Stock Code: 4746

2022 Annual Report

Formosa Laboratories, Inc.

Annual Report available on:

Market Observation Post System Website site: https://mops.twse.com.tw

The company's Website: https://www.formosalab.com

Printed on Apr. 29, 2023

__Notice to readers__

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

I. Spokesperson, Deputy Spokesperson

(I) Spokesperson: Lo Yu-Chen
Title: Vice President
Tel: (03)324-1072
E-mail: info@formosalab.com

(II) Deputy Spokesperson: Liou Shan-Jan
Title: Vice president
Tel: (03)324-1072
E-mail: info@formosalab.com

II. Address and Tel of Headquarters, Branches and Plant

(I) Headquarters
Address: 36 Hoping Street, Louchu, Taoyuan 33842, Taiwan
Tel: (03)324-0895

(II) Plant
Address: 36 Hoping Street, Louchu, Taoyuan 33842, Taiwan
Tel: (03)324-0895

(III) Branches: None.

III. Stock transfer agency

(I) Name: KGI Securities, Department of Stock Agency
(II) Address: 5F, No. 2, Sec. 1, Chongqing S.Rd., Zhongzheng Dist., Taipei City 100502
(III) Tel: (02)2389-2999
(IV) Website: https://www.kgi.com

IV. Certified Public Accountants (CPAs) who audited the company's annual financial report for the most recent fiscal year

(I) Name: CPA Yen Yu-Fang, Yu Shu-Fen
(II) Accounting Firm: PricewaterhouseCoopers Taiwan
(III) Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
(IV) Tel: (02)2729-6666
(V) Website: https://www.pwc.com/tw

V. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: None.

VI. The Company Website: https://www.formosalab.com

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Chapter 1 Letter to Shareholders

I. The 2022 Business Report

(I) Implementation results of the business plan

In 2022, the Company's operating revenue reached NT$3,765,504thousand, representing a 19.83% increase from the previous year. The net profit after tax amounted to NT$409,359thousand, resulting in an earnings per share of NT$3.40. The growth in profit was primarily driven by the increased shipment of Cholesterol and Phosphate Binders, Vitamin D Derivatives, and Respiratory Agents. Additionally, the strong appreciation of the US dollar contributed to a higher gross profit margin, leading to a rise in net operating revenue compared to 2021. However, the net profit before tax experienced a significant decline from the previous year, mainly due to the recognition of a substantial amount of non-operating income - financial asset evaluation gain in 2021.

(II) Analysis on revenue and expense and profitability

Item \ Year		2022	2021
Financial structure	Debt to assets ratio	38.86	36.74
	Long-term fund to fixed assets ratio (%)	163.55	164.64
Debt servicing capability	Current ratio (%)	132.13	151.71
	Quick ratio (%)	78.30	79.66
Profitability	Return on assets (%)	1.92	9.60
	Shareholder's return on equity (%)	2.82	16.19
	Net profit margin (%)	5.76	33.21
	Earnings per share (NTD)	3.40	10.92

(III) R&D status

In order to bolster the industry's competitiveness, the Company and its subsidiaries consistently engage in research and development as well as innovation. It is anticipated that expenditures on R&D will continue to exceed a certain threshold in the future. The Company has upgraded its technology and services for active pharmaceutical ingredients (APIs), expanded its R&D efforts to include downstream processing of existing APIs, and entered into the R&D of injectable formulations. Currently, the Company has put into production general production lines for both small molecules and macromolecules, as well as production lines for cytotoxic manufacturing of anticancer drugs and ADCs. The Company has also focused on reference listed drugs that will soon be launched, selecting products from them to expand the market of antibody drug conjugates (ADCs) and injectable formulations. Additionally, the Company's custom R&D and OEM business offers custom synthesis services for small molecule APIs for clinical use, as well as custom synthesis services for APIs of ADCs. Currently, Formosa Pharmaceuticals Inc., a subsidiary of our Company, is conducting research and development on APP13007, an ophthalmic drug designed to alleviate inflammation and pain resulting from ophthalmic surgery. This drug is developed using the APNT nanoparticle formulation platform, which offers ophthalmologists and patients a more direct and clearer method of medication administration. As a result, it provides a safer, more convenient, and effective option for medication. The statistical analysis for CPN-301 and CPN-302, which are two sub-trials of the APP13007 Phase III human clinical trial, has been completed. The results were disclosed in May and August of 2022, respectively. It is anticipated that the new drug application (NDA) will be submitted in 2023. In March 2022, Formosa Pharmaceuticals entered into an authorization contract with EirGenix, Inc. for the development of a new drug, TSY-0110, intended for the treatment of breast cancer. Pursuant to the agreement, Formosa Pharmaceuticals will receive royalties in stages, while EirGenix will have the right to share in the profits. Both parties will share in the earnings resulting from the research and development of TSY-0110. The Phase I human clinical trial is anticipated to be submitted for follow-up in 2023.

II. 2023 Business Plan Outline

(I) Operation goals

1. Maintain a focus on one-stop customer service by developing a comprehensive product line that includes Active Pharmaceutical Ingredients (APIs), Antibody-Drug Conjugate Drug Substances (ADC DS), and Injectable Formulations.
2. Enhance project management capabilities and proactively expand our Contract Development and Manufacturing Organization (CDMO) business; To establish a leadership position in the ADC field.
3. Choose new products with high barriers to entry and unique features for research and development, increase customer loyalty, and solidify our position in future niche markets.
4. Increase our commitment to ESG by prioritizing energy conservation, carbon reduction, and environmental protection, and fulfilling our corporate social responsibility.

(II) Production plan

1. APIs

   Optimize production scheduling to increase capacity utilization and maximize output, resulting in reduced costs and increased profits.

2. Injectable formulations

   Ensure minimal deviation and complete scheduled domestic and foreign official plant inspections.

(III) Research and Development plan

1. Commit to the development and use of injectable generic drugs using inhouse APIs and raise competition barriers.
2. Continuously accumulate and develop intellectual property that is both patentable and usable.

(IV) Production and marketing strategies

The Company has amassed almost 30 years of experience in customized R&D and OEM. With a core advantage in the process development of APIs, the Company consistently serves clients and creates new products and services. These include a range of peptides, as well as process optimization for existing products such as Vit. D derivatives, cholesterol and phosphate binders, anti-cancer drugs, and MRI enhancing agents. In addition to providing custom synthesis services for small molecule APIs intended for clinical use, the Company has also ventured into the preparation of ADCs. The ADC technology platform underwent an eight-year incubation period, which enabled our clients to successfully pass the official IND review in Spain during Q4 of 2021. Our injectable formulations production line has been put into operation, and our products have obtained QP certification in Europe. Additionally, in April 2022, we received Phase I clinical trial approval from the United States (FDA), European Union (EMA), and Chinese mainland (NMPA) to carry out clinical trials. This achievement marks a significant milestone in our one-stop service for ADCs. With its experienced ADC technology platform, the Company offers customized services and strives to be the ideal partner for its clients.

The Company achieves vertical integration of technology to develop and integrate the production of APIs and sterile injectable formulations, including special formulations such as pre-filled syringe cartridges and large volume lyophilized injectable formulations. The design, manufacturing process, validation, and registration of plants for sterile injectable formulations comply with international regulations. Consistent production from APIs to sterile injectable formulations significantly reduces production costs, increases product profitability, and enhances the Company's competitiveness.

The Company boasts top-tier talent, robust R&D capabilities, and plant facilities that comply with regulations in the United States, Europe, Japan, and other regions. Additionally, our comprehensive GMP system enables us to offer one-stop R&D and OEM services, from APIs to clinical and commercial drug production, that meet the unique needs of our clients and earn their trust and loyalty.

III. The Impact of External Competition, Regulations and the General Business Environment

The Company primarily sells its products to major international clients, with export sales accounting for over 90% of total sales volume this year. The sales scope covers America, Asia, Europe, and other regions, and the Company has experienced stable development and growth in all areas. The even distribution of clients across the globe has been instrumental in expanding the market and mitigating business risks. Furthermore, the Company's strong international market development abilities and efficient channels have enabled it to become a supplier of APIs to international pharmaceutical companies. Presently, the Company counts among its clients the top three brand drug manufacturers in the world, five of the top ten generic drug manufacturers in the United States, and the top three generic drug manufacturers in Japan.

In recent years, the API industry has shifted towards Asia in terms of R&D, production, and OEM. This trend can be attributed to the lower costs of manufacturing and clinical trials, as well as the rapid growth of the Asia-Pacific market. This shift is a result of the globalization of industry and economy.

Looking ahead, the Company will continuously develop innovative products, investigate new manufacturing processes, and secure patents. We will adhere to strict GMP regulations and prioritize manufacturing process development as our core technology. We will actively pursue the creation of novel products with complex and challenging structures, providing our clients with high-quality patented products. Additionally, we will strive to expand our market share.

The Company has continuously enhanced the organizational structure of its quality system to optimize its quality standards. As a result, it has successfully passed joint factory inspections conducted by EDQM in the European Union, BGV in Germany, PMDA in Japan, and the eighth GMP inspection by the FDA in the United States. These achievements demonstrate the Company's unwavering commitment to product quality and its efforts have been widely acknowledged.

Finally, I would like to express my sincere gratitude to our clients, shareholders, and diligent employees for their unwavering support throughout the years. In the future, we will consistently uphold a responsible entrepreneurial spirit and conscientious attitude. We will strive for innovation, growth, and breakthroughs, while keeping a close eye on global industry trends and seizing market opportunities in the highly competitive market. Our aim is to reward shareholders with progressive performance and development.

Chairman: Cheng Chen-Yu   President: Cheng Chen-Yu   Accounting Supervisor: Lo Yu-Chen

Chapter 2 Company Profile

I. Date of Incorporation: December 24, 1985

II. Company History

	Milestones
Dec 1995	Dr. Cheng Chen-Yu established Formosa Laboratories, Inc. with the primary objective of offering technical services for API process development and impurity identification and synthesis.
Jul 1996	Began manufacturing and selling a range of ultraviolet (UV) absorbers, including octyl methoxycinnamate (OMC).
Jul 1997	Began manufacturing and selling a range of UV filters, including Avobenzone.
Apr 2000	Started producing APIs in compliance with Current Good Manufacturing Practices (cGMP).
May 2001	Registered the DMF of Alfacalcidol and Calcitriol in Europe and registered numerous APIs in more than 20 EU countries.
Jun 2001	Began selling Leflunomide in the United States.
Jun 2002	Registered the DMF of Leflunomide in the United States.
Nov 2002	Signed a supply contract with Roche Vitamins for a variety of UV absorbers.
	Certified for Good Manufacturing Practice (GMP) by the Ministry of Health and Welfare, Executive Yuan. At present, 19 of our products have received GMP certification from the Ministry of Health and Welfare.
Sep 2003	Upgraded our ISO 9001 certification to the 2000 edition.
Oct 2004	Passed our first GMP inspection by Food and Drug Administration (FDA).
2005~2009	Launched 6 APIs supplied by the Company in the United States one after another.
Mar 2007	Passed our second GMP inspection by the FDA in the United States.
Sep 2007	Registered Calcipotriol for a Certificate of Suitability (COS) in the EU.
Nov 2007	Passed the GMP inspection conducted by the German BSG (Behörde für Soziales, Familie, Gesundheit und Verbraucherschutz) on behalf of EU member states.
Jul 2008	Completed the merger with L.C. United Chemical Corporation.
	Registered the DMF of Gadodiamide in Japan.
Aug 2008	Completed official registration with Japan as a qualified foreign chemical manufacturer.
Apr 2009	Passed our first GMP inspection by the PMDA in Japan.
Jun 2009	7 APIs (2 NDAs and 5 ANDAs) passed the third factory inspection by the FDA in the United States.
Aug 2009	Offered shares publicly.
Sep 2009	Receive the Gold Medal Award for Biotechnology Commercialization at the 2009 Taipei Biotech Awards, followed by another Gold Medal Award at the Taiwan Healthcare Biotech Industries Innovation and Excellence Awards later that same year.
Oct 2009	Signed a five-year supply contract for a new range of UV absorbers.
	Put a new plant for the production of highly potent APIs into operation.
Nov 2009	Listed over-the-counter stocks for trading.
July 2010	Completed the new complex and automated warehouse.

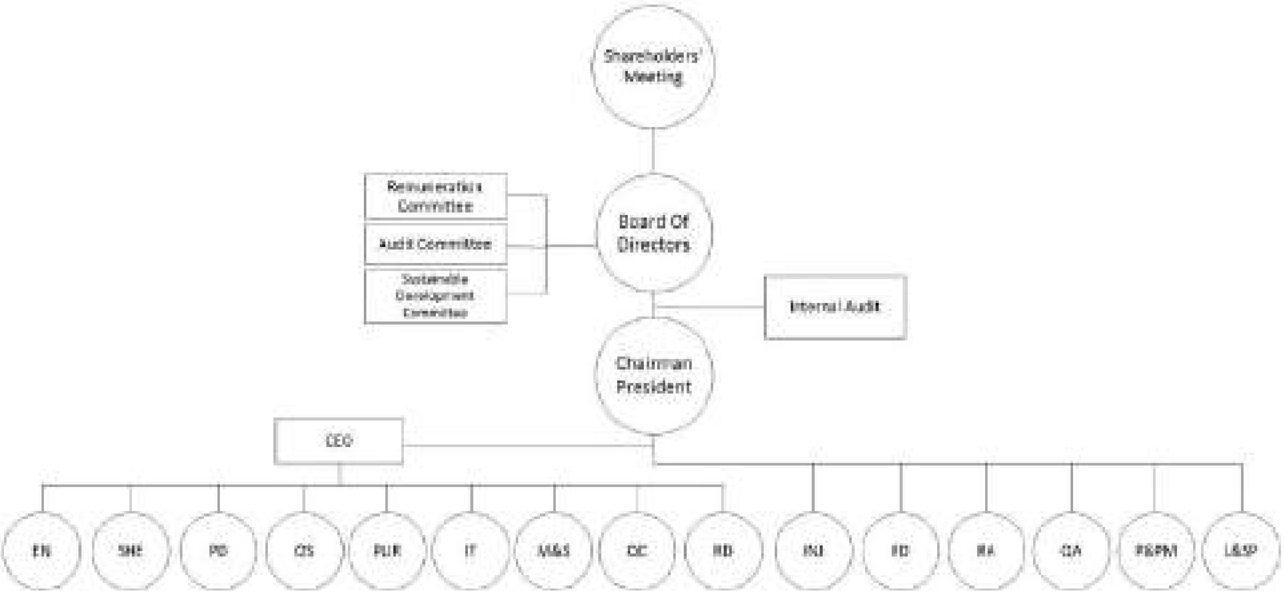
Oct 2010	Jointly established A.R.Z. Taiwan Limited with A.R.Z. Chemicals.
Nov 2010	Passed the GMP inspection by COFEPRIS in Mexico. Signed a cooperation agreement with Beijing Odyssey Chemicals Co., Ltd.
Dec 2010	Established Formosa Pharmaceuticals Inc. with 100% investment from the Company.
Feb 2011	Developed anticancer NCE with Taipei Medical University.
Mar 2011	Listed on the Taiwan Stock Exchange.
Sep 2011	Won the Silver Medal Award in the category of Biotechnology Commercialization, 2009 Taipei Biotech Award. Established Epione Investment Cayman Limited, which is 100% owned by the Company.
May 2011	The Company indirectly holds 100% shares of Epione Investment HK Limited through Epione Investment Cayman Limited.
Aug 2011	The Company indirectly holds 100% shares of Shanghai Epione Enterprise Co., Ltd. through Epione Investment HK Limited.
May 2012	13 APIs passed the fourth factory inspection by the FDA in the United States.
Mar 2013	Passed the joint inspection by BGV in the European Union and Germany.
Mar 2014	Formosa Pharmaceuticals, a subsidiary of the Company, in partnership with Taipei Medical University, has received FDA approval to conduct the investigational new drug (IND) program for MPT0E028, a small-molecule anticancer drug.
Jul 2014	Formed an alliance with EirGenix and European manufacturers to take on the ADC market.
Sep 2014	Won the Golden Medal in the Biotechnology Commercialization category at the 2014 Taipei Biotech Awards. Held the ground-breaking ceremony for the expansion of the plant for highly potent APIs. MPT0E028 was approved by the Taiwan Food and Drug Administration (TFDA) for human clinical trials.
Jan 2015	Passed the fifth factory inspection by the FDA in the United States.
Apr 2015	Hetlioz® (tasimelteon), an API supplied to Vanda, won the Industry Innovation Award from the National Organization for Rare Disorders (NORD®)
Jul 2015	Won the Silver Medal Award in Globalizing Award category of the 2015 Taipei Biotech Awards.
Dec 2015	Established Epione Pharmaceuticals, Inc. with 100% investment from the Company.
Aug 2017	Formosa Pharmaceuticals Inc., a subsidiary of the Company, acquired Activus Pharma Co. Ltd., affiliated with Sosei Group in Japan.
Jan 2018	The Ministry of Economic Affairs' Industrial Development Bureau included our Company in the reference list of domestic pharmaceutical R&D companies entrusted by the biotechnology pharmaceutical industry.
Feb 2018	Passed the sixth GMP inspection by the FDA in the United States.
Jul 2018	The Company provided APIs (Montelukast) to clients in response to the policy of bundling APIs with pharmaceutical preparations in the Chinese mainland. After passing the consistency evaluation of clients, the Company launched its first imitation.
Feb 2019	Passed the seventh GMP inspection by the FDA in the United States.

Jul 2019	The new drug APP13007 developed by Formosa Pharmaceuticals Inc., a subsidiary of the Company, passed the IND review by the FDA.
Sep 2020	Formosa Pharmaceuticals Inc., a subsidiary of the Company, announced the results of the Phase II clinical trials for APP13007, an anti-inflammatory and analgesic drug used after cataract surgery. The trial results indicated that APP13007 is safe and well-tolerated, with no severe safety issues reported.
Nov 2021	The Company's packaging operation was assessed by the Ministry of Health and Welfare, which confirmed its compliance with the Good Manufacturing Practice (GMP for Packaging Lines) for Western medicinal products and the Good Distribution Practice (GDP) for Western pharmaceuticals.
Mar 2022	The Company formed an alliance with Formosa Pharmaceuticals Inc. and HCmed Innovations Co., Ltd., to seize business opportunities in global CDMO for inhalation treatment drugs.
May 2022	Formosa Pharmaceuticals Announce Successful Top-Line Results From CPN-301 For the Treatment Of Inflammation And Pain After Cataract Surgery.
Jun 2022	Formosa Injectable plant passed GMP/GDP inspection by TFDA.
Aug 2022	Formosa Pharmaceuticals Announce Successful Top-Line Results From CPN-302 For the Treatment Of Inflammation And Pain After Cataract Surgery.
Nov 2022	Passed the eighth GMP inspection (including the production line for fermentation) by the FDA in the United States.
Feb 2023	Formosalab receives TFDA approval for Eribulin Mesylate injectable.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Business Functions of Major Departments

Department	Main Duties
Internal Audit	Plan and execute internal audits, provide assistance to various departments in adjusting and correcting any deviations in system implementation, and conduct audits on assigned projects.
Legal & Strategy Planning(L&SP)	Reviewing contracts, managing legal affairs, handling patent inquiries, and evaluating product risks. Responsible for product selection and development schedule research.
Product & Project Management(P&PM)	Management of product flow, project planning, and production scheduling.
Quality Assurance (QA)	Launch product quality system. Review and approve all quality related documents in the factory, and implement the policies of Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP). Review the records and releases related to product production and analysis. Implementation of supplier quality management, validation plan, and quality management training. Coordinate with domestic and overseas clients to resolve all quality disputes or issues. Coordinate, integrate, produce, and audit product quality reviews. Manage and promote the official audit, client audit, and annual quality audit plans, as well as document system management.

