	Not applicable
Non-derivative debt instrument:					
Payable for the acquisition of a company	$ 69,931	Depends on terms of individual contract	Achievement rate	91.10%	The higher the achievement rate, the lower 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	$ 76,455	Latest transaction prices in inactive market	Not applicable	-	Not applicable

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative debt instrument:					
Payable for the acquisition of a company	$ 33,709	Depends on terms of individual contract	Achievement rate	48.30%	The higher the achievement rate, the lower the fair value

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Refer to table 1.

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

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

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

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Refer to table 3.

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 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-Group transactions during the reporting periods: Refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

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

(4) Major shareholders information

Major shareholders information: Refer to table 8.

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:

Year ended December 31, 2023

	API	Other operating departments	Elimination	Total
Revenue from external customers	$ 4,329,276	$ 31,172	$ -	$ 4,360,448
Inter-segment revenue	17,015	-	(17,015)	-
Total segment revenue	$ 4,346,291	$ 31,172	($ 17,015)	$ 4,360,448
Segment income	$ 126,243	($ 353,484)	$ 174,982	($ 52,259)
Segment income (loss), including				
Depreciation and amortisation	$ 467,454	$ 40,538	($ 19,663)	$ 488,329
Income tax expense	($ 172,788)	($ 21,862)	$ -	($ 194,650)
Recognised investment profit or loss accounted for using equity method	$ 5,562	$ -	$ -	$ 5,562

Year ended December 31, 2022

	API	Other operating departments	Elimination	Total
Revenue from external customers	$ 3,764,189	$ 1,315	$ -	$ 3,765,504
Inter-segment revenue	39,956	-	(39,956)	-
Total segment revenue	$ 3,804,145	$ 1,315	($ 39,956)	$ 3,765,504
Segment income	$ 409,359	($ 402,541)	$ 209,992	$ 216,810
Segment income (loss), including				
Depreciation and amortisation	($ 449,404)	$ 39,204	$ 17,891	($ 392,309)
Income tax expense	($ 116,507)	$ 136	$ -	($ 116,371)
Recognised investment profit or loss accounted for using equity method	$ 7,587	$ -	$ -	$ 7,587

(4) Reconciliation for segment income (loss)

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

(5) Information on products and services

	Year ended December 31,	
	2023	2022
Cholesterol and Phosphate Binders	$ 1,575,432	$ 1,292,494
Vit. D Derivatives	808,995	700,968
Contract Development and Manufacturing Organization (CDMO)	514,714	535,512
Respiratory Agents	478,286	357,355
Anti-cancer active ingredients	259,627	117,277
Anti-inflammatory and Analgesic Agents	208,368	225,977
Others	515,026	535,921
	$ 4,360,448	$ 3,765,504

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
India	$ 1,031,114	$ -	$ 918,782	$ -
Netherlands	577,197	-	377,799	-
Japan	311,977	-	228,751	-
Germany	306,894	-	231,162	-
Taiwan	278,083	6,352,745	380,508	6,241,624
China	272,568	-	220,018	-
Switzerland	272,054	-	280,347	-
United States	269,315	-	190,339	-
Canada	138,024	-	208,519	-
Others	903,222	-	729,279	-
	$ 4,360,448	$ 6,352,745	$ 3,765,504	$ 6,241,624

(7) Major customer information

The Group had no sales to a customer accounting for more than 10% of total sales for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Segment	Revenue	Segment
A	$ 563,315	API	$ 377,505	API

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Loans to others

Year ended December 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 year ended December 31, 2023	Balance at December 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	$ -	$ -	-	2	$ -	Revolving funds	$ -	None	$ -	$ 757,095	$ 1,514,190	Note 2
1	Formosa Pharmaceuticals, Inc.	Activus Pharma Co., Ltd.	Other receivables-related parties	Y	5,000	5,000	2,984	3.119%	2	-	Revolving funds	-	None	-	342,009	399,010	Note 3

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.

Note 2: Formosa Laboratories Japan loans to others:

(1) Ceiling of loans to individual (short-term financing) is 30% of the creditor’s net asset of latest financial statements.