Department	Main Duties
Regulatory Affairs (RA)	Submit the technical documents necessary for preparing, modifying, and maintaining licenses, inspections, and registrations of APIs, as well as for exporting preparations and domestic drugs, to the relevant authorities for review. Integrate feedback and update technical documents based on official reviews from various countries in order to obtain approved drug certificates. Conduct applications related to controlled drugs and submit monthly declarations. Cooperate with authorities during regular or irregular inspections.
Finance (FD)	Accounting, tax processing, auditing and preparation of financial statements, cost accounting and analysis. Budget preparation, variance analysis, and control. Formulate financial management plans for short-, medium-, and long-term funding acquisition and allocation. Report to the Market Observation Post System and the convene the Board of Directors/Shareholders' Meeting. Establishing and operating a human resources system, recruiting talented individuals, planning and implementing educational and training courses, conducting performance appraisals, and collecting data on attendance and absences.
Injectable (INJ)	Plan the production process and formulate and review specifications for equipment procurement. Assist with trial production, scaling up, production, and related production matters, as well as verifying and re-verifying production equipment. Technical evaluation of the development of new products, preparation, and technology transfer, as well as the execution of entrusted R&D for preparations. Assist with quoting CDMO projects, introducing new pharmaceutical products, and transferring technology for pharmaceutical projects.
Research & Development (RD)	R&D process evaluation. Process development, optimization, scale-up, and production. Establishment of files on impurities. Preparation of standards.
Quality Control (QC)	Quality control is related to raw materials, packaging materials, stability testing, process control, and testing and releasing finished products. Ensure compliance with GMP standards. Stability program management. Establishment of product specifications. Development and validation of analytical methods.
Marketing & Sales Department (MSD)	Formulate market strategies, plan operational policies, and execute them. Promote the R&D and OEM of APIs, ADCs, and injectable formulations.

Department	Main Duties
	Develop and enter potential OEM markets.
Information Technology (IT)	Planning, introduction, integration, and maintenance of information application systems. Research and function development of workflow automation and feasibility. Installation, maintenance, and repair of computer mainframes and peripheral equipment. Construction and management of network environments and systems.
Procurement (PUR)	Procurement of raw materials, consumables for production equipment, and engineering-related items. Understanding and analyzing market trends, qualifications, and management of suppliers, as well as managing the supply chain. Formulating procurement contracts, developing new suppliers, delivering samples, and coordinating internally.
Operational Support (OS)	Receipt, delivery, and storage of raw materials and finished products. Storage planning and management, inventory planning. Planning and managing fixed assets, office environments, and staff dormitories and meals. Management of service vehicles, access control, and document collection and distribution are key areas of focus.
Production (PD)	Matters related to the commercial production of APIs and UV products. Trial production, scale-up, and production of APIs and CDMO products. Trial production, scale-up, and production of HPAPI products. Production of fermentation API and intermediate products.
Safety, Health & Environmental protection (SHE)	Assist and support different departments in executing environmental protection measures. Formulate a plan for preventing occupational hazards and provide guidance to relevant departments for its implementation.
Engineering (EN)	Engineering planning of manufacturing process and scale-up. Identify problems with engineering equipment and provide suggestions for improvement. Conceptual, basic, and detailed engineering design of the manufacturing process. Implement projects for the expansion or modification of construction and production lines.

II. Directors, Supervisors and Management Team

(I) Directors information

1. Name, gender, age, nationality or place of registration, experience, shares held and nature

April 29, 2023；Unit: Shares；%

Title	Nationality or registration place	Name	Gender /Age	Date First Elected	Date elected	Term	Shareholdings when Elected		Shares currently held		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Chairman	R.O.C	Cheng Chen-Yu	Male/ 60 ~ 70	1996/01/01	2022/06/23	3 years	7,743,848	6.44	7,743,848	6.44	3,067,944	2.55	—	—	Ph.D. in Pharmaceutical Chemistry from UC San Francisco; Postdoctoral Researcher at the MIT Department of Chemistry; Researcher at DuPont de Nemours, Inc.; Professor at the Department of Pharmacy, National Taiwan University; Chairman of L.C. United Chemical Corporation.	Note 1	—	—	—	Note 8
Director	R.O.C	Augusta Inc.		2000/05/11	2022/06/23	3 years	2,269,000	1.89	2,269,000	1.89	—	—	—	—	Doctor at Cathay General Hospital affiliated to the Department of Medicine, National Yang Ming Chiao Tung University, and part-time attending physician at Shin Kong Hospital.	Note 2	—	—	—	—
		Representative: Fang Pei-Wei	Female / < 50				—	—	734,934	0.61	—	—	—	—						
Director	ROC	Yuan Qing Investment Inc.		2006/08/28	2022/06/23	3 years	1,257,511	1.05	1,257,511	1.05	—	—	—	—	Master of Science and Technology Management, University of Illinois Urbana-Champaign Senior Manager of Ericsson in Taiwan Assistant Vice President of Acorn Taiwan Consultant Co., Ltd.	Note 3	—	—	—	—
		Representative: Shie Hung-Min	Male/ 50 ~ 60				—	—	—	—	62,365	0.05	—	—						

Title	Nationality or registration place	Name	Gender /Age	Date First Elected	Date elected	Term	Shareholdings when Elected		Shares currently held		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Director	ROC	Hygica Biotech Ltd.		2022/06/23	2022/06/23	3 years	1,242,452	1.03	1,530,452	1.27	—	—	—	—	Department of Pharmacy at National Taiwan University; Ph.D., Graduate Institute of Technology, Innovation & Intellectual Property Management, National Chengchi University President of Pharmastar Inc. Chairman of the Intellectual Property and Law Committee of the Taiwan Pharmaceutical Manufacture and Development Association		—	—	—	—
		Representative: Lee Chien-Hung	Male/ 50 ~ 60				—	—	395,480	0.33	137,902	0.11	—	—		Note 4	—	—	—	—
Director	R.O.C	Heng Lang Limited Corporation.		2008/07/17	2022/06/23	3 years	483,525	0.40	483,525	0.40	—	—	—	—	MBA from Shanghai Jiao Tong University. Project Manager of Marketing & Planning Department of MIGOSOFT Corp. Project Manager of Division for Innovative Applied Services of Institute for Information Industry.	Note 5	—	—	—	—
		Representative: Hu Yi-Kan	Male/ < 50				—	—	—	—	—	—	—	—						

Title	Nationality or registration place	Name	Gender /Age	Date First Elected	Date elected	Term	Shareholdings when Elected		Shares currently held		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	R.O.C	Chen Yi-Fen	Male/ 60 ~ 70	2022/06/23	2022/06/23	3 years	—	—	—	—	—	—	—	—	MBA from University of California, Berkeley; Bachelor from Department of Economics, National Taiwan University. CEO of Personal Finance of O-Bank; Chief Marketing Officer of Shin Kong Financial Holding and Senior Vice President of Taiwan Shin Kong Commercial Bank; Independent Director of Primasia Securities Company Limited; President of Far Eastern International Securities; Assistant Vice President of Citibank and Deputy Chief of Today Department Store.	Note 6	—	—	—	—

Title	Nationality or registration place	Name	Gender /Age	Date First Elected	Date elected	Term	Shareholdings when Elected		Shares currently held		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	R.O.C	Lu Ta-Jung	Male/ 70 ~ 75	2022/06/23	2022/06/23	3 years	—	—	—	—	—	—	—	—	Ph.D., Department of Chemistry, Yale University; Postdoctoral Research Fellow, Department of Chemistry, Colorado State University; Bachelor, Department of Chemistry, National Taiwan Normal University. Independent Director of Savior Lifetec Corporation; Consultant of Maxluck Biotech Co., Ltd.; Consultant of Day Spring Biotech Co., Ltd.; Professor, Department of Chemistry, National Chung Hsing University; Director, Graduate Institute of Technology Management, National Chung Hsing University.	Note 7	—	—	—	—

Note 1: President of Formosa Laboratories, Inc, Chairman of Formosa Pharmaceuticals, Inc, Director of Rayoung Chemtech Inc, Director of Epione Investment Cayman Limited, Director of Epione Investment HK Limited, Director of EirGenix, Inc, Chairman of Epione Pharmaceuticals, Inc, Chairman of Activus Pharma Co., Ltd, Director of A.R.Z Taiwan Limited, Perennial Consultant of Forward Asset Management Ltd.

Note 2: Director of Tairx, Inc, Attending physician of Pathology Department of Fu Jen Catholic University Hospital, Director of Tsui Hua Investment Co., Ltd.

Note 3: Chairman of Yuan Qing Investment Inc, Chairman of JUI-I Investment Ltd, Chairman of Remo Taiwan Inc, Director of Reliance Internaltional Corp, Director of Strait Capital Co., Ltd, Chairman of King Dee Musical Instrument Corp, Director of Panlabs Biologics Inc, Chairman of Tai-I Investment Co., Ltd, Chairman of Ding Pu Investment Co. Ltd, Chairman of JUI-I Management Ltd, Supervisor of PWY International Corporation.

Note 4: Chairman of Hygica Biotech Ltd, Chairman of Eros biotech Inc, Chairman and president of PharmaStar Investment Cooperative Ventures, Inc, Director of Forward Asset Management Ltd, Chairman of Chia La Wei Erh Ltd.

Note 5: Director of Panlabs Biologics Inc, Director of Hong Ray Corporation, Whitesun International Corp, Director of Protect Biotech Incorporation, Supervisor of Bei Guan Power Corporation, Supervisor of Chung Peng Construction Copmany, Supervisor of Hsien Tai resources Corp.

Note 6: Vice Chairman of Anfu Solutions Inc, Assistant Professor of Department of Quantitative Finance of National Tsing Hua University, Assistant Professor of Business

Administration of SooChow University.

Note 7: Professor Emeritus of Department of Chemistry of National Chung Hsing University, Director of Association of Technology Manager in Taiwan.

Note 8: If the chairperson, president, or an equivalent top manager of the Company is related to another person in any of those positions, either as a spouse or a first-degree relative, the report must include information on the reasons, rationale, necessity, and countermeasures.

Description: It is reasonable and necessary for the Chairman of the Board of Directors to concurrently serve as the President of the Company. This enhances operational efficiency and facilitates policy implementation. It also allows for effective communication with the directors regarding the Company's operating conditions and future plans, providing the Board with a clearer understanding of the Company's operations. To further strengthen corporate governance and ensure the independence of the Board of Directors, the Company has trained suitable candidates for the position of President. The specific measures of the Company are as follows:

(1) Over half of the board members do not serve as employees or managers, thus reinforcing the independence of the Board of Directors.

(2) Every year, directors attend professional development courses to enhance the operational effectiveness of the Board of Directors.

(3) Independent directors actively participate in various meetings, including Shareholders' Meetings and board meetings, and fully engage in discussions while providing suggestions to implement the principles of corporate governance.

(4) It is proposed that two independent directors be elected during the 2023 Shareholders' Meeting, bringing the total number of independent directors to four. This will enhance the Board of Directors' functions, improve supervision, and strengthen management capabilities.

2. Table 1: Substantial Corporate Shareholders

April 29, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders	shareholding ratio (%)
Augusta Inc.	Li Hsiu-Hui	64.29
	Cheng Ta-Jung	14.29
	Lin Wen-Ching	7.14
	Cheng Ta-Yueh	14.28
Yuan Qing Investment Inc.	De Shin Investment Ltd.	29.21
	Shie Hung-Min	21.43
	Huang Chen-Wen	21.43
	Chen I-Hsin	10.86
	Hsieh Aa-Ting	6.14
	Hsieh Aa-Ching	5.43
	Chiu Shu-Chih	3.00
	Chen Shao-Hung	2.50
Hygica Biotech Ltd.	Lee Chien-Hung	100
Heng Lang Limited Corporation.	Liu Ling-Chun	8.23
	Chao Heng-Hsueh	2.75
	Chao Heng-Tzu	2.75
	Chao Yuan-Chi	0.03
	Hermax Holdings Limited	86.24

3. Table 2: Principal shareholders of legal entities whose principal shareholders are legal entities.

April 29, 2023

Name	Substantial Shareholders	shareholding ratio (%)
De Shin Investment Ltd.	Huang Chen-Wen	98.00
	Chiu Shu-Chih	1.00
	Chen Shao-Hung	1.00
Hermax Holdings Limited	Liu Ling-Chun	99.00
	Chao Yuan-Chi	1.00

4. Director information

(1) Professional qualifications of directors and information disclosure on the independence of independent directors

Criteria Name	Professional qualifications and working experience	Independence Criteria	Number of other public companies currently acting as independent director
Cheng Chen-Yu/Chairman	● Professional Qualifications Ph.D. in Pharmaceutical Chemistry from UC San Francisco. ● Experience Experience: Postdoctoral Researcher at the MIT Department of Chemistry, Researcher at DuPont de Nemours, Inc, Professor at the Department of Pharmacy at National Taiwan University, Chairman of L.C. United Chemical Corporation. ● Concurrent Positions: President of Formosa Laboratories, Inc; Chairman of Formosa Pharmaceuticals, Inc; Director of Rayoung Chemtech Inc; Director of Epione Investment Cayman Limited; Director of Epione Investment HK Limited; Director of EirGenix, Inc; Chairman of Epione Pharmaceuticals, Inc; Chairman of Activus Pharma Co., Ltd; Director of A.R.Z Taiwan Limited; Perennial Consultant of Forward Asset Management Ltd. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The Company Act.	Non-independent director.	None
Fang Pei-Wei	● Professional Qualifications	Non-independent director.	None

Criteria Name	Professional qualifications and working experience	Independence Criteria	Number of other public companies currently acting as independent director
/Director	Department of Medicine, National Yang Ming Chiao Tung University. ● Experience Experience: Doctor at Cathay General Hospital and part-time attending physician at Shin Kong Hospital. ● Concurrent Positions: Director of Tairx, Inc; Attending physician of Pathology Department of Fu Jen Catholic University Hospital., Director of Tsui Hua Investment Co., Ltd. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The Company Act.		
Shie Hung-Min / Director	● Professional Qualifications Master of Science and Technology Management, University of Illinois Urbana-Champaign. ● Experience Experience: Senior Manager of Ericsson in Taiwan and Assistant Vice President of Acorn Taiwan Consultant Co., Ltd. ● Concurrent Positions: Chairman of Yuan Qing Investment Inc; Director of Strait Capital Co., Ltd; Director of Panlabs Biologics Inc; Chairman of Tai-I Investment Co., Ltd; Chairman of Ding Pu Investment Co. Ltd; Chairman of JUI-I Management Ltd; Supervisor of PWY	Non-independent director.	None

Criteria Name	Professional qualifications and working experience	Independence Criteria	Number of other public companies currently acting as independent director
	International Corporation. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The Company Act.		
Lee Chien-Hung/ Director	● Professional Qualifications Department of Pharmacy at National Taiwan University; Ph.D., Graduate Institute of Technology, Innovation & Intellectual Property Management, National Chengchi University. ● Experience Experience: President of Pharmastar Inc. and Chairman of the Intellectual Property and Law Committee of the Taiwan Pharmaceutical Manufacture and Development Association ● Concurrent Positions: Chairman of Hygica Biotech Ltd; Chairman of Eros biotech Inc; Chairman and president of PharmaStar Investment Cooperative Ventures, Inc; Director of Forward Asset Management Ltd; Chairman of Chia La Wei Erh Ltd. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The	Non-independent director.	None

Criteria Name	Professional qualifications and working experience	Independence Criteria	Number of other public companies currently acting as independent director
	Company Act.		
Hu Yi-Kan /Director	● Professional Qualifications MBA from Shanghai Jiao Tong University ● Experience Experience: Project Manager of Marketing & Planning Department of MIGOSOFT Corp. and Project Manager of Division for Innovative Applied Services of Institute for Information Industry. ● Concurrent Positions: Director of Panlabs Biologics Inc; Director of Hong Ray Corporation; Whitesun International Corp; Director of Protect Biotech Incorporation; Supervisor of Bei Guan Power Corporation; Supervisor of Chung Peng Construction Copmany; Supervisor of Hsien Tai resources Corp. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The Company Act.	Non-independent director.	None
Chen Yi-Fen / Independent Director	● Professional Qualifications MBA from University of California, Berkeley; Bachelor from Department of Economics, National Taiwan University. ● Experience Experience: CEO of Personal Finance of O-Bank; Chief Marketing Officer of Shin Kong Financial Holding and Senior	The independence of the independent director is as follows: Neither the independent director nor his/her spouse or relatives within the second degree of kinship serve as a director, supervisor, or employee of the Company or of an affiliate of the	None

Criteria Name	Professional qualifications and working experience	Independence Criteria	Number of other public companies currently acting as independent director
	Vice President of Taiwan Shin Kong Commercial Bank; Independent Director of Primasia Securities Company Limited; President of Far Eastern International Securities; Assistant Vice President of Citibank and Deputy Chief of Today Department Store. ● Concurrent Positions: Vice Chairman of Anfu Solutions Inc; Assistant Professor of Department of Quantitative Finance of National Tsing Hua University; Assistant Professor of Business Administration of SooChow University. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The Company Act.	Company. The independent director does not hold any shares of the Company. The independent director is not a director, supervisor, or employee of an enterprise that has a specific relationship with the Company. The independent director has not provided commercial, legal, financial, accounting and other services to the Company or its affiliated enterprises in the last two years.	
Lu Ta-Jung / Independent Director	● Professional Qualifications Ph.D., Department of Chemistry, Yale University; Postdoctoral Research Fellow, Department of Chemistry, Colorado State University; Bachelor, Department of Chemistry, National Taiwan Normal University. ● Experience Experience: Independent Director of Savior Lifetec Corporation; Consultant of Maxluck Biotech Co., Ltd.; Consultant of Day Spring Biotech Co., Ltd.; Professor,	The independence of the independent director is as follows: Neither the independent director nor his/her spouse or relatives within the second degree of kinship serve as a director, supervisor, or employee of the Company or of an affiliate of the Company. The independent director does not hold any shares of the Company. The independent director is not a director, supervisor, or	None

Criteria Name	Professional qualifications and working experience	Independence Criteria	Number of other public companies currently acting as independent director
	Department of Chemistry, National Chung Hsing University; Director, Graduate Institute of Technology Management, National Chung Hsing University. ● Concurrent Positions: Professor Emeritus of Department of Chemistry of National Chung Hsing University; Director of Association of Technology Manager in Taiwan. ● Possesses the necessary work experience, professional knowledge, and skills for commercial affairs, finance, accounting, and corporate business. ● Does not meet any descriptions stated in Article 30 of The Company Act.	employee of an enterprise that has a specific relationship with the Company. The independent director has not provided commercial, legal, financial, accounting and other services to the Company or its affiliated enterprises in the last two years.	

(2) The Diversity and Independence of the Board of Directors:

A. Diversity of Board of Directors

The company has developed the Corporate Governance Best Practice Principles and Procedures for the Selection of Directors, which advocate for a diverse composition of the Board of Directors. To achieve this goal, the Company will establish diversity guidelines tailored to the specific operational, business, and developmental requirements. These guidelines will include, but not be limited to, the following:

a. Basic conditions and values: Gender, age, nationality, culture, etc.

b. Expertise and skills: Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

c. To achieve ideal corporate governance, the Board of Directors as a whole shall have the following capabilities: a. The ability to make judgments about operations. b. Accounting and financial analysis skills. c. Business management ability. d. Crisis management capability. e. Knowledge of the industry. f. An international market perspective. g. Leadership. h. Decision-making ability.

Of the 7 members currently serving on the Board of Directors during the 10th term, 4 (57%) possess a background in pharmaceuticals or chemistry, while 3 (43%) have expertise in finance or corporate management. The Board also includes 2 female directors, comprising approximately 29% of the total number of directors. Furthermore, the number of directors who concurrently serve as the manager of the Company does not exceed one-third of the total number of directors. These factors demonstrate that the Board of Directors meets the basic conditions and values, provides specialized knowledge and skills to achieve diversity among its members, and takes into account the implementation of gender equality. The company also arranges various refresher courses for board members to enhance their decision-making abilities. The Company plans to appoint two more independent directors during the 2023 Shareholders' Meeting. This will increase the number of independent directors to four, thereby improving the Company's supervision and management and reinforcing the Board of Directors' functions. In summary, the Company's directors offer valuable professional advice from diverse perspectives, greatly enhancing the Company's operational performance and governance decisions.

B. Independence of Board of Directors

Currently, the Company has 2 independent directors, accounting for 29% of all (7) directors. The Board of Directors is composed of independent members who are not spouses or relatives within the second degree of kinship. Therefore, there is no violation of Paragraphs 3 and 4 of Article 26 of the Securities and Exchange Act.

(II) President, Vice President, Assistant Vice President and Managers of Each Department and Branch

April 29, 2023；unit:share；%

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
President	R.O.C	Cheng Chen-Yu	Male	1996/01/01	7,743,848	6.44	3,067,944	2.55	—	—	Ph.D. in Pharmaceutical Chemistry from the UC San Francisco; Bachelor from the Department of Pharmacy, National Taiwan University; Postdoctoral Researcher at the MIT Department of Chemistry; Researcher at DuPont de Nemours, Inc.; Professor at the Department of Pharmacy, National Taiwan University; Chairman of L. C. United Chemical Corporation.	Note 2	—	—	—	Note 6
Chief Executive Officer	R.O.C	Yang Chih-Ping	Male	2018/12/04	31,906	0.03	—	—	—	—	Ph.D. in Organic Chemistry, University of Texas at Austin EMBA, National Taiwan University MBA, National Chengchi University President of Chunghwa Chemical Synthesis & Biotech Co. Ltd. President of Chugai Pharma Taiwan Ltd.	Note 3	—	—	—	—
Vice President of Marketing and Sales	R.O.C	Liou Shan-Jan	Female	2005/03/08	255,703	0.21	—	—	—	—	Master, Graduate School of Chemistry, Providence University Deputy Director of R&D Department of SCI Pharmtech Inc.	Note 4	—	—	—	—
Vice President of Finance Department	R.O.C	Lo Yu-Chen	Female	2008/07/01	16,503	0.01	—	—	—	—	Department of Accounting, MCU Manager of Financial Departmen t of Lightwave Link, Inc. Vice president of Operating Support and Financial Department of of L. C. United Chemical Corporation.	Note 5	—	—	—	—

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Vice President of Production	R.O.C	Chen Chai-Sung	Male	2017/04/01	28,259	0.02	2,096	—	—	—	Department of Chemistry, Chung Yuan Christian University Head of Production Division of SCI Pharmtech Inc.	—	—	—	—	—
Vice President of Injectable Department	R.O.C	Sung Chi-Hua	Male	2018/09/10	—	—	—	—	—	—	Master, Department of Pharmacy, National Taiwan University QC Manager of Synmosa Biopharma Corporation. Assistant Production Manager, Chief of Quality Assurance and Standardization Division, and Chief of Animal Vaccine Manufacturing Division of UBI Pharma Inc. Chief of GMP Quality Center, Pharmadax Inc.	—	—	—	—	—
Vice President of Quality Assurance	R.O.C	Huang Hsien-Kuei	Male	2019/03/01	796	0.00	—	—	—	—	Graduate Institute of Agricultural Chemistry, National Taiwan University Project Manager of ScinoPharm Taiwan Ltd.	—	—	—	—	—
Vice President of Legal & Strategy Planning	R.O.C	Lin Chien-Hsing	Male	2020/07/08	—	—	—	—	—	—	Doctor of Chemistry, University of Pittsburgh Master of Law, Soochow University Senior Technical Manager of ScinoPharm Taiwan Ltd. Deputy Director of Pharmaceutical Research Center, China Chemical & Pharmaceutical Co., Ltd.	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Vice President of OS	R.O.C	Yang Ling-Fang	Female	2020/10/19	10,500	0.01	18,000	0.01	—	—	Master, School of Management, National Central University COO of Purchasing and Sales/Warehouse Department, Rong Cheng Trading LLC (USA)	—	—	—	—	—
Vice President of Quality Control	R.O.C	Wung Chi-Chang	Male	2021/01/27	—	—	—	—	—	—	Ph.D. in Physical Chemistry/Analytical Chemistry, State University of New York at Buffalo Principal Consultant, JC&C Pharma Consulting Associate Dir of Analytical Chemistry, CMC Pharmaceutical Development, Siga Technologies	—	—	—	—	—
Vice President of Research and Development	R.O.C	Hsieh Yih-Huang	Male	2021/07/05	—	—	5,500	—	—	—	Ph.D. in Chemistry, Simon Fraser University Chief of Chemical Pharmacy, R&D Division, OBI Pharma Consultant of Taiwan Sunpan Biotechnology Development Co., LTD. Examiner/Researcher of the Center for Drug Evaluation, Taiwan	—	—	—	—	—
Vice President of EN & SHE	R.O.C	Wang Szu-Ching	Male	2021/09/27	—	—	—	—	—	—	Master, Department of Chemical Engineering, National Taiwan University of Science and Technology Chief of Factory Affairs Division, ScinoPharm Taiwan Ltd. Vice President of Chemical Production Department of China American Petrochemical Co., Ltd.	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of Marketing and Sales	R.O.C	Juan Yueh-Tse	Male	2014/02/01	17,516	0.01	2,000	—	—	—	Department of Chemical Engineering, Feng Chia University Manager of Sales Department of Formosa Laboratories, Inc.	—	—	—	—	—
Assistant Vice President of Products & Project Management	R.O.C	Tseng Yu-Fang	Female	2015/04/01	—	—	—	—	—	—	Department of Chemistry, Fu Jen Catholic University Manager Responsible for Quality System and Specifications, Quality Assurance Department, Bora Pharmaceutical Laboratories Inc.	—	—	—	—	—
Assistant Vice President of Regulatory Affairs	R.O.C	Hsu Jen-Chuan	Male	2016/03/01	6,572	0.01	—	—	—	—	Department of Chemical and Materials Engineering, Tamkang University Quality Control Director, Sterling Products International Inc.	—	—	—	—	—
Assistant Vice President of Procurement	R.O.C	Lee Fung-Mei	Female	2017/07/17	35,619	0.03	—	—	—	—	Master of Science, Hong Kong University of Science and Technology Deputy Director, SGS HK Ltd. CRS.	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of Quality Assurance	R.O.C	Hong Ding-Chao	Male	2019/10/07	—	—	—	—	—	—	Master of Food Science and Technology, Department of Food Science, Tunghai University GMP Inspector, Wind Control Group, Food and Drug Administration, Ministry of Health and Welfare Senior Manager, Quality Assurance Department, Taiwan Tung Yang Chemical Industries Co., Ltd. Director, Quality Assurance Department, Synpac-Kingdom Pharmaceutical Co., Ltd.	—	—	—	—	—
Assistant Vice President of Production	R.O.C	Hsu Shih-Wei	Male	2019/11/11	—	—	—	—	—	—	Department of Chemical Engineering, Cheng Shiu University Manager of E Plant and ABK Plant, the First Production Department, Formosa Laboratories, Inc. Factory Manager of Prince Pharmaceutical Co., Ltd.	—	—	—	—	—
Assistant Vice President of Production	R.O.C	Ng Chze-Siong	Male	2020/04/01	452	—	—	—	—	—	Institute of Food Science, National Chung Hsing University Research Assistant, Department of Pharmacy, National Taiwan University	—	—	—	—	—
Assistant Vice President of Research & Development	R.O.C	Kao Tzu-Chiao	Male	2021/04/01	—	—	—	—	—	—	Ph.D. in Chemistry, National Tsinghua University Manager of R&D Department, Formosa Laboratories, Inc. Assistant Manager of R&D Department, Formosa Laboratories, Inc.	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of Research & Development	R.O.C	Kuo Lung-Huang	Male	2022/04/01	—	—	—	—	—	—	Ph.D. in Organic Chemistry, University of Pittsburgh Postdoctoral Researcher at Ohio State University Vice President of Research and Development, Savior Lifetec Corp. Senior Director of Research and Development, ScinoPharm Taiwan Ltd. Manager of Research and Development, Standard Chem & Pharm Co., Ltd.	—	—	—	—	—
Assistant Vice President of Quality Control	R.O.C	Hung Chih-Sheng	Male	2022/04/06	1,053	0.00	1,000	—	—	—	Department of Applied Chemistry, Chaoyang University of Technology Assistant Vice President, Analysis and R&D Section, Formosa Laboratories, Inc. Manager of Quality Control Division, Formosa Laboratories, Inc.	—	—	—	—	—
Assistant Vice President of Injection	R.O.C	Hsiao Kuo-Feng	Male	2022/11/01	—	—	—	—	—	—	Ph.D. in Organic Chemistry, Department of Chemistry, National Taiwan University Vice President of Quality System and Standard Management Center, UBI Pharma Inc. Factory Manager of Manufacturing Department, Mentholatum (China) Pharmaceutical Co., Ltd.	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected / Appointed (Note1)	Shareholding		Shares held by spouse and minor children		Shares Held in the Name of Others		Major work experience (educational background)	Current Concurrent Positions in The Company and Other Companies	Managers with relationship of spouse or within the kinship of the second-degree relatives			note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of Information Technology	R.O.C	Lin Chien-Fei	Female	2023/01/01	—	—	—	—	—	—	EMBA, Royal Roads University Bachelor, Institute of Information Management, Fu Jen Catholic University Manager of Information Department, Formosa Laboratories, Inc. Assistant Manager of Information Section, Operation Support Department, Formosa Laboratories, Inc. Director of MIS Division, Syntek Semiconductor Co., Ltd.	—	—	—	—	—

Note 1: Indicates the date on which the person assumed their position.

Note 2: President of Formosa Laboratories, Inc; Chairman of Formosa Pharmaceuticals, Inc; Director of Rayoung Chemtech Inc; Director of Epione Investment Cayman Limited; Director of Epione Investment HK Limited; Director of EirGenix, Inc; Chairman of Epione Pharmaceuticals, Inc; Chairman of Activus Pharma Co., Ltd; Director of A.R.Z Taiwan Limited; Perennial Consultant of Forward Asset Management Ltd.

Note 3: Director of Taiwan Bio Industry Organization.

Note 4: Director of Epione Pharmaceuticals, Inc; Director of A.R.Z Taiwan Limited.

Note 5: Supervisior of Epione Pharmaceuticals, Inc; Supervisior of A.R.Z Taiwan Limited; Supervisior of Activus Pharma Co., Ltd.

Note 6: If the Company's chairperson, president, or equivalent top manager is related to any person holding such a position, including spouses or first-degree relatives, the report must include information on the reasons, rationale, necessity, and countermeasures taken, such as increasing the number of independent directors and ensuring that more than half of the directors are not concurrently serving as employees or managers.

Description: It is reasonable and necessary for the Chairman of the Board of Directors to concurrently serve as the President of the Company. This enhances operational efficiency and facilitates policy implementation. It also allows for effective communication with the directors regarding the Company's operating conditions and future plans, providing the Board with a clearer understanding of the Company's operations. To further strengthen corporate governance and ensure the independence of the Board of Directors, the Company has trained suitable candidates for the position of President. The specific measures of the Company are as follows:

(1) Over half of the board members do not serve as employees or managers, thus reinforcing the independence of the Board of Directors.
(2) Every year, directors attend professional development courses to enhance the operational effectiveness of the Board of Directors.
(3) Independent directors actively participate in various meetings, including Shareholders’ Meetings and board meetings, and fully engage in discussions while providing suggestions to implement the principles of corporate governance.
(4) It is proposed that two independent directors be elected during the 2023 Shareholders' Meeting, bringing the total number of independent directors to four. This will enhance the Board of Directors' functions, improve supervision, and strengthen management capabilities.

III. Remuneration to Directors, Supervisors, President and Vice President in the Latest Year (2022)

(I) Remuneration paid to Directors (including Independent Directors):

Unit: NTD thousand

Title	Name	Directors' remuneration								Sum of A, B, C, and D and the sum as a percentage of net income (Note10)		Remuneration as an employee								Sum of A, B, C, D, E, F and G and the sum as a percentage of net income (note10)		Remuneration from investees other than subsidiaries, or parent company (Note11)
		Remuneration(A) (Note2)		Pension upon retirement(B)		Directors' remuneration (C) (Note3)		Service expenses(D) (Note4)				Salaries, bonuses, special allowances, etc. (Note5)		Pension upon retirement(F)		Employees' compensation (Note6)						
		The Company	All companies contained in the financial report (Note7)	The Company	All companies contained in the inancial report (Note7)	The Company	All companies contained in the financial report (Note7)	The Company	All companies contained in the financial report (Note7)	The Company	All companies contained in the financial report (Note7)	The Company	All companies contained in the financial report (Note7)	The Company	All companies contained in the financial report (Note7)	The Company		All companies contained in the financial report (Note7)		The Company	All companies contained in the financial report (Note7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Director	Cheng, Chen-Yu	–	–	–	–	2,026	2,026	100	124	0.52	0.53	5,563	5,563	–	–	254	–	254	–	7,943 1.94	7,967 1.95	45
	Moraga Inc. (Representative: Lee, Chien-Hung) (Note12)	–	–	–	–	480	480	40	40	0.13	0.13	–	–	–	–	–	–	–	–	520 0.13	520 0.13	–
	Augusta Inc. (Representative: Chung, Chih-Han, Fang, Pei-Wei) (Note13)	–	–	–	–	1,013	1,013	100	100	0.27	0.27	–	–	–	–	–	–	–	–	1,113 0.27	1,113 0.27	–
	Heng Lang Limited Corporation. (Representative:Wang, Lu-Chieh, Hu, Yi-Kan) (Note13)	–	–	–	–	1,013	1,013	100	100	0.27	0.27	–	–	–	–	–	–	–	–	1,113 0.27	1,113 0.27	–
	Yuan Qing Investment Inc. (Representative: Shie, Hung-Min)	–	–	–	–	1,013	1,013	100	100	0.27	0.27	–	–	–	–	–	–	–	–	1,113 0.27	1,113 0.27	–
	Sunleva International Inc. Ltd. (Representative: Lin, Tong-Ho) (Note12)	–	–	–	–	480	480	20	20	0.12	0.12	–	–	–	–	–	–	–	–	500 0.12	500 0.12	–
	Hygica Biotech Ltd. (Representative: Lee, Chien-Hung) (Representative: Lyman Lee) (Note 14)	–	–	–	–	533	533	60	60	0.14	0.14	–	–	–	–	–	–	–	–	593 0.14	593 0.14	–
Independent Director (Note15)	Wu, Ting-Kai	300	300	–	–	–	–	20	20	0.08	0.08	–	–	–	–	–	–	–	–	320 0.08	320 0.08	–
	Chaung, Tza-Zen	300	300	–	–	–	–	40	40	0.08	0.08	–	–	–	–	–	–	–	–	340 0.08	340 0.08	–
	Chen, Yi-Fen	300	300	–	–	–	–	110	110	0.10	0.10	–	–	–	–	–	–	–	–	410 0.10	410 0.10	–
	Lu, Ta-Jung	300	300	–	–	–	–	110	110	0.10	0.10	–	–	–	–	–	–	–	–	410 0.10	410 0.10	–
	Chang, Ting-Jung	218	218	–	–	–	–	110	110	0.08	0.08	–	–	–	–	–	–	–	–	328 0.08	328 0.08	–

1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time: The remuneration of the directors of the company shall be determined in accordance with the articles of association of the company and the regulations on the payment of remuneration to directors and supervisors.
2. Compensation received by director for providing service to all companies included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table:

Note 1: The names of directors shall be listed separately (for corporate shareholder, the name of the corporate shareholder and its representative shall be listed respectively) and summarized for disclosure of each paid amount.

Note 2: Refer to the remuneration paid to directors in the most recent year (including wage, position bonus, severance pay, and each kind of bonus and reward, etc.)

Note 3: The amount of directors' remuneration that the Board has approved as part of the latest earnings appropriation.

Note 4: The compensations for services rendered in the most recent year (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount in salaries made to drivers, but do not count them as part of the compensation paid to the above beneficiaries.

Note 5: Any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles and in-kind benefits that the director received in the last year for assuming the role of the Company's employee (including President, Vice President, manager or other employees). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount in salaries made to drivers, but do not count them as part of the compensation paid to the above beneficiaries. Part of the salary expense was recognized according to IFRS 2 - "Share-based Payment." Amounts including employee stock options, RSAs and subscription to cash issues are treated as compensation.

Note 6: If the directors who acted as employees concurrently (including President, vice president, managerial officer and employee) received employee remuneration (including stocks and cash) in the most recent year, please disclose the employee remuneration approved by the Board of Directors prior to the motion for earnings distribution submitted to the shareholders' meeting in the most recent year. If it is impossible to attribute the same, the amount to be distributed this year shall be based on that actual distributed amount last year. Please also complete Table 1-3.

Note 7: Please disclose the total compensation paid by all companies included in the consolidated financial statements (including the Company) to the Company's directors.