(2) Total ceiling of loans to individual (short-term financing) is 35% of the creditor’s net asset of latest financial statements.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023 Number of shares	Carrying amount	Ownership (%)	Fair value	Footnote
Formosa Laboratories, Inc.	EirGenix, Inc. common stocks	Other related party	Current/non-current financial assets at fair value through profit or loss	18,552,818	$ 1,864,558	6.06	$ 1,864,558	
Formosa Laboratories, Inc.	TOT Biopharm International Company Limited common stocks	None	Financial assets at fair value through profit or loss - current	5,131,100	39,715	0.66	39,715	
Formosa Laboratories, Inc.	TaiRx, Inc. common stocks	Other related party	Financial assets at fair value through profit or loss - current	550,000	14,476	0.50	14,476	
Formosa Laboratories, Inc.	AG Global Inc Unlisted stocks	None	Financial assets at fair value through profit or loss - noncurrent	1,041,666	-	1.33	-	
Formosa Laboratories, Inc.	Oncomatryx Biopharma, S.L.common stocks	None	Non-current financial assets at fair value through other comprehensive income	303,713	78,656	3.58	78,656	
Formosa Laboratories, Inc.	PHARMASTAR INC.common stocks	None	Non-current financial assets at fair value through other comprehensive income	500,000	15,353	20.00	15,353	
Formosa Laboratories, Inc.	Hcmed, Innovations Co., Ltd. common stocks	None	Financial assets at fair value through profit or loss - noncurrent	312,000	17,784	1.04	17,784	
Formosa Laboratories, Inc.	Forward BioT Venture Capital	None	Financial assets at fair value through profit or loss - noncurrent	-	24,000	14.05	24,000	
Epione Pharmaceuticals, Inc.	RiTdisplay Corporation Ⅱ unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	10,000	975	-	975	
Epione Pharmaceuticals, Inc.	AcBel Polytech Inc. II unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	3,000	324	-	324	
Formosa Pharmaceuticals, Inc.	Eyenovia, Inc. (EYEN) shares	None	Non-current financial assets at fair value through other comprehensive income	487,805	27,260	1.14	27,260	

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Formosa Laboratories, Inc.	Buildings and structures	It has been obtained successively since 2023	$ 779,771	Obtained in cash	Quanhong Construction Co., Ltd. etc.	None	-	-	-	$ -	Price comparision and price negatlation	Expansion production line	None

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	Same ultimate parent company	$ 104,731	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.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Operating revenue	$ 17,015	Note 5	0%
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Contract liabilities	11,570	Note 5	0%
1	Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	3	Other receivables	104,731	Note 6	1%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
Information on investees
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2023					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	Net income of investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Taiwan	Research and development of new biotechnology medicine	$ 1,231,638	$ 810,811	61,487,653	45.84%	$ 540,591	($ 347,734)	($ 155,038)	
Formosa Laboratories, Inc.	Epione Pharmaceuticals, Inc.	Taiwan	Research and development of new biotechnology medicine	40,000	40,000	4,000,000	100.00%	13,120	200	200	
Formosa Laboratories, Inc.	A.R.Z Taiwan Limited	Taiwan	Agency sales of raw materials and intermediates	2,716	2,716	271,620	45.00%	169	(988)	(445)	
Formosa Laboratories, Inc.	Formosa Labarotories Japan, Inc.	Japan	Agency sales of medicine and intermediates	1,105	1,105	400	40.00%	19,639	15,017	6,007	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Cayman Islands	Medicine, chemical trade and investment business	18,482	9,568	619,000	100.00%	9,334	(5,246)	(5,246)	
Epione Investment Cayman Limited	Epione Investment HK Limited	Hong Kong	Medicine, chemical trade and investment business	16,287	7,591	544,500	100.00%	8,515	(5,078)	(5,078)	
Formosa Pharmaceuticals Inc.	Activus Pharma. Co., Ltd.	Japan	Research and development of new biotechnology medicine	274,633	274,633	1,942	99.23%	102,007	3,902	3,788	

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 7

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 year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 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	$ 15,353	Note 1	$ 6,939	$ 8,414	$ -	$ 15,353	($ 5,046)	100%	($ 5,046)	$ 8,102	$ -	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, 2023 is calculated based on the Company's financial statements which were audited by independent accountants.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 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.	$ 56,291	$ 147,642	$ 4,542,571

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,808 thousand at the exchange rate of 30.705 and translated into $147,642.
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, 2023 was $40,938, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 8

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