Note 8: The aggregate of the compensation to directors by the Company, and the names of such directors, should be disclosed in the relevant space of the table.

Note 9: The aggregate of the compensation to directors of the Company from the companies included in the consolidated financial reports (including the Company), and the names of such directors, should be disclosed in the relevant space of the table.

Note 10: Net income refers to that in the most recent year. If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the most recent parent company only or consolidated report.

Note 11:

a. This field represents all forms of compensation the director has received from the Company's invested businesses other than subsidiaries.
b. For directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I in the table of remuneration ranges, and please change the column name into "All invested businesses" in such cases.
c. Compensation refers to any remuneration or return (including compensations received as an employee, director and supervisor) and professional service fees which the Company's directors received for serving as directors, supervisors or managers in invested businesses other than subsidiaries.

Note 12: The representatives of Moraga Inc. and Sunleva International Inc. Ltd. were dismissed after the re-election at the Shareholders' Meeting on June 23, 2022.

Note 13: Following the re-election of representatives at the Shareholders' Meeting on June 23, 2022, the representative for Augusta Inc. was changed from Chung Chih-Han to Fang Pei-Wei, and the representative for Heng Lang Limited Corporation was changed from Wang Lu-Chieh to Hu Yi-Kan.

Note 14: After the Shareholders' Meeting on June 23, 2022, appointed Lee Chien-Hung as the new director and representative.

Note 15: Following the Shareholders' Meeting re-election on June 23, 2022, independent directors Wu Ting-Kai and Chaung Tza-Zen were dismissed, and Chen Yi-Fen, Lu Ta-Jung, and Chang Ting-Jung were appointed as their replacements. However, Chang Ting-Jung resigned from the position on November 12, 2022.

Note 16: The number includes both newly-appointed and former directors and representatives, both before and after the re-election at the Shareholders' Meeting on June 23, 2022.

(II) Remuneration paid to to Supervisors

Unit: NTD thousand

Title	Name	Supervisors' Remuneration						Sum of A, B, and C and the sum as a percentage of net income		Remuneration from investees other than subsidiaries, or parent company
		Remuneration(A)		Supervisors' remuneration(B))		Service expenses(C)				
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	
Supervisor	Hong Ray Corporation (Representative: Hu, Yi-Kan)	—	—	480	480	40	40	520 0.13	520 0.13	—
	Yu, Wen-Ying	—	—	480	480	40	40	520 0.13	520 0.13	—
	Fang, Pei-Wei	—	—	480	480	40	40	520 0.13	520 0.13	—

Note: After the Shareholders' Meeting on June 23, 2022, the Company appointed audit committee members to replace supervisors.

(III) Remuneration for the President and Vice President

Unit: NTD thousand

Title	Name	Remuneration(A)		Severance pay and pensions(B)		Bonus and special allowances, etc. (C)		Amount of employee compensation (D)				Total remuneration (A+B+C+D) and as a percentage of net income (%)		Remuneration from investees other than subsidiaries, or parent company
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies contained in the financial report		The Company	All companies contained in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Cheng Chen-Yu	37,343	37,343	1,243	1,243	17,090	17,090	2,677	—	2,677	—	58,353 14.25	58,353 14.25	45
Chief Executive Officer	Yang Chih-Ping													
Vice President of Marketing and Sales	Liou Shan-Jan													
Vice President of Finance	Lo Yu-Chen													
Vice President of Production	Chen Chai-Sung													
Vice President of Injectable Department	Sung Chi-Hua													
Vice President of Quality Assurance	Huang Hsien-Kuei													
Vice President of Legal & Strategy Planning	Lin Chien-Hsing													
Vice President of OS	Yang Ling-Fang													

Title	Name	Remuneration(A)		Severance pay and pensions(B)		Bonus and special allowances, etc. (C)		Amount of employee compensation (D)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Remuneration from investees other than subsidiaries, or parent company
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies contained in the financial report		The Company	All companies contained in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Vice President of Quality Control	Wung Chi-Chang													
Vice President of Research and Development	Hsieh Yih-Huang													
Vice President of Engineering and SHE	Wang Szu-Ching													

Table of Remuneration Range

Range of Remunerations paid to various Presidents and Vice Presidents	Names of the President and the Vice Presidents	
	The Company	Parent company and all invested businesses E
<NTD1,000,000		
NTD1,000,000 ~ NTD2,000,000 (exclusive)		
NTD2,000,000 ~ NTD3,500,000 (exclusive)		
NTD3,500,000 ~ NTD5,000,000 (exclusive)	Liou Shan-Jan, Chen Chai-Sung, Lo Yu-Chen, Huang Hsien-Kuei, Lin Chien-Hsing, Sung Chi-Hua, Yang Ling-Fang, Wung Chi-Chang, Wang Szu-Ching, Hsieh Yih-Huang	Liou Shan-Jan, Chen Chai-Sung, Lo Yu-Chen, Huang Hsien-Kuei, Lin Chien-Hsing, Sung Chi-Hua, Yang Ling-Fang, Wung Chi-Chang, Wang Szu-Ching, Hsieh Yih-Huang
NTD5,000,000 ~ NTD10,000,000 (exclusive)	Cheng Chen-Yu	Cheng Chen-Yu
NTD10,000,000 ~ NTD15,000,000 (exclusive)	Yang Chih-Ping	Yang Chih-Ping
NTD15,000,000 ~ NTD30,000,000 (exclusive)		
NTD30,000,000 ~ NTD50,000,000 (exclusive)		
NTD50,000,000 ~ NTD100,000,000 (exclusive)		
> NTD100,000,000		
Total	12 persons	12 persons

(IV) The individual remuneration paid to each of its five highest remunerated management personnel

Unit: NTD thousand

Title	Name	Remuneration(A)		Severance pay and pensions(B)		Bonus and special allowances, etc. (C)		Amount of employee compensation (D)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Remuneration from investees other than subsidiaries, or parent company
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies contained in the financial report		The Company	All companies contained in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Cheng Chen-Yu	4,055	4,055	—	—	1,507	1,507	254	—	254	—	5,816 1.42	5,816 1.42	45
Chief Executive Officer	Yang Chih-Ping	7,781	7,781	108	108	3,774	3,774	459	—	459	—	12,122 2.96	12,122 2.96	—
Vice President of Quality Control	Wung Chi-Chang	2,727	2,727	108	108	1,173	1,173	422	—	422	—	4,430 1.08	4,430 1.08	—
Vice President of Research and Development	Hsieh Yih-Huang	3,098	3,098	108	108	1,018	1,018	230	—	230	—	4,454 1.08	4,454 1.08	—
Vice President of Engineering and SHE	Wang Szu-Ching	2,794	2,794	108	108	1,571	1,571	228	—	228	—	4,701 1.15	4,701 1.15	—

Note 1: The "top five highest paid executives" refer to the Company's managers. The criteria for the recognition of managers are governed by the scope of application of the term "manager" as stipulated in the Tai-Cai-Zheng-San-Zi No. 0920001301 issued by the Securities and Futures Bureau, Ministry of Finance, on March 27, 2003.The calculation and recognition of the "top five highest remuneration" is based on the total amount of salaries, retirement pensions, bonuses, and special disbursements received by the Company's managers from all companies in the consolidated financial report, as well as the amount of employee remuneration (that is, the total amount of the four items A + B + C + D). The managers with the "top five highest remuneration" are the "top five highest paid executives". This form and the attached form shall be filled out by a director who concurrently serves as the executive (remuneration of ordinary directors and independent directors).

Note 2: It shall list the salaries, duty allowances, and severance pay of the top five highest paid executives in the most recent year.

Note 3: It shall list various bonuses, rewards, traffic subsidies, special disbursements, various allowances, dormitories, vehicles and other compensation provided for the top five highest paid executives in the most recent year.If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed.If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.In addition, the payment recognized in accordance with IFRS 2 "share-based payments", including acquisition of share subscription warrant, new restricted shares issued to employees and employee stock options at cash capital increase, shall be included in remuneration.

Note 4: It shall list the amount of employee remuneration (including stock and cash) distributed to the top five highest paid executives approved by the Board of Directors in the most recent year. If an estimate cannot be made, the proposed distribution amount for this year shall be calculated in proportion to the actual distribution amount of last year, and an attached form (the name of the manager who distributed the employee remuneration and the distribution status) shall be filled in.

Note 5: It shall disclose the total amount of remuneration paid by all companies (including the Company) in the consolidated report to the top five highest paid executives of the Company.

Note 6: After-tax net profit refers to the after-tax net profit specified in the parent company only or individual financial statement for the most recent year.

Note 7: a. This column shall clearly indicate the amount of relevant remuneration received by the top five highest paid executives of the Company from reinvestment business (excluding the subsidiaries) or the parent company (if none, please fill in "none").

b. Remuneration refers to the remuneration (including remuneration of employees, directors, and supervisors), and business execution fees, and other related earnings received by the top five highest paid executives of the Company as directors, supervisors, or managers from reinvestment business (excluding the subsidiaries) or the parent company.

* The remuneration disclosed in this table is different from the concept of income specified in the Income Tax Act. Therefore, this table is only for information disclosure, not for taxation.

(V) Names of managerial personnel provided with employee's compensation and state of distribution:

Unit: NTD thousand；%

Title	Name	Cash amount	Stock amount	Total	Total amount as a percentage of net income (%)
President	Cheng Chen-Yu	—	3,990	3,990	0.97
Chief Executive Officer	Yang Chih-Ping				
Vice President of Marketing & Sales	Liou Shan-Jan				
Vice President of Finance	Lo Yu-Chen				
Vice President of Production	Chen Chai-Sung				
Vice President of Injectable Department	Sung Chi-Hua				
Vice President of Quality Assurance	Huang Hsien-Kuei				
Vice President of Legal & Strategy Planning	Lin Chien-Hsing				
Vice President of Operational Support	Yang, Ling Fang				
Vice President of Quality Control	Wung Chi-Chang				
Vice President of Research & Development	Hsieh Yih-Huang				
Vice President of Engineering and SHE	Wang Szu-Ching				
Assistant Vice President of Marketing & Sales	Juan Yueh-Tse				
Assistant Vice President of Products & Project Management	Tseng Yu-Fang				
Assistant Vice President of Regulatory Affairs	Hsu Jen-Chuan				
Assistant Vice President of Procurement	Lee Fung-Mei				
Assistant Vice President of Quality Assurance	Hong Ding-Chao				
Assistant Vice President of Production	Hsu Shih-Wei				
Assistant Vice President of Production	Ng Chze Siong				
Assistant Vice President of Research & Development	Kao Tzu-Chiao				
Assistant Vice President of Research & Development	Kuo Lung-Huang				
Assistant Vice President of Quality Control	Hung Chih-Sheng				
Assistant Vice President of Injectable Department	Hsiao Kuo-Feng				

(VI) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, supervisors, president, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Directors', Supervisors', President's and Vice Presidents' remuneration paid in the last two fiscal years as a percentage to net income stated in the parent company only financial reports or individual financial reports.

Item / Title	2021		2022	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Director	0.97%	0.97%	3.61%	3.61%
Supervisor (Note)	0.15%	0.15%	0.38%	0.38%
President and Vice President	4.37%	4.37%	14.25%	14.25%

Note: After the Shareholders' Meeting on June 23, 2022, the Company appointed audit committee members to replace supervisors.

2. The policies, standards, and remuneration payment combinations, as well as the procedures for determining remuneration, are relevant to business performance and future risks.
   (1) Directors and supervisors: Pay the directors and supervisors their remuneration in accordance with the proportion of earnings distribution specified in the Articles of Association.
   (2) President and vice president: Employee remuneration will be appropriated from earnings according to the Company's Articles of Association, which stipulate the percentage of earnings allocated to employee remuneration. This allocation will be resolved by the Board of Directors and reported to the Shareholders' Meeting.
3. Relationship between Performance Evaluation and Compensation of Directors and Managers

   To enhance our corporate social responsibility and improve employee rights and benefits, we have closely linked our operating performance and results with employee remuneration and benefits, as outlined below:
   (1) Article 24 of the Articles of Association

   If the Company makes a profit, the Board of Directors shall allocate not less than 5% of the profit as the remuneration of employees and not more than 2% of the profit as the remuneration of directors. However, if the Company has accumulated losses, the Company shall set aside a part of the profit first to make up for the losses and report to the Shareholders' Meeting. The employees mentioned in the preceding paragraph shall include employees of subsidiaries that meet the conditions set by the Board of Directors.

(2) Employee Entitlement to Variable Remuneration with Various Bonuses

The Company has closely integrated its corporate visions and strategies, department management objectives, individual work responsibilities, and performance output based on its organizational culture and management system. To achieve this goal, the Company has formulated numerous employee reward schemes to motivate and reward its staff.

A. Relationship between Performance Grade and Employee Annual Performance

The company has established the Employee Performance Evaluation Rules as the standard for determining promotions, salary adjustments, and bonuses. At the end of the previous year or the beginning of the current year, employees establish personal goals. These goals are then reviewed by their supervisors.

Employees will implement the goals and adjust performance goals during quarterly reviews if necessary. At the end of the current year, employees will conduct self-evaluations and supervisors will review the implementation status and functional performance. The annual performance evaluation materials will then be submitted to the HR section for summary. Additionally, cross-departmental evaluation meetings will be held to assess performance, which will serve as a reference for the distribution of annual performance bonuses.

B. Relationship between Performance Bonus and Revenue Target

The company has established the Rules for the Payment of Performance Bonus to incentivize all employees to meet revenue targets, maintain product quality, and enhance production efficiency. These rules apply to all staff members. According to the rules, at the conclusion of each quarter, the Finance Department will assess the revenue status and distribute a performance bonus of 3% to 10% of the net operating profit to all employees, based on the ratio of achieved revenue to the revenue target.

C. Relationship between Employee Share Ownership Trust (ESOT) and Company Growth

The company has established the Employee Share Ownership Trust Committee, which regular employees are eligible to join. Employees may withdraw 3% or more of their remuneration from their monthly salary accounts, and the Company will allocate 3% of their remuneration as a bonus to the ESOT accounts on a monthly basis. This approach achieves the dual purpose of retaining talent and increasing employee remuneration, while also encouraging employees to regularly purchase shares of the Company. This principle of employees as shareholders creates a situation where labor and management share operating profits together.

(VII) Succession Planning for Board Members and Middle to Senior Management Personnel

1. The company has implemented a candidate nomination system for electing directors, whereby shareholders select from a list of candidates. To ensure effective succession planning for board members, it is necessary to have a diverse pool of nominees. Therefore, appropriate diversity guidelines will be established based on operational requirements, business patterns, and

development needs. These guidelines will include, but not be limited to, the following:

(1) Basic conditions and values: Gender, age, nationality, culture, etc.
(2) Expertise and skills: Professional background, professional skills and industrial experience.

The Board of Directors of the Company as a whole shall have the following capabilities:

(1) The ability to make judgments about operations.
(2) Accounting and financial analysis skills.
(3) Business management ability.
(4) Crisis management capability.
(5) Knowledge of the industry.
(6) An international market perspective.
(7) Leadership.
(8) Decision-making ability.

2. To cultivate management talent and ensure smooth and sustainable operations, the Company has implemented an organization and talent development project. This approach closely aligns talent development with organizational needs, facilitating the achievement of our goals. The following are the main considerations:
   (1) Talent diversity: Various operational and management functions should be covered by professionals to enhance the diversity of the company's talent pool.
   (2) Urgency of demand: Based on the current needs for organizational growth and the importance of key positions, the Company has prioritized the cultivation and development of talent at specific public institutions and organizational levels.
   (3) Qualifications and conditions of candidates: High-potential employees in an organization typically demonstrate exceptional performance in professional competence, work commitment, and career aspirations, as well as other important qualifications and selection criteria.
   (4) Culture/values: Corporate culture and core values should be solidified as essential criteria for talent selection, defining the necessary characteristics and functional qualifications for potential hires.
3. The regular work evaluation will include the achievement of work objectives assigned to candidates as the main reference basis for employee promotion. This will be done by expanding the scope of responsibilities, making necessary organizational adjustments, and increasing the experience of management, in accordance with the Rules for Performance Evaluations of Employees.

IV. Implementation of Corporate Governance

(I) Information concerning the Board of Directors

The Board of Directors held 6 meetings (A) in the most recent fiscal year (2022), and the attendance of the directors is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Cheng, Chen-Yu	6	0	100%	Re-elected for another term of office on June 23, 2022.
Director	Yuan Qing Investment Inc. (Representative: Shie Hung-Min)	6	0	100%	
Director	Augusta Inc. (Representative: Chung, Chih-Han, Fang Pei-Wei)	6	0	100%	Re-elected for another term of office on June 23, 2022. The representative was changed from Chung Chih-Han to Fang Pei-Wei.
Director	Heng Lang Limited Corporation. (Representative: Wang, Lu-Chieh, Hu Yi-Kan)	6	0	100%	Re-elected for another term of office on June 23, 2022. The representative was changed from Wang Lu-Chieh to Hu Yi-Kan.
Director	Hygica Biotech Ltd. (Representative: Lee Chien-Hung)	4	0	100%	Newly appointed on June 23, 2022.
Independent Director	Chen Yi-Fen	4	0	100%	
Independent Director	Lu Ta-Jung	4	0	100%	
Independent Director	Chang Ting-Jung	4	0	100%	Newly appointed on June 23, 2022 and resigned on November 12, 2022.
Director	Moraga Inc. (Representative: Lee Chien-Hung)	2	0	100%	Resigned on November 12, 2022.
Director	Sunleva International Inc. Ltd. (Representative: Lin Tong-Ho)	1	1	50%	
Independent Director	Wu Ting-Kai	1	1	50%	
Independent Director	Chaung Tza-Zen	2	0	100%	

Other items to be stated:

I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(I) On issues stated in Article 14-3 of the Securities and Exchange Act:

Date /Term	Relevant agendas and the subsequent	Independent Director's Opinion
Mar 10, 2022 (18th Meeting of the 9th Term.)	1. Proposed to the Shareholders' Meeting to authorize the Board of Directors to proceed with necessary actions to handle matters related to Formosa Pharmaceuticals' issuance of common stock for cash in the next year.	All the independent directors present passed without objection.
	2. Proposed to ratify the lease contract for leasing the laboratory and office to Formosa Pharmaceuticals.	All the independent directors present passed without objection.
	3. Proposed to enter into an entrusted service contract with Formosa Pharmaceuticals.	All the independent directors present passed without objection.
	4. Proposed to lend funds to Formosa Pharmaceuticals.	All the independent directors present passed without objection.
	5. Proposed to acquire common stock of other companies.	All the independent directors present passed without objection.
	6. Proposed amendments to some articles of the Regulations Governing the Use of Seals.	All the independent directors present passed without objection.
	7. Proposed amendments to some articles of the Administration Measures for the Transactions of Specific Companies and Associates of Group Enterprises.	All the independent directors present passed without objection.
	8. Proposed amendments to some articles of the Procedures for Endorsements/Guarantees, Procedures for Lending Funds to Others, Procedures for Acquiring or Disposing of Assets, the Rules of Procedure for the Shareholders' Meeting, the Measures for the Election of Directors and Supervisors, and	All the independent directors present passed without objection.

	the Code of Ethical Corporate Management.	
	9. The list of the 10th term of candidates for directors proposed by the Board of Directors.	All the independent directors present passed without objection.
	10. Proposed removal of the non-compete clauses for the 10th term of directors and their representatives.	All the independent directors present passed without objection.
May 12, 2022 (19th Meeting of the 9th Term.)	1. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2022.	All the independent directors present passed without objection.
	2. Proposed amendments to some articles of the Rules of Procedure for Board Meetings.	All the independent directors present passed without objection.
	3. Proposed amendments to some articles of the Organizational Regulations of the Remuneration Committee.	All the independent directors present passed without objection.
	4. Proposed to draft the Organizational Regulations of the Audit Committee.	All the independent directors present passed without objection.
Aug 11, 2022 (3rd Meeting of the 10th term.)	1. Proposed to participate in the fund raising project for biomedical venture capital.	All the independent directors present passed without objection.
	2. Proposed to formulate the Rules of Procedure for Handling Material Internal Information.	All the independent directors present passed without objection.
	3. Proposed to enact the Constitution of the Organizational Regulations of the Sustainable Development Committee.	All the independent directors present passed without objection.
Nov 11, 2022 (4th Meeting of the 10th term.)	1. Proposed to participate in the draft of the limited partnership agreement for the fund raising of Forward BioT Venture Capital and the signing of the proxy authorization.	All the independent directors present passed without objection.
	2. Proposed to formulate or amend the Rules of Procedure for Handling Material Internal Information, the Rules of	All the independent directors present passed without objection.

	Procedure for Preparation and Verification of Corporate Sustainability Reports, the Rules for Performance Evaluations of the Board of Directors, and the Rules of Procedure for Board Meetings.	
	3. Proposed to apply for the removal of the non-compete clause for directors.	All the independent directors present passed without objection.
	4. Proposal on the internal adjustment of the accounting firm to replace CPAs, the evaluation of their independence and suitability, and renumeration for their appointment.	All the independent directors present passed without objection.

(II) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None.

II. Regarding recusals of directors due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified: See Appendix 1 for details.

III. A TWSE/TPEx listed company shall disclose information such as the period and duration of the evaluation, the scope and method of the evaluation, and the content of the evaluation conducted by the Board of Directors, and shall fill in the implementation status of the evaluation by the Board of Directors:

1. The implementation status of the evaluation by the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	Jan. 1 to Dec. 31, 2022	1. Self-assessment of the performance evaluation of the Board of Directors. 2. Self-assessment of Directors on selfevaluation. Self-assessment of the performance evaluation of the Audit Committee. Self-assessment of the performance evaluation of the Remuneration Committee.	1. Self-assessment of the Board of Directors by the agenda working group 2. Self-assessment of board members 3. Self-assessment of Audit Committee and Remuneration Committee by the agenda working group	The results of the performance evaluation have been reported to the Board of Directors on March 9, 2023. Please refer to 2 for the results of the performance evaluation of the Board of Directors.

2. Results of Board of Directors Performance Evaluation

(1) Performance evaluation of the Board of Directors

The Board of Directors' performance evaluation indicators encompass five aspects, with an average score of 4.92, signifying good evaluation results.

Evaluation items	Board of Directors
Self-assessment	◆Degree of involvement in corporate operation ◆Improvement in the quality of decision making by the Board of Directors ◆Composition and structure of the Board of Directors ◆Selection and continuing education of directors ◆Internal control
Evaluation results	Good

(2) Performance evaluation of individual board members

The evaluation of individual board members' performance encompasses six aspects, with an average score of 4.91, indicating good overall results.

Evaluation items	Board members
Self-assessment	◆Understanding of the Company's objectives and tasks ◆Directors' awareness of duties ◆Degree of involvement in corporate operation ◆Internal relationship management and communication ◆Directors' professional competence and continuing education ◆Internal control
Evaluation results	Good

(3) Operational performance evaluation of the Audit Committee

The performance evaluation of the Audit Committee encompasses five aspects, with an average score of 5, indicating good results.

Evaluation items	Audit Committee
Self-assessment	◆Degree of involvement in corporate operation ◆Audit Committee members' awareness of duties ◆Improvement in the quality of decision making by the Audit Committee ◆Composition of the Audit Committee and election of its members ◆Internal control
Evaluation results	Good

(4) Self-assessment of Remuneration Committee Operational Performance

The performance evaluation of the Remuneration Committee encompasses four aspects, with an average score of 5, indicating good results.

Evaluation items	Remuneration Committee
Self-assessment	◆Degree of involvement in corporate operation ◆Remuneration Committee members' awareness of duties ◆Improvement in the quality of decision making by the Remuneration Committee ◆Composition of the Remuneration Committee and election of its members
Evaluation results	Good

Conclusions:

The overall performance evaluation of the Board of Directors, individual board members, the Audit Committee, and the Remuneration Committee is satisfactory.

IV. Assess the objectives and performance of strengthening the functions of the Board of

Directors, including the establishment of the Audit Committee and the enhancement of information transparency, in the current and recent years.

(I) The company has assigned personnel to collect and disclose corporate information in a timely and appropriate manner, ensuring compliance with all relevant laws and regulations. This commitment to transparency enhances the dissemination of information.

(II) The Audit Committee was established by the Company on June 23, 2022. With a professional division of labor and an independent stance, the committee assists the Board of Directors in decision-making, enhances the supervisory function, and strengthens corporate governance.

(III) The Company's Board of Directors has sanctioned the creation of the Remuneration Committee and developed the Organizational Regulations of the Remuneration Committee. Furthermore, the Remuneration Committee convened twice during the latest fiscal year (2022) to deliberate on remuneration policies and pertinent recommendations for directors, supervisors, and managers.

(IV) During their term in office, the current Board of Directors will be required to attend refresher courses on corporate governance as outlined in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEx Listed Companies.

V. The communication between the independent directors and the internal audit supervisor and CPAs, including the methods, matters, and results of communications regarding the Company's financial reports and financial and business conditions.

(I) Methods of Communication between Independent Directors and Internal Audit Supervisor

The internal audit supervisor is required to attend quarterly meetings of the Audit Committee to present and discuss the business audit with the independent directors in compliance with regulations. The Audit Report must be submitted monthly to the Audit Committee convener for review and to all independent directors. Communication between the internal audit supervisor and independent directors has been effective. In the fiscal year 2022, their communication was as follows:

Date	Communication Highlights	Handling of Opinions
March 10, 2022	1. Audit Report for Q1 2022. 2. Report on the Implementation of the 2021 Annual Internal Audit Plan.	No objections
May 12, 2022	1. Audit Report for Q2 2022. 2. Report on Declaration of Internal Control System in 2021.	No objections
August 11, 2022	1. Audit Report for Q3 2022. 2. Report on the Improvement of the Deficiencies and Abnormalities of Internal Control System in 2021.	No objections
November 11, 2022	1. Audit Report for Q3 2022. 2. Discussion on the 2023 Annual Audit Work Plan.	No objections

(II) Communication between Independent Directors and CPAs

During the quarterly communication meeting, the CPAs will present their audit findings and results of the financial statements to the independent directors. They will also gain an understanding of the Company's operating conditions, including financial and business conditions, and engage in effective communication with the independent directors. The communication between the CPAs and independent directors during the most recent fiscal year (2022) was as follows:

Date	Communication highlights	Handling of opinions
March 10, 2022	Regarding the audit results of the 2021 Annual Financial Report, the CPAs provided an explanation and communicated with the governing body regarding the audit results of the financial statements and the inquiries raised by independent directors.	Independent directors had no objections to the CPAs’ explanations.
May 12, 2022	Regarding the Q1 2022 Financial Report audit results, the CPAs provided an explanation and communicated with the governing body regarding the financial statements and questions raised by independent directors.	Independent directors had no objections to the CPAs’ explanations.
August 11, 2022	Regarding the Q2 2022 Financial Report audit results, the CPAs provided an explanation and communicated with the governing body about the financial statements' audit results and the questions raised by independent directors.	Independent directors had no objections to the CPAs’ explanations.
November 11, 2022	Regarding the audit results of the Q3 2022 Financial Report and Audit Quality Indicators (AQIs), the CPAs provided an explanation and communicated with the governing body about the audit results of the financial statements and the questions raised by independent directors.	Independent directors had no objections to the CPAs’ explanations.

Note 1: If directors and supervisors hold shares in the Company, the names of the corporate shareholders and their representatives must be disclosed.

Note 2:

(1) If a director or supervisor resigns before the end of the year, the date of resignation will be noted in the "Remarks" column, and the actual attendance rate (%) will be calculated based on the number of Board of Directors meetings held during their term of office and their actual attendance.

(2) If directors and supervisors are re-elected before the end of the year, the list should include both newly-appointed and former directors and supervisors. The "Remarks" column should indicate whether the individual is a former, newly-appointed, or reappointed director or supervisor, along with the date of re-election.

The actual attendance rate (%) will be calculated by dividing the number of Board of Directors meetings attended by each member during their term of office by the total number of meetings held.

Appendix 1: Implementation status of Independent Director's avoidance of conflict of interest:

Date of Bpard of Directors	Contents of the Motion	Names of Directors who Recuse from the Motion Due to Conflicts of Interest	Reasons for Recusal	Participation in Voting
March 10, 2022	1. Proposed to enter into an entrusted service contract with Formosa Pharmaceuticals.	Cheng Chen-Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.
	2. Proposed to lend funds to Formosa Pharmaceuticals.	Cheng Chen-Yu	Involved the director's own interests	
	3. The list of the 10th term of candidates for directors proposed by the Board of Directors.	Cheng Chen-Yu, Lee Chien-Hung, Shie Hung-Min	Involved the director's own interests	When deliberating on the nomination list of candidates for non-independent directors, Chairman Cheng Chen-Yu, Director Lee Chien-Hung, and Director Shie Hung-Min recused themselves from the discussion and resolution of this motion.
May 12, 2022	Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2022.	Cheng Chen-Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.
August 11, 2022	Proposed participation in the fund raising of Forward BioT Venture Capital.	Cheng Chen-Yu, Shie Hung-Min	Involved the director's own interests	Chairman Cheng Chen-Yu and Director Shie Hung-Min recused themselves from the discussion and resolution of this motion.

Date of Bpard of Directors	Contents of the Motion	Names of Directors who Recuse from the Motion Due to Conflicts of Interest	Reasons for Recusal	Participation in Voting
November 11, 2022	1. Proposed to enter into an office lease contract, a pharmaceutical related entrusted service contract and a resource sharing entrusted service contract with Formosa Pharmaceuticals.	Cheng Chen-Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.
	2. Proposed participation in the drafting of a limited partnership agreement for the fund raising of Forward BioT Venture Capital and the signing of the proxy authorization.	Cheng Chen-Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.
	3. Proposed to apply for the removal of the non-compete clause for directors.	Cheng Chen-Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.
	4. Proposed to apply for the removal of the non-compete clause for managers.	Cheng Chen-Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.

(II) Operation of Audit Committee and Supervisors.

1. Operation of Audit Committee

The Audit Committee of the Company was established on June 23, 2022. The Audit Committee held two meetings (A) in the most recent fiscal year (2022). The independent directors present were as follows:

Title	Name	Attendance in person	By proxy	Rate of attendance in person (%) (B/A)(Note1 and 2)	Notes
Convener	Chen Yi-Fen	2	0	100%	
Commissioner	Lu Ta-Jung	2	0	100%	
Commissioner	Chang Ting-Jung	2	0	100%	Resigned on November 12, 2022.

Other remarks:

I. If the Audit Committee encounters any of the following circumstances during its operations, it must record the date and period of the meeting, the motion's content, any objections, reservations, or significant recommendations made by independent directors, the Audit Committee's resolution, and the Company's response to the Audit Committee's opinion.

(I) Matters listed in Article 14-5 of the Securities and Exchange Act.

Date of Audit Committee meeting	Contents of the Agenda	Resolution results of Audit Committee	The Company's handling of the opinions expressed
Aug. 11, 2022 1st Meeting of the 1st Term.	1. Adopted the consolidated financial report of the Company for Q2 2022.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on August 11, 2022.
	2. Proposed to participate in the fund raising of Forward BioT Venture Capital.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution. Additionally, the resolution was submitted to the Legal Division or lawyers at the next meeting for the evaluation of the legality of transactions and competition issues involving related	This motion was approved with the consent of all the directors present at the board meeting on August 11, 2022. Besides, on November 11, 2022, the Audit Committee, the Board of Directors, and the head of the Legal Affairs Department made statements on the evaluation of the legality of transactions and

			parties, and investment agreements.	competition issues involving related parties, and investment agreements. The Audit Committee and all directors present had no objection.	
		3. Proposed to formulate the Rules of Procedure for Handling Material Internal Information.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on August 11, 2022.	
	Nov. 11, 2022 2nd Meeting of the 1st Term.	1. Adopted the consolidated financial report of the Company for Q3 2022.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.	
		2. Proposed the operation plan for 2023.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.	
		3. Added the polymer production line project.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.	
		4. Proposed to enter into an office lease contract, a pharmaceutical related entrusted service contract and a resource sharing entrusted service contract with Formosa Pharmaceuticals.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.	

	5. Proposed participation in the draft of the limited partnership agreement for the fund raising of Forward BioT Venture Capital and the signing of the proxy authorization.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.
	6. Propose formulating or amending the Rules of Procedure for Handling Internal Material Information, the Rules of Procedure for Preparing and Verifying Corporate Sustainability Reports, the Rules for Evaluating Board of Directors' Performance, and the Rules of Procedure for Board Meetings.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.
	7. Proposed the 2023 Annual Audit Work Plan.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.
	8. Proposed the internal adjustment of the accounting firm to replace CPAs, the evaluation of their independence and suitability, and renumeration for their appointment.	After the chairman consulted all the members present, this motion was adopted without objection and submitted to the Board of Directors for resolution.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.

Note: The Audit Committee of the Company was established on June 23, 2022.

(II) Other resolutions not approved by the Audit Committee but agreed upon by more than two-thirds of all directors: None.

II. When an independent director abstains due to being a stakeholder in certain proposals, the name of the independent director, the content of motion, reasons for abstentions, and the results of vote counts shall be stated: None.

III. Communications between the independent directors, the Company's chief internal auditor, and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.).
   (I) The independent directors reviewed the monthly internal audit reports and the quarterly audit follow-up reports.
   (II) The audit supervisor attended two meetings of the Audit Committee in 2022 and presented business reports to the independent directors. They also provided comprehensive updates on the implementation and effectiveness of the audit work.

Note 1: If an independent director resigns before the end of the year, the date of resignation should be noted in the "Remarks" column. The actual attendance rate (%) will be calculated based on the number of meetings held by the Audit Committee during their term of office and their actual attendance.

Note 2: If independent directors are re-elected before the end of the year, the list of independent directors should include both newly-appointed and former directors. The "Remarks" column should indicate whether the independent director is newly-appointed, reappointed, or former, along with the date of re-election. The actual attendance rate (%) will be calculated by dividing the number of meetings attended by the Audit Committee during their term of office by the total number of meetings held.

2. The participation of supervisors in the operation of the Board of Directors:
After the Shareholders' Meeting on June 23, 2022, the Company appointed audit committee members to replace supervisors. Attendance of supervisors at the Board of Directors in the most recent fiscal year (2022) was as follows:

Title	Name	Attendance in person	Rate of attendance in person (%) (B/A)	Notes
Supervisor	Hong Ray Corporation (Representative: Hu Yi-Kan)	2	100%	1. On June 23, 2022, the Company re-elected directors and supervisors and set up the Audit Committee to replace supervisors. 2. Two meetings of the Board of Directors were held before June 23, 2022.
Supervisor	Fang Pei-Wei	2	100%	
Supervisor	Yu Wen-Ying	2	83%	

Other remarks:
I. Composition and duties of supervisors:
   (I) Communication between the Supervisors and the Company's Employees and Shareholders:
   Supervisors should familiarize themselves with the Company's operational conditions by attending board meetings or scheduling meetings with relevant personnel.
   (II) Communication between Supervisors and Internal Audit Supervisor & CPAs (such as matters, methods, and results of communication regarding the Company's financial and business conditions):

(1) Summary of Key Points of the Communication between Supervisors and Internal Audit Supervisor

Date	Communication Highlights	Handling of Opinions
Mar.10 2022	1. Audit Report for Q1 2022. 2. Report on the Implementation of the 2021 Annual Internal Audit Plan.	No objections
May.12 2022	1. Audit Report for Q2 2022. 2. Report on Declaration of Internal Control System in 2021.	No objections

(2) Summary of Key Points of the Communication between Supervisors and CPAs

Date	Communication Highlights	Handling of Opinions
Mar.10 2022	Regarding the audit results of the 2021 Annual Financial Report, the CPAs provided an explanation and communicated with the governing body regarding the audit results of the financial statements and the inquiries raised by independent directors.	Supervisors had no objections to CPAs' explanations.
May.12 2022	Regarding the Q1 2022 Financial Report audit results, the CPAs provided an explanation and communicated with the governing body regarding the financial statements and questions raised by independent directors.	Supervisors had no objections to CPAs' explanations.

II. If the supervisor attends the board meeting and makes a statement, they should provide the date and duration of the meeting, the details of the motion, the board's decision, and the Company's response to the supervisor's remarks. None.

(III) The status of the Company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
I. Does the company follow the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its corporate governance practices?	✓		The company has established its Corporate Governance Best Practice Principles and disclosed them on the Market Observation Post System and its official website.	No discrepancy.
II. Shareholding structure and shareholders				
(I) Does the company set up internal operation procedures for recommendations, concerns, disputes, and litigation raised by shareholders, and implement such matters in accordance with the procedures?	✓		In addition to holding annual shareholders' meetings in compliance with regulations, the company has established an effective and timely communication mechanism with investors. The Company has also appointed a spokesperson and acting spokesperson to address matters related to shareholders' inquiries and concerns.	No discrepancy.
(II) Does the company have a roster of its major, actual controlling shareholders as well as the ultimate controllers?	✓		The company has engaged a professional shareholder services agency and assigned a dedicated officer to manage related affairs. The Company identifies significant shareholders and their ultimate controllers through the shareholder services agency's register of shareholders.	No discrepancy.
(III) Has the company built and executed risk management and firewall system between the Company and its affiliates?	✓		The company clearly delineates the management rights and responsibilities of personnel, assets, and finance between itself and its affiliate enterprises. Financial and business operations are independently conducted in accordance with the company's internal control system and related management measures.	No discrepancy.
(IV) Has the company established internal rules prohibiting insider trading on undisclosed information?	✓		The Company has formulated the Rules of Procedure for Preventing Insider Trading to prohibit insiders from trading securities by using undisclosed information.	No discrepancy.
III. Composition and responsibilities				

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
of the Board of Directors				
(I) Does the Board of Directors have a diversity policy, specific management objectives and implementation?	✓		The company has developed the Corporate Governance Best Practice Principles and Procedures for the Selection of Directors, which advocate for a diverse composition of the Board of Directors. To achieve this goal, the Company will establish diversity guidelines tailored to the specific operational, business, and developmental requirements. These guidelines will include, but not be limited to, the following: 1. Basic conditions and values: Gender, age, nationality, culture, etc. 2. Expertise and skills: Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience. To achieve the ideal corporate governance, the Board of Directors as a whole shall have the following capabilities: 1. The ability to make judgments about operations. 2. Accounting and financial analysis skills. 3. Business management ability. 4. Crisis management capability. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership. 8. Decision-making ability. Of the 7 members currently serving on the Board of Directors during the 10th term, 4 (57%) possess a background in pharmaceuticals or chemistry, while 3 (43%) have expertise in finance or corporate management. The Board also includes 2 female directors, comprising approximately 29% of the total number of directors. Furthermore, the number of directors who concurrently serve as the manager of the Company does not	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			exceed one-third of the total number of directors. These factors demonstrate that the Board of Directors meets the basic conditions and values, provides specialized knowledge and skills to achieve diversity among its members, and takes into account the implementation of gender equality. The company also arranges various refresher courses for board members to enhance their decision-making abilities. The Company plans to appoint two more independent directors during the 2023 Shareholders' Meeting. This will increase the number of independent directors to four, thereby improving the Company's supervision and management and reinforcing the Board of Directors' functions. In summary, the Company's directors offer valuable professional advice from diverse perspectives, greatly enhancing the Company's operational performance and governance decisions. The diversity of board members is as follows:	

Core Diversity Items / Name of Director	Basic Composition					Expertise and Skills Required of Directors							
	Nationality	Concurrently Serving as an Employee of the Company	Age			The Ability to Make Judgments about Operations	Accounting and Financial Analysis Skills	Business Management Ability	Crisis Management Capability	Knowledge of the Industry	An International Market Perspective	Leadership	Decision-Making Ability
			<50	50 ~ 60	60 ~ 75								
Cheng Chen-Yu	R.O.C	✓			✓	✓		✓	✓	✓	✓	✓	✓
Fang Pei-Wei			✓						✓	✓	✓	✓	✓
Shie Hung-Min				✓		✓	✓		✓		✓	✓	✓
Lee Chien-Hung				✓		✓		✓	✓	✓	✓	✓	✓
Hu Yi-Kan			✓			✓	✓	✓	✓		✓	✓	✓
Chen Yi-Fen					✓	✓	✓	✓	✓		✓	✓	✓
Lu Ta-Jung					✓				✓	✓	✓	✓	✓

Evaluation Item	Yes	No	Summary	Departure
(II) Other than the Remuneration Committee and the Audit Committee which are established in accordance	✓		The Company has established the Remuneration Committee, the Audit Committee, and the Sustainable Development Committee. In the	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
with laws, does the company plan to set up other functional committees?			future, the Company may establish additional functional committees based on operational requirements.	
(III) Has the company established methodology for evaluating the performance of its Board of Directors, and conducts performance evaluation annually and regularly, and reported the evaluation result to the Board of Director and used the result as a reference on the consideration of individual directors' remuneration and reelection nomination?	✓		The company has developed the Rules for Performance Evaluations of the Board of Directors and conducted evaluations of the Board of Directors, board members, Audit Committee, and Remuneration Committee for the year 2022. A report was submitted to the Board of Directors on March 9, 2023, and the evaluation results were reported to the relevant authorities in compliance with regulations.	No discrepancy.
(IV) Has the company regularly evaluate its auditor's independence?	✓		1. At the meeting of the Audit Committee and the Board of Directors held on November 11, 2022, the Company's CPAs explained to the members of the Audit Committee and the directors of the Company the annual audit quality indicators (AQIs) from two perspectives: firm-level AQIs (namely, professionalism, quality control, supervision, and innovation) and case-level AQIs (namely, professionalism, quality control, independence and supervision). 2. On November 11, 2022, the Audit Committee and the Board of Directors of the Company held a meeting to discuss and assess the independence of CPAs. In addition to obtaining the Statement of the Independent CPAs from CPAs and referring to Communique No. 10: Integrity; Fairness; Objectivity and Independence of the Taiwan CPA Association, the Company has adopted the appointment and audit fees of CPAs with reference to the annual AQIs, to effectively and objectively evaluate the capability	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			and commitment of the accounting firm and the audit team in improving audit quality. 3. The company has not retained the same CPAs for seven consecutive years, and they have not faced any disciplinary action or compromised their independence during their appointment.	
IV. As a public listed company, has the Company allocated competent managers or sufficient number of managers to be in charge of corporate governance, and designated supervisors thereof to be in charge of corporate governance affairs (including but not limited to providing information required for business execution by directors and supervisors, assisting the Board and supervisors in legal compliance, handling matters related to the Board and shareholder meetings in accordance with laws, and producing handbooks of board meetings and shareholders meetings, and et cetera)?	✓		On May 12, 2022, the Board of Directors of the Company appointed the Vice President of the Finance Department as the The primary responsibilities of this role include managing board meetings and Shareholders' Meetings in compliance with legal requirements, preparing minutes for these meetings, supporting directors in their onboarding and ongoing education, providing necessary information for directors to carry out their duties, ensuring compliance with laws and regulations, reporting to the Board of Directors on the review results of independent director qualifications during nomination, election, and term of office in accordance with relevant laws and regulations, handling changes in directorship, and other matters as outlined in the Company's Articles of Association or contracts.	No discrepancy.
V. Has the company provided proper communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders?	✓		For shareholders and investors, the Company's website (https://www.formosalab.com/tw) has a special section for interested parties, in which there are contact windows for investor relations and media contacts; special sections for clients, suppliers, and employees; and corporate social responsibility and ethical violation reporting mailboxes. If any changes occur, the Company will promptly update and communicate with stakeholders. The Company conducts regular labor-	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			management meetings for its internal employees and has established an opinion and proposal mailbox on its intranet to facilitate communication channels for all employees to express their opinions or offer suggestions. These channels are managed by designated personnel.	
VI. Has the company appointed a professional shareholders service agent to process the affairs related to shareholders' meetings?	✓		The Company has delegated the Shareholder Services Department of KGI Securities to handle various shareholder services of the Company.	No discrepancy.
VII. Information disclosure				
(I) Has the company established a company website to disclose information regarding its financial, operational and corporate governance status?	✓		The Company has set up a website with Chinese and English versions (https:// www.formosalab.com/tw), and regularly updates the website with information regarding financial and business operations and corporate governance for the reference of shareholders and the public.	No discrepancy.
(II) Does the company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investors conference to be put on the company website, etc.)?	✓		The Company has set up a website with Chinese and English versions (https:// www.formosalab.com/tw). Designated personnel are in charge of regularly updating the most recent financial and business-related information, such as material information, revenues, annual and financial reports, and materials from investor conferences. This information is intended for the reference of shareholders and investors. The company has appointed official spokespersons and designated acting spokespersons to ensure consistent communication protocols. Additionally, management and employees are required to maintain confidentiality regarding financial and business matters, and are prohibited from sharing information without proper authorization. The Company has displayed all	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			pertinent information from previous investor conferences on its website for the benefit of investors and the general public.	
(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and the monthly operating status report before stipulated deadlines?		✓	The Company has yet to disclose and submit its annual financial report within the prescribed two-month period following the conclusion of the fiscal year. The company has reported financial statements and monthly operating conditions in a timely manner in compliance with the List of Business Matters for Issuers of Securities of Public Companies.	The company will continue to assess the possibility of publishing and submitting the annual financial report within two months following the conclusion of the fiscal year.
VIII. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, training of directors and supervisors, implementation of risk management policies and risk evaluation measures, implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		The Company has established an opinion and proposal mailbox on its intranet to allow all employees to express their opinions and offer suggestions. Furthermore, the company's website features a dedicated section for interested parties, complete with contact windows for investor relations and news inquiries, as well as separate sections for clients, suppliers, and employees. The website also includes a corporate social responsibility mailbox and a reporting mailbox for professional ethics violations. The Company has also taken out liability insurance for its directors and supervisors to effectively cover any losses the Company may suffer.	No discrepancy.
IX. Please state the corrective actions already taken and also propose the matters to be improved as the first priority and countermeasures against them, based on the corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year. 1. In the most recent fiscal year (2022), the completion rate of the Company's Corporate Governance Evaluation ranged from 81% to 100%. The unscored items primarily consisted of the following: failure to hold a Shareholders' Meeting before the end of May, absence of information related to the Shareholders' Meeting and financial report in English, lack of material information in English, failure to prepare a sustainability report and obtain third-party verification, and failure to publish the annual financial report within two months after the end of the fiscal year. 2. In 2023, our priorities will include uploading the annual report in both Chinese and English, preparing the sustainability report in both languages, and obtaining third-party verification 16 days prior to the general Shareholders' Meeting.				

(IV) Remuneration and the composition, responsibilities and operation status of Nomination Committee:

1. Information about remuneration committee members

April 29, 2023

Criteria Name Identity		Professional qualifications and experience	Independence status	Number of positions as a Remuneration Committee Member in other public listed companies
Independent director	Lu Ta-Jung	Please refer to Page 20-21 (directors' information) of the Annual Report.	1. The independent director, his/her spouse, and relatives within the second degree of kinship do not serve as a director, supervisor, or employee of the Company or of an affiliate of the Company: None. 2. The number and proportion of shares of the Company held by the independent director, his/her spouse, and relatives within the second degree of kinship or in the name of others: None. 3. The independent director is not a director, supervisor, or employee of an enterprise that has a specific relationship with the Company: None. 4. The independent director has not provided commercial, legal, financial, accounting and other services to the Company or its affiliated enterprises in the last two years: None.	None
Independent director	Chen Yi-Fen	Please refer to Page 19-20 (directors' information) of the Annual Report.		None
External independent experts	Chang Ting-Jung	Education background: Master of Quantitative Finance, Ph.D. in Accounting, Master of Business Administration, Rutgers University. Experience: Director of the Foundation of Pacific Basin Financial Research and Development, and Head/Assistant Manager of the Communications Group, Research Department, Cathay Futures/Securities Investment Consulting Office, with nearly 15 years of relevant work experience.		None

Note: On November 12, 2022, Chang Ting-Jung resigned as an independent director but remained an external independent expert. Furthermore, Lu Ta-Jung, an independent director, was appointed as the new convener of the remuneration committee.

2. The Operation of the Remuneration Committee
   (1) The Remuneration Committee consists of three persons appointed by the Board of Directors
   (2) The term of the commissioners: Committee members is from Jun 23, 2022 until Jun 22, 2025. The Committee has convened 2 meetings (A) during the most recent year. The qualification and participation of the commissioners are listed below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Lu Ta-Jung	2	0	100%	
Commissioner	Chen Yi-Fen	2	0	100%	
Commissioner	Chang Ting-Jung	2	0	100%	

Other matters that should be recorded:

(I) If the board meeting does not adopt or revise the Remuneration committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the company handles the Remuneration committee's opinions shall be disclosed in detail (e.g., if the salary rate adopted by the board committee is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.

(II) If there are objections or reservations by the members that have been recorded in writing during the Remuneration Committee resolution, the Remuneration Committee meeting's date, period, motion content, the opinions of all members, and treatment of the member's opinions must be disclosed in detail:

(III) Terms of Reference of the Remuneration Committee

The Committee members must exhibit due diligence as competent managers to carry out the following responsibilities and present their proposals to the Board of Directors for deliberation:

1. Evaluate and supervise the Company's overall remuneration policies.
2. Establish and periodically review policies, systems, standards, and structures for the performance evaluation and remuneration of directors, supervisors, and managers.
3. Evaluate and determine the remuneration of directors, supervisors, and managers on a regular basis.

The Committee shall perform the above duties in accordance with the following principles:

1. When assessing the performance and compensation of the Company's directors, supervisors, and managers, the Committee will consider the pay levels of similar companies and evaluate the appropriateness of the correlation between compensation and individual performance, the Company's business performance, and future risk exposure.
2. It shall not incentivize directors or managers to engage in activities that pursue remuneration beyond the Company's risk tolerance.
3. When determining the ratio of bonus payout based on the short-term performance of its directors and senior management, as well as the time for payment of the variable part of remuneration, the Company shall take into consideration the characteristics of the industry and the nature of its business.

(IV) Discussion reasons and decision results of the Remuneration Committee, as well as the Company's response to members' feedback:

Date/Term	Subject Matter	Resolution Results	The Company's handling of the opinion from the Remuneration Committee
Jul 28, 2022 (1st Meeting of the 5th Term.)	1. Proposed appointment of Dr. Kuo Lung-Huang as Assistant Vice President of the API Development Section in the R&D Department.	After deliberation by all members present, this motion was adopted without objection and submitted to the Board of Directors for resolution in the near future.	Reported to the Board of Directors on August 11, 2022.

	2. Proposed promotion of Hung Chih-Sheng, inspector of Quality Assurance Department, to Assistant Vice President of Analysis and R&D Section 1.	After deliberation by all members present, this motion was adopted without objection and submitted to the Board of Directors for resolution in the near future.	Reported to the Board of Directors on August 11, 2022.
	3. Reviewed the performance evaluations of directors and supervisors and proposed their 2021 remuneration payment plans.	After deliberation by all members present, this motion was adopted without objection and submitted to the Board of Directors for resolution in the near future.	This motion was approved with the consent of all the directors present at the board meeting on August 11, 2022.
	4. Reviewed the proposed plan for the payment of remuneration to managers in 2021.	After deliberation by all members present, this motion was adopted without objection and submitted to the Board of Directors for resolution in the near future.	This motion was approved with the consent of all the directors present at the board meeting on August 11, 2022.
Oct 27, 2022 (2nd Meeting of the 5th Term.)	1. Proposed the quarterly bonus payment for achieving operational targets in Q3 2022.	After deliberation by all members present, this motion was adopted without objection and submitted to the Board of Directors for resolution in the near future.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.
	2. Performance evaluation and year-end bonus plan for managers.	After deliberation by all members present, this motion was adopted without objection and submitted to the Board of Directors for resolution in the near future.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.
	3. Proposed annual salary adjustment plan for managers.	After deliberation by all present members, the president will be authorized to establish a salary increase limit of 4% for managers in 2023 based on the industrial situation and practical needs. The president will then submit this proposal to the Board of Directors for resolution in the near future.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.
	4. Proposed appointment of the Assistant Vice President of Aseptic Manufacturing Section 2 of the Injectable Formulation Department.	After deliberation by all members present, this motion was adopted without objection and reported to the Board of Directors in the near future.	Reported to the Board of Directors on August 11, 2022.
	5. Proposed Work Plan of the Remuneration Committee for 2023.	After deliberation by all members present, this motion was adopted without objection and reported to the Board of Directors in the near future.	This motion was approved with the consent of all the directors present at the board meeting on November 11, 2022.

3. Information of members of the Nomination Committee and its operational status: The Company has not set up the Nomination Committee and hence it is not applicable.

(V) Implementation of social responsibility and Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure.

1. Deviations from the Sustainable Development Best Practice Principles, and the reasons therefore:

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
I. Has the Company constructed a governance structure to promote sustainable development and established a dedicated (part-time) unit for the promotion of sustainable development, which is managed by senior management through the authorization of and supervised by the board of directors?	✓		1. In order to implement energy conservation and carbon reduction, fulfill corporate social responsibility, and strengthen corporate governance, the Board of Directors of the Company resolved to establish the Sustainable Development Committee on May 12, 2022. The chairman of the Board of Directors will serve as the convener, the CEO as the mentor, and the vice president of the Engineering Department as the minister. The Sustainable Development Committee will consist of three executive groups: the Sustainable Environment Group, the Social Welfare Group, and the Corporate Governance Group. 2. The departments and functional groups of the Sustainable Development Committee and their main objectives in the future: (1) The Environmental Protection Section, Production Division, and Engineering Department are responsible for ensuring sustainable environmental practices. Future projects will include inventorying and verifying greenhouse gas emissions, receiving guidance from the Industrial Development Bureau to promote the Product Environmental Footprint Promotion Program, managing air quality, water and wastewater, evaluating biodiversity impact, managing energy	No discrepancy.

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			conservation and carbon reduction (electricity/fuel/gas), managing resource depletion and regeneration, conducting public welfare activities for cleaning streams and beaches, and implementing environmental greening initiatives. (2)The HR Section, Business Department, and General Affairs Section are responsible for social welfare. Moving forward, their primary projects will focus on improving employee salaries and welfare, upgrading skills, promoting equal rights, incentivizing talent employment, managing labor relations, implementing health management, addressing human rights issues, and developing community talent employment plans. Additionally, they will prioritize data security and privacy for our clients, address issues of interest to them, manage our supply chain ethically, and participate in local government promotion projects. They will also maintain positive relationships with our communities, implement local care and pandemic prevention measures, and fulfill our social responsibility. (3)Corporate governance is the responsibility of the Finance Department, Work Safety Section, Internal Audit Department, and Procurement Department. Future projects will focus on enhancing and expanding the Board of Directors' functions, increasing transparency in information disclosure, implementing systematic risk management, promoting business ethics and preventing corruption and discrimination, improving board	

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			reports and audit policies, enhancing stakeholder communication, refining raw material procurement strategies and management, preventing natural and workplace disasters, managing accidents and safety, and addressing pandemic disease management. 3. Supervision of the Board of Directors (1)At the board meeting held on 12 May 2022, the Company reported to the directors present on the establishment and objectives of the Sustainable Development Committee. (2)On August 11, November 11, and March 9, 2011, the Sustainable Development Committee presented reports to the Board of Directors regarding the Company's sustainable development progress, including the greenhouse gas inventory, and the identification of key themes for the Sustainable Development Reports.	
II. Has the Company adhered to Materiality Principles to conduct risk assessments on environmental, social and corporate governance issues related to its operations and established relevant risk management policies or strategies?	✓		In order to establish a robust risk management system, mitigate operational risks, ensure sustainable and stable development, and achieve our goal of sustainability, our Company has developed Risk Management Policies and Procedures. These policies are based on the principle of materiality and include risk identification, analysis, evaluation, response, and supervision and review related to the economic, environmental, social, and other aspects of our operations. The policies were submitted to the Board of Directors for approval on March 9, 2023.	No discrepancy.
III. Environmental Issues (I) Does the Company have an appropriate environmental management system established in accordance with its industrial characteristics?	✓		1. In order to attain optimal environmental performance, comply with relevant laws and regulations, adhere to the Company's environmental policies, and strive for continuous improvement, the Company has implemented an environmental management system modeled after the ISO14000 environmental management system.	No discrepancy.

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			2. The company has implemented a comprehensive environmental management system tailored to the industry's unique characteristics and operational requirements. This system has been verified by ISO14001 and ISO45001 (most recently effective as of June 22, 2023). 3. The establishment of an appropriate environmental management system by the Company based on the characteristics of the relevant industry. 4. The Company complies with public safety building regulations, fire regulations, labor health and safety regulations, and waste disposal laws to maintain a safe and environmentally-friendly workplace. We declare our adherence to these regulations in accordance with the law.	
(II) Is the company committed to enhancing the utilization efficiency of resources and using renewable materials with low impact on the environment?	✓		The Company is dedicated to promoting energy conservation and carbon reduction. To improve the utilization efficiency of various resources, the Company has implemented several measures, including rezoning the lighting of the entire plant, gradually replacing traditional lamps with LED tubes, and upgrading old water chillers to improve equipment efficiency. Additionally, the Company has replaced conventional air conditioners with inverter models, installed frequency converters in the exhaust fans of the aeration tanks to save energy in the clean room, changed the boiler fuel from heavy oil to natural gas to reduce the emission of sulfur oxides and nitrogen oxides, and installed solar panels to generate green electricity.	No discrepancy
(III) Does the Company assess the present and future potential risk and opportunities of climate change and adopt countermeasures related	✓		The greenhouse effect has caused significant changes to the global climate, and its impact is becoming more severe. This poses potential risks to the sustainable operation of enterprises. To address this issue, our Company has implemented	No discrepancy

<table>
<tr><th rowspan="2">Promotion Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>yes</th><th>no</th><th>Summary</th></tr>
<tr><td>to climate issues?</td><td></td><td></td><td>various measures to save energy, reduce carbon emissions, and optimize the use of energy equipment. These efforts aim to lower the potential risks caused by climate change.</td><td></td></tr>
<tr><td>(IV) Does the Company count greenhouse gas emissions, water consumption, and total weight of waste over the last two years, and formulate policies for greenhouse gas reduction, water consumption reduction, or other waste management?</td><td>✓</td><td></td><td>1. The following are the Company's statistics on greenhouse gas emissions, water consumption, and total waste weight over the past two years. The disclosed information pertains solely to the Company and excludes any reinvestment companies.
(1)Greenhouse gas emissions
<table>
<tr><th>Year</th><th>Category</th><th>Total (tCO2e)</th><th>Carbon emission intensity (tCO2e/turnover of NT$1,000,000)</th></tr>
<tr><td rowspan="3">2021</td><td>Scope 1</td><td>633.6800</td><td>0.2000</td></tr>
<tr><td>Scope 2</td><td>31,949.4300</td><td>10.0818</td></tr>
<tr><td>Total</td><td>32,583.1100</td><td>10.2818</td></tr>
<tr><td rowspan="3">2022</td><td>Scope 1</td><td>6,576.3713</td><td>1.7287</td></tr>
<tr><td>Scope 2</td><td>26,516.4568</td><td>6.8758</td></tr>
<tr><td>Total</td><td>33,092.8281</td><td>8.6045</td></tr>
</table>
Note: The Scope 2 indirect emissions of CO$_2$e for 2021 and 2022 in the table above are calculated using the carbon emission coefficient of electricity in 2020 and 2021, respectively.
(2)Total water consumption
<table>
<tr><th>Year</th><th>Total water consumption (m^3)</th><th>Recovery rate (%)</th></tr>
<tr><td>2021</td><td>464,941</td><td>20.99</td></tr>
<tr><td>2022</td><td>442,254</td><td>26.01</td></tr>
</table>
Currently, the Company utilizes tap water as its primary source of water. This water is primarily used for process water, replenishing cooling water towers, producing pure water, providing boiler water, and supplying domestic water. The Company recycles and reuses water. The amount of recycled water in 2021 was 97,598 m^3, accounting for 20.99% of the annual water consumption, and the amount</td><td>No discrepancy</td></tr>
</table>

<table>
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<tr><th>yes</th><th>no</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>of recycled water in 2022 was 115,014 m^3, accounting for 26.01% of the annual water consumption. The water recovery rate in 2022 was 5.02% higher than that in 2021.
(3)Total weight of waste
<table>
<tr><th>Year</th><th>Hazardous waste (metric ton)</th><th>Non-hazardous waste (metric ton)</th><th>Total (metric ton)</th></tr>
<tr><td>2021</td><td>199.36</td><td>1,325.71</td><td>1,525.07</td></tr>
<tr><td>2022</td><td>61.035</td><td>1,093.62</td><td>1,154.655</td></tr>
</table>
To enhance resource utilization, the Company implements waste reduction management measures to decrease hazardous industrial waste and increase the reuse of recyclable waste.
2. The Company is dedicated to reducing the environmental impact of its operations by implementing a comprehensive energy conservation and carbon reduction program. This program is linked to the key performance indicators (KPIs) of all departments to establish targets and develop implementation plans. Additionally, the Company has engaged professional energy service management consultants to assist with planning, personnel training, and launching the energy conservation plan. The cumulative energy savings target from 2020 to 2022 is 28.9%, based on the annual pre-tax electricity bill in 2019. Implementation plan and specific measures for energy conservation and carbon reduction:
● Equip the factory with timers for water dispensers, photocopiers, and ventilators to reduce unnecessary energy consumption during off-duty hours.
● Rezone and optimize the factory lighting by gradually replacing conventional lamps with LED tubes.
● Set the temperature of air</td><td></td></tr>
</table>

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			conditioners at 26°C or install circulating fans to reduce the amount of cool air, check the condition of air conditioners in the factory, and replace them with inverter air conditioners. ● Reduce the number of stops made by some elevators in the factory. ● Stop using adsorption dryers for some air compressors. ● Check and confirm the efficiency of water chillers. ● Strengthen the inspection of laboratories and close the ventilation cabinets and the external doors of each section. ● Install transducers on the blowers of the aeration tanks in the wastewater treatment plant. ● Replace the outdated water chillers in the factory to enhance equipment efficiency and achieve energy savings and carbon reduction. ● Optimize the air supply volume in the clean room to reduce energy consumption by fans and water chillers. ● Repair the gas pipeline leakage in the factory and replace it with reliable joints to prevent the wastage of electric energy by air compressors. ● Inspect and maintain the explosion-proof positive pressure box in the factory to improve air density, reduce leakage, and minimize electric energy waste from air compressors. ● Equip pneumatic fans with pressure-regulating devices to prevent waste resulting from full loads. ● Regularly cleaning the flame arrester of the regenerative thermal oxidizer (RTO) can help to reduce pressure differences and lower fan energy consumption. ● The initial phase of the solarpanel	

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			power generation facility is projected to have a capacity of approximately 570 KW and is slated for completion and commencement of operations in mid-2023.	
IV. Social Issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the applicable laws and regulations and international conventions on human rights?	✓		The Company adheres to the Labor Standards Act and other applicable labor laws and regulations. Additionally, we have established the Measures for the Prevention of Illegal Infringement in the Workplace to safeguard the labor rights, workplace safety, and work rights of our employees. Furthermore, the Company ensures equal and fair treatment of all employees in regards to employment, terms and conditions, compensation, benefits, training, performance evaluations, and promotion opportunities. We do not discriminate based on sex, nationality, race, socio-economic status, age, marital or family status. The Company and its suppliers are not exposed to any significant risks or situations involving discrimination, child labor, forced labor, or other violations of labor rights.	No discrepancy
(2) Has the Company established and implemented reasonable employee welfare measures (including wages, leaves and other benefits) to reflect its operational performance/successes in employees' remuneration?	✓		1. The Company places great importance on gender equality. Presently, female employees comprise 28% of the total workforce, and six of the senior executives are women, representing 38%. 2. The Company has closely integrated its corporate visions and strategies, department management objectives, individual work responsibilities, and performance output based on its organizational culture and management system. To achieve this goal, the Company has formulated numerous employee reward schemes and appropriately associated business performance or results with employee remuneration to motivate and reward its staff. (1)Relationship between Performance	No discrepancy

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			Grade and Employees' Annual Performance The company has established the Rules for Performance Evaluations of Employees as a reference for promotions, salary adjustments, and bonus payments. At the end of the previous year or the beginning of the current year, employees set personal goals. After review by their supervisor, employees implement these goals and adjust them during quarterly reviews if necessary. At the end of the current year, employees perform self-evaluations and supervisors review their implementation status and functional performance. The HR Section then receives the annual performance evaluation materials for summary. Additionally, cross-departmental evaluation meetings are held to assess performance, which serves as a reference for the distribution of annual performance bonuses. (2) Relationship between Performance Bonus and Revenue Target The Company has formulated the Rules for the Payment of Performance Bonus to motivate all employees to achieve revenue targets, ensure product quality and improve production efficiency, which is applicable to the staff of the Company. The Rules stipulates that at the end of each quarter, the Finance Department shall settle the revenue status and allocate 3% - 10% of net operating profit as performance bonus for all employees, based on the ratio of the revenue achieved to the revenue target. (3) Relationship between Employee	

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			Share Ownership Trust (ESOT) and Business Growth of the Company. The company has established the Employee Share Ownership Trust Committee, which regular employees are eligible to join. Employees may withdraw 3% or more of their remuneration from their monthly salary accounts, and the Company will allocate 3% of their remuneration as a bonus to the ESOT accounts on a monthly basis. This approach achieves the dual purpose of retaining talent and increasing employee remuneration, while also encouraging employees to regularly purchase shares of the Company. This principle of employees as shareholders creates a situation where labor and management share operating profits together.	
(4) Does the company provide employees with a safe and healthy working environment, and regular safety and health training?	✓		1. To prevent occupational disasters, ensure the safety of staff and all third-party manufacturers and partners, and provide a safe and healthy working environment, the Company has passed ISO 45001: 2018, CNS 45001: 2018, and ISO14001: 2015 certification. 2. The Company provides its employees the following safety and health conditions at work: (1) Safe working environment A. Self-inspection Prepare implementation plans. In addition to conducting regular self-inspections for noise every six months and illuminance inspections once per year, the Company will promptly conduct inspections after evaluating any changes in the manufacturing process and if there are noticeable abnormalities in the working environment, employee	No discrepancy

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			discomfort, workplace leaks, or abnormal odors during work. B. Outsourcing inspection The inspection will be carried out every six months, following the legal requirements outlined in the Implementation Measures for Environmental Monitoring of Labor Operations. If there are any noticeable abnormalities in the working environment or if employees are experiencing discomfort due to changes in the manufacturing process, an outsourcing inspection should be conducted promptly following an evaluation. (2) Conduct annual health checkups for employees, including special operators and operators in highly toxic plants, and expand the range of examination items. This will encourage employees to take charge of their own health and allow for analysis of any abnormal health indicators. In addition to reviewing and evaluating workability, the Company will organize health promotion activities at least once a year for areas with abnormally high rates. (3) Appoint professional nursing staff and resident doctors to provide on-site services for the prevention and treatment of occupational and general injuries, health consultations, as well as first aid and emergency treatment to employees. (4) Conduct regular fire drills and training sessions, which should include emergency response drills, advanced emergency response drills with equipment, and emergency evacuation drills. Additionally,	

Promotion Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	yes	no	Summary	
			ensure that fire alarm tests are conducted on a routine basis. (5) Conduct occupational safety and health education and training programs to foster crisis awareness and promote employee vigilance towards personal safety while performing operations. (6) Conduct education and training sessions on the proper use of respirators and close-fitting tests to ensure that employees' face shapes and sizes are compatible with the respirators they wear, thereby providing effective protection. (7) We will organize a climbing plan for Yushan Mountain and hire a professional consulting company to provide motivational speeches, teach basic mountaineering knowledge and indoor courses, offer preliminary and advanced physical training, and ultimately achieve the goal of reaching the summit of Yushan Mountain. This will promote a sports-oriented atmosphere and enhance the physical well-being of our employees, instilling them with hope and enthusiasm for both work and life. (8) In response to the COVID-19 pandemic, the Work Safety Section developed a prevention plan in accordance with the instructions of the Central Epidemic Command Center and the need for business continuity. The plan included necessary measures and flexible adjustments to the Company's pandemic prevention measures. All employees were informed of the Company's updated prevention policy, which shifted from a zero-COVID approach to coexisting with	

<table>
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<tr><th>yes</th><th>no</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>the virus. Currently, all corresponding control measures have been fully lifted.</td><td></td></tr>
<tr><td>(5) Has the Company established effective career development training plans?</td><td>✓</td><td></td><td>The company has developed several training programs to promote the career development of its employees, improving their proficiency in professional fields, management functions, and general education.</td><td>No discrepancy</td></tr>
<tr><td>(6) In terms of customer health and safety, customer privacy, marketing and labeling issues for the company’s products and service es, has the company adhered to pertinent regulations and international standards and established relevant policies and grievance procedures for the protection of consumers or customer rights?</td><td>✓</td><td></td><td>The Company places great importance on client feedback and has established the Measures for Handling Client Complaints as the foundation for addressing various client complaints. Furthermore, a dedicated department has been established for interested parties, where designated personnel will respond to clients' inquiries, complaints, and suggestions to fully safeguard their rights and interests.</td><td>No discrepancy</td></tr>
<tr><td>(7) Has the company established supplier management policies that require suppliers to comply with pertinent regulations relating to issues of environmental protection, occupational safety and health, labor rights and so forth and report their status of implementation?</td><td>✓</td><td></td><td>The Company works with reputable manufacturers as its suppliers. To ensure high quality, the Company has established the Qualification Accreditation Procedure for Suppliers of Raw Materials, Evaluation Procedure for Suppliers of Raw Materials, and Safety and Health Management Measures for Contractors. These procedures serve as the basis for regular supplier evaluations. Additionally, the Company conducts on-site inspections to confirm that the supplier's quality system meets the Company's standards, ensuring product quality and material safety.</td><td>No discrepancy</td></tr>
<tr><td>V. Has the company referred to internationally adopted reporting guidelines or initiatives in the preparation of its</td><td></td><td>✓</td><td>1. The Company established the Sustainable Development Committee in May 2022. It prepared the 2022 Annual Sustainability Report by referring to the general standards, industry standards, and major theme standards issued by the</td><td></td></tr>
</table>

<table>
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<tr><th>yes</th><th>no</th><th>Summary</th></tr>
<tr><td>Sustainability Report and other reports that disclose nonfinancial information of the company? Has the aforementioned report been assured or guaranteed by a valid 3rd-party validation organization?</td><td></td><td></td><td>Global Reporting Initiatives (GRI). Additionally, the Company commissioned a third-party accreditation institution for assurance.
2. The completion and release of the 2022 Annual Sustainability Report is anticipated by September 2023.</td><td></td></tr>
<tr><td colspan="5">VI. If the company has established sustainable development best practice principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies ”, please describe any discrepancy between the policies and their implementation:
The Board of Directors has approved the Sustainable Development Best Practice Principles which the Company formulated. The implementation of corporate social responsibility aligns with the Principles without any significant deviation.</td></tr>
<tr><td colspan="5">VII. Other important information that helps understand the promotion of sustainable development implementation:
The company is enthusiastic about participating in public welfare activities. During weekdays, it contributes to the operation of local community schools, religious groups, and charitable public welfare organizations through donations and sponsorships. For instance, it sponsors various activities in junior high schools and elementary schools, organizes annual beach and stream cleaning activities, holds two blood donation events every year, and conducts charity sales with all proceeds donated to public welfare organizations. Additionally, the Company collaborates with the Parents' Association of Children with Down Syndrome to organize movie-watching activities to support babies with Down Syndrome.</td></tr>
</table>

2. Climate-related information of TWSE/TPEx Listed Companies

Item	Implementation status
1. Describe the Board's and management's oversight and governance of climate-related risks and opportunities.	The Sustainable Development Committee collaborates with senior executives from all business units to assess the impact of climate change on global warming. The committee evaluates the risks that may affect the Company, prioritizes them, and develops corresponding countermeasures, management guidelines, and implementation plans. Regular reviews of the results are conducted.
2. Explain how climate-related risks and opportunities impact the Company's business, strategies, and finances in the short, medium, and long term.	In order to achieve energy conservation and carbon reduction goals, as well as assess changes in power consumption and electricity prices at our factory, our Company must explore renewable energy solutions. This may involve purchasing green power or constructing renewable energy power generation equipment, which will inevitably lead to increased operating costs.

Item	Implementation status
3. Describe the financial impact of extreme weather events and transformation.	Extreme weather events, such as droughts, floods, heatwaves, and cold snaps, can significantly affect the Company's sustainable operations. Additionally, the risks associated with transitioning to a low-carbon economy are as follows: 1. Policy and Regulatory Risk With the increasing global focus on environmental issues, low-carbon initiatives are becoming more prevalent. As a result, policies, climate-related lawsuits, and regulations related to climate change are emerging more frequently. (1)The Clean Competition Act (CCA) in the United States and the Carbon Border Adjustment Mechanism (CBAM) in the European Union will inevitably impact the operational expenses of companies in the chemicals industry. (2)From 2024, a carbon tax will be levied on enterprises in Taiwan, which will inevitably increase operating costs. (3)From time to time, domestic water resources are in short supply, and electricity costs are increasing year by year. The utilization and management of water resources and electricity will unavoidably affect business operations and raise costs. 2. Technology Risk Renewable energy technology remains a popular topic. However, the Company's investment in solar power has not yielded the expected conversion efficiency, likely due to climate or other factors, resulting in sunk costs. 3. Market Risk Due to the increasing global focus on low-carbon initiatives, shifts in supply and demand, and evolving consumer preferences, investors and clients are now seeking low-carbon products. In order to remain competitive, companies must adapt their offerings to meet these market demands. This requires a transformation of commodities. 4. Reputation Risk Clients and communities are increasingly concerned with whether enterprises are committed to low-carbon transformation. If our Company appears indifferent to our contribution to global warming, we risk being perceived as a destroyer of the environment and ecology, which could have a negative impact on our reputation.
4. Describe how the identification, evaluation, and management process of climate risks are integrated into the overall risk management system.	The Company has an internal risk management system that encompasses risk identification, analysis, evaluation, treatment, monitoring, and review. Each operation has a clearly defined scope, a quantitative

Item	Implementation status
	evaluation mechanism, and potential solutions for risk treatment. The Sustainable Development Committee reviews and explains the management and operation during the annual board meeting, aligning with the practical operational requirements of the climate risk management process and methodology. This process is integrated into the Company's Risk Management Policies and Procedures.
5. If the situational analysis is used to assess resilience to climate change risks, describe the scenarios, parameters, assumptions, analytical factors, and key financial impacts.	The form used for climate change risk evaluation employs a situational approach and hypothetical evaluation, taking into account potential risk measurement. This method provides a quantitative and analytical basis for the parameters, allowing for assessment of the financial impact of the risk level and subsequent response.
6. If there is a climate-related risk management plan in place, please provide details on the plan's contents, including the indicators and objectives used to identify and manage physical and transformation risks.	Climate change will first affect the use of energy resources. For this reason, the Company will invest in renewable energy solar power systems with low-carbon technology for energy acquisition. The description is as follows: 1. Indicators and objectives of transformation risk: (1)Objective(s): Low-carbon transformation of energy resources. (2)Indicator(s): Power above 600KW shall be supplied by renewable energy. 2. Physical Risks: (1)Regulations require a carbon tax (total mass based discharge management), which increases operating costs. (2)The imbalance between power supply and demand adversely affects production and reduces competitiveness. (3)Large carbon emissions, no energy efficiency management measures, low willingness of investors. 3. Transformation plan (1)Short term A solar power generation system of around 600 KW will be constructed using innovative techniques to enhance energy efficiency and mitigate the effects of energy reduction. The first phase, which is projected to be finished and operational by mid-2023, will have a capacity of approximately 570 KW. (2)Medium and long term Based on the carbon inventory and carbon footprint, the Company has calculated its carbon emissions and has increased its demand for solar energy system power generation. Despite the increased capital investment, the Company will reduce operating costs and lower risks in the long run, thereby enhancing

Item	Implementation status
	competitiveness and improving its corporate image.
7. If internal carbon pricing is used as a planning tool, state the basis for setting the price:	In order to effectively address the impact of climate change, our Company has implemented programs related to greenhouse gas inventory and product environmental footprint. These initiatives allow us to collect and analyze data on our carbon emissions and product carbon footprint. Moving forward, we plan to gradually implement internal carbon pricing, promote low-carbon production processes, conduct technology research and development, and adjust our internal supply chain to support the transition to a low-carbon economy.
8. If climate-related targets have been established, the report should include information on the activities that are covered, the scope of greenhouse gas emissions, the planning schedule, and the annual progress. If carbon offsets or renewable energy certificates (RECs) are utilized to achieve the relevant targets, the report should state the source and quantity of carbon reduction credits to be offset or the quantity of RECs.	Climate change-related targets 1. Related objectives and schedules (1)Short-term goal - Introduce carbon inventory to understand the carbon emissions. (2)Medium and long term goal - Set reduction targets, implement reduction strategies, and achieve carbon neutral operations. 2. Scope of greenhouse gas emission The scope of greenhouse gas emission is mainly based on ISO-14064. The Company must disclose its direct emissions (Scope 1) from processes or facilities, as well as its indirect emissions (Scope 2) from the use of purchased electricity, heat, or steam, in accordance with the Environmental Protection Administration and the Financial Supervisory Commission's regulations.
9. Greenhouse gas inventory and assurance	Please see the following table

Table: Greenhouse gas inventory and assurance

Basic Information of the Company	Pursuant to the requirements of the Sustainable Development Roadmap of TWSE/ TPEx Listed Companies, the following shall be disclosed:
□ Companies, steel business, and cement business with paid-in capital of more than NT$10 billion. □ Companies with a paid-in capital of NT$5-10 billion. ■ Companies with a paid-in capital of less than NT$5 billion	□ Inventory of parent company □ Inventory of consolidated company □ Individual parent company assurance □ Consolidated company assurance of financial reports (The Company voluntarily discloses the inventory of parent company in advance)

Scope 1	Total emissions (tCO_2e)	Density (tCO_2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	6,576.3713	1.7287	SGS Taiwan Ltd.	Validation is expected to take place in July 2012
Total	6,576.3713	1.7287		

Scope 2	Total emissions (tCO_2e)	Density (tCO_2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	26,516.4568	6.8758	SGS Taiwan Ltd.	Validation is expected to take place in July 2012
Total	26,516.4568	6.8758		

Note: The Scope 2 indirect emissions of CO_2e in the above table are calculated using the 2021 electricity carbon emission coefficient.

Instructions for completing the form:

1. The handling of Scope 1 and Scope 2 information in this form shall comply with the schedule outlined in Paragraph 2 of Article 10 of these Regulations. Disclosure of Scope 3 information is optional.
2. The Company may conduct greenhouse gas inventory in accordance with the following criteria:
   (1) Greenhouse Gas Protocol (GHG Protocol).
   (2) International Organization for Standardization ISO 14064-1.
3. The assurance organization must adhere to the applicable regulations of the Taiwan Stock Exchange Corporation and the Taipei Exchange Market with respect to ensuring sustainable development reports.
4. Subsidiaries may fill in the report individually or as a whole (e.g., by country or region), or in combination (Note 1).
5. Greenhouse gas emissions can be measured per unit of product or service, or based on turnover. However, it is mandatory to disclose the data calculated based on turnover (in NT$ million) to determine the intensity of emissions. (Note 2).
6. Operating sites or subsidiaries not included in the inventory must account for no more than 5% of total emissions. The total emissions mentioned above refer to those calculated in accordance with the mandatory inventory scope specified in Paragraph 1.
7. The assurance statement should provide a summary of the assurance reports issued by the assurance organization and include the complete assurance opinion as an attachment to the annual report (Note 3).

(VI) Implementation Status of ethical corporate management and Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure

Evaluation Item	Implementation Status			Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure
	Yes	No	Summary	
I. Formulation of ethical corporate management policies and projects				
(I) Has the Company enacted ethical management policies as per the motion passed by the Board, and stated in its Memorandum or external correspondences about the said policies, practices and the commitment of the Board and higher management in actively implementing the policies?	✓		The Board of Directors has adopted the Code of Ethical Corporate Management, which outlines the Company's commitment to conducting business in good faith. The Code emphasizes the importance of integrity and ethical practices and requires all employees to comply with relevant regulations. The Company actively promotes these values and expects management to implement them in practice.	No discrepancy.
(II) Has the Company established evaluation mechanism for unethical conduct, analyzed and assessed operating activities that may contain a higher risk of unethical conduct on a regular basis, and provided solutions for prevention of unethical conduct, which at least comprise preventive measures for conducts as listed in Article 7 Section 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		The company has developed a Code of Ethical Corporate Management that has been endorsed by the Board of Directors to prevent unethical behavior.	No discrepancy.
(III) Has the Company specified relevant operating procedures, behavioral guidelines, disciplinary actions for violations and appeal system in the solutions for the prevention of unethical conduct established, implementedaccordingly, and review the aforementioned solution on a regular basis?	✓		The company has implemented the Code of Ethical Corporate Management, which explicitly prohibits directors, supervisors, employees, appointees, and those with significant control over the Company from participating in any of the activities outlined in Paragraph 2 of Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.	No discrepancy.
II. Implementation of ethical corporate management				

Evaluation Item	Implementation Status			Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure
	Yes	No	Summary	
(I) Does the company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		The Board of Directors has adopted the Code of Ethical Corporate Management, which prohibits directors, supervisors, managers, employees, and those with substantial control over the Company from offering or accepting unreasonable gifts, entertainment, or other illegitimate benefits in the course of conducting business.	No discrepancy.
(II) Does the company set up a unit dedicated to or tasked with promoting the company’s ethical standards that reports directly to the Board of Directors with periodical updates (at least once a year) on ethical corporate management policies, solutions for the prevention of unethical conduct and the status of supervision and execution thereof?		✓	The company has not established a part-time or full-time unit for ethical management that reports to the Board of Directors.	The company will establish a unit dedicated to ethical management, which will operate on a full-time or part-time basis as required by the Company's operations. This unit will be subordinate to the Board of Directors and will comply with all relevant laws and regulations.
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		The Company's Rules of Procedure for Board Meetings explicitly state that any director with a vested interest in Board matters must refrain from engaging in discussions and voting. The company has established an opinion and proposal mailbox on its intranet to provide internal employees with channels to express their opinions or offer suggestions. These channels are managed by designated personnel.	No discrepancy.
(IV) Has the company implemented the ethical management by establishing an effective accounting system and internal control system, and had the internal audit unit devised relevant audit plans according to the evaluation result on risk of unethical conduct, as well as executing the said plan to inspect the compliance of solutions for the prevention of unethical conduct, or appointed an	✓		The company has implemented an effective accounting system and internal control system to ensure ethical management practices.	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure
	Yes	No	Summary	
external auditor to conduct audits?				
(V) Does the company provide internal and external ethical conduct training programs on a regular basis?	✓		The heads of all departments within the Company actively promote integrity, ethical practices, and specific commitments. They require all employees to comply with various regulations.	No discrepancy.
III. The operating status of the company's reporting system (I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		The Company has established an opinion and proposal mailbox on its intranet to allow all employees to express their opinions and offer suggestions. Additionally, the company's website has created a dedicated section for interested parties and employees, as well as a mailbox for reporting violations of professional ethics, to provide channels for making suggestions and reporting any illegal acts. The relevant competent authority will maintain the confidentiality of the whistleblower's identity and the contents of the report.	No discrepancy.
(II) Does the company establish standard operating procedures for investigating complaints received, take follow-up measures after investigation, and implement confidentiality protocol?	✓		The Company has established a dedicated section on its website for interested parties and employees, as well as a mailbox for reporting any violations of professional ethics. These channels are intended to facilitate the submission of suggestions and reports of any illegal acts. The relevant competent authority will maintain the confidentiality of the whistleblower's identity and the contents of the report.	No discrepancy.
(III) Does the company adopt proper measures to protect a complainant from improper treatment for the filing of the complaint?	✓		The relevant unit(s) shall keep confidential the content of the report and the identity of any employee or whistleblower who makes a suggestion or report any illegal affair.	No discrepancy.
IV. Strengthening information disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of	✓		The Company has formulated the Code of Ethical Corporate Management, which has been approved by the Board of	No discrepancy.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such departure</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>such guidelines on its website and the Market Observation Post System (MOPS)?</td><td></td><td></td><td>Directors and disclosed on the Company's website and the Market Observation Post System.</td><td></td></tr>
<tr><td colspan="5">V. If the company has established corporate governance policies based on the “Corporate Conduct and Ethics Best Practice Principles for TWSE/TPEx-Listed Companies,” please describe any discrepancy between the policies and their implementation: No discrepancy.</td></tr>
<tr><td colspan="5">VI. Other important information for facilitating better understanding of the company’s implementation of Code of Ethics and Business Conduct: None.</td></tr>
</table>

(VII) If the Company has formulated Corporate Governance Principles and relevant regulations and articles, it shall disclose inquiry methods.

please refer to the section of corporate governance on the company website(https://www.formosalab.com/investors.php)

(VIII) Other important information that is enough to enhance the understanding of the operation of corporate governance shall be disclosed together.

The company has disclosed significant and pertinent information regarding investor conferences in a timely manner on its official website. This ensures that shareholders and the public are fully informed about the Company's operations.

(IX) Execution status of internal control system

1. Statement of Internal Control System

Formosa Laboratories, Inc.
Statement of Internal Control System

Date: March 9, 2023

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2022:

I. The Company knows that the board and the management are responsible for establishing, implementing, and maintaining the internal control system. The Company has established the system. It aims at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets), reliability, timeliness and transparency of reporting, and compliance with all the applicable laws and regulations.

II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its above 3 stated objectives. Moreover, the effectiveness of the internal control system may change due to changes in the environment and situations. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems of Public Companies” (herein below, the Regulations). The criteria adopted by the “Regulations” identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the “Regulations” for details.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the above-mentioned Regulations.

V. Based on the findings of the evaluation mentioned above, the Company believes that, on December 31, 2022, its internal control system (including the supervision on and management of subsidiaries), as well as the design and operations of internal control systems for understanding its operational effectiveness and efficiency, the achievement level of objectives, reliability, timeliness, transparency and regulatory compliance in reporting, and compliance with the applicable laws and regulations, were effective, and the Company can provide reasonable assurance that the above-stated objectives would be achieved.

VI. This Statement is an integral part of the Company’s annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed by the Company’s board in their meeting held on March 9, 2023, with none of the 7 attending directors expressing dissenting opinions, and all of them affirming the content of this Statement.

Formosa Laboratories, Inc.

Chairman: Cheng Chen-Yu

President: Cheng Chen-Yu

2. While entrusting an accountant to review the internal control system on project basis, the review report shall be disclosed: None.

(X) In the most recent year, up to the publication date of the annual report, where legal punishment imposed on the Company and its internal personnel, or the punishment imposed by the Company on its internal personnel due to violation of internal control regulations, which would affect the shareholders' interests and the share price significantly, should have the content of the punishments, the main wrongdoings and improvements thereafter disclosed: None.

(XI) Important resolutions of Board Meetings and Shareholders' Meetings and the execution status of the resolved matters of shareholders' meetings in the most recent year and up to the publication date of the annual report.

1. Resolutions of the 2022 Shareholders' Meeting and implementation (Jun 23, 2022)

Agenda		The Company's handling of Member's Opinions
Ratification Items	1. 2021 Business Report and Financial Statements.	This motion was adopted as originally proposed.
	2. Proposal for distribution of 2021 earnings.	In this motion, a cash dividend of NT$240,511,926 (NT$2 per share) was distributed to shareholders, and August 2, 2022 was set as the ex-dividend date. The dividend was fully distributed on August 25, 2022.
Matters proposed for discussion	1. To authorize the Board of Directors to handle matters related to the cash capital increase of Formosa Pharmaceuticals Inc. within the next year.	This motion was adopted as originally proposed.
	2. Amendment to the "Articles of Incorporation of the Company".	This motion was adopted as originally proposed. It was registered with the Ministry of Economic Affairs on August 26, 2022, and announced on the Company's website.
	3. Amendment to the "Endorsement and Guarantee Operating Procedure".	It has been announced on the Market Observation Post System and the Company's website, and has been handled in accordance with the revised Procedures for Endorsements/Guarantees.
	4. Amendment to the "Operational Procedures for Loaning of Company Funds".	It has been announced on the Market Observation Post System and the Company's website, and has been handled in accordance with the revised "Procedures for Lending Funds to Others".
	5. Amendment to the "Operational Procedures for Acquisition and Disposal of Assets".	It has been announced on the Market Observation Post System and the Company's website, and has been handled in accordance with the revised "Procedures for Acquiring or Disposing of Assets".
	6. Amendment to the "Rules of Procedure for Shareholders Meetings".	It has been announced on the Market Observation Post System and the Company's website, and has been handled in accordance with the revised "Rules of Procedure for the Shareholders' Meeting".

Agenda		The Company's handling of Member's Opinions
	7. Amendment to the Election of Directors and Supervisors.	It has been announced on the Market Observation Post System and the Company's website, and has been handled in accordance with the revised "Procedures for the Selection of Directors".
Election	The 10th Election of Directors.	The list of candidates was published on the Market Observation Post System and was registered with the Ministry of Economic Affairs on August 26, 2022.
Other matters proposed for discussion	Proposal of release the prohibition on Directors (including Independent Directors) and their representatives of the 10th election from participation in competitive business.	Material information was released on the Market Observation Post System on the same day (June 23, 2022).

2. Board of Directors Dates and Resolutions

Date/Term	Resolutions
Mar 10, 2022 (18th Meeting of the 9th Term.)	1. Proposed the 2021 Annual Business Report and Financial Statement. 2. Proposed the distribution of earnings for 2021. 3. Proposed the compensation to employees and remuneration to directors and supervisors for 2021. 4. Proposed to issue the Statement of Internal Control System for 2021. 5. Proposed to appoint board members as the approval officers of the internal audit report. 6. Proposed to the Shareholders' Meeting to authorize the Board of Directors to handle matters related to Formosa Pharmaceuticals' issuance of common stock for cash in the next year. 7. Proposed to ratify the lease contract for leasing the laboratory and office to Formosa Pharmaceuticals. 8. Proposed to enter into an entrusted service contract with Formosa Pharmaceuticals. 9. Proposed to lend funds to Formosa Pharmaceuticals. 10. Proposed to acquire the common stock of other companies. 11. Proposed amendments to some articles of the Regulations Governing the Use of Seals. 12. Proposed amendments to some articles of the Administration Measures for the Transactions of Specific Companies and Associates of Group Enterprises. 13. Proposed amendments to the Articles of Association. 14. Proposed amendments to some articles of the Procedures for Endorsements/Guarantees, Procedures for Lending Funds to Others, Procedures for Acquiring or Disposing of Assets, the Rules of Procedure for the Shareholders' Meeting, the Measures for the Election of Directors and Supervisors, and the Code of Ethical Corporate Management. 15. The election of the 10th term of directors of the Company and the acceptance of the list of candidates for directors nominated by shareholders. 16. The list of the 10th term of candidates for directors proposed by the Board of Directors. 17. Proposed removal of the non-compete clauses for the 10th term of directors and their representatives. 18. Proposed to convene the 2022 Annual Shareholders' Meeting.
May 12, 2022 (19th Meeting of the 9th Term.)	1. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2022. 2. Proposed to appoint the chief corporate governance officer.

Date/Term	Resolutions
	3. Proposed amendments to some articles of the Rules of Procedure for Board Meetings. 4. Proposed amendments to some articles of the Rules on the Scope of Duties of Independent Directors. 5. Proposed amendments to some articles of the Organizational Regulations of the Remuneration Committee. 6. Proposed amendments to some articles of the Corporate Social Responsibility Best Practice Principles and to change the name. 7. Proposed amendments to some articles of the Board Self-evaluation or Peer-evaluation and to change the name. 8. Proposed to draft the Organizational Regulations of the Audit Committee. 9. Proposed to establish a special unit to promote sustainable development.
Jun 23, 2022 (1st Meeting of the 10th Term.)	Elect the 10th term of chairman of the Board of Directors.
Jun 23, 2022 (2nd Meeting of the 10th Term.)	Proposed to appoint the members of the 5th term of the Remuneration Committee and elect the convener and chairman of the meeting.
Aug 11, 2022 (3rd Meeting of the 10th Term.)	1. Reviewed the proposed plan for the payment of remuneration to managers in 2021. 2. Reviewed the performance evaluation of directors and supervisors and proposed the plan for the payment of remuneration to directors and supervisors in 2021. 3. Adopted the consolidated financial report of the Company for Q2 2022. 4. Proposed to participate in the fund raising of Forward BioT Venture Capital. 5. Proposed to formulate the Rules of Procedure for Handling Material Internal Information. 6. Proposed to enact the Constitution of the Organizational Regulations of the Sustainable Development Committee.
Nov 11, 2022 (4th Meeting of the 10th Term.)	1. Performance evaluation and year-end bonus plan for managers. 2. Proposed annual salary adjustment plan for managers. 3. 3. Proposed the quarterly bonus payment for achieving Q3 operational target. 4. Proposed Work Plan of the Remuneration Committee for 2023. 5. Adopted the consolidated financial report of the Company for Q3 2022. 6. 6. Proposed Work Plan of the Remuneration Committee for 2023. 7. Added the project of Polymer production line. 8. Proposed to enter into an office lease contract, a pharmaceutical related entrusted service contract and a resource sharing entrusted service contract with Formosa Pharmaceuticals. 9. Proposed to participate in the draft of the limited partnership agreement for the fund raising of Forward BioT Venture Capital and the signing of the proxy authorization. 10. Proposed to formulate or amend the Rules of Procedure for Handling Material Internal Information, the Rules of Procedure for Preparation and Verification of Corporate Sustainability Reports, the Rules for Performance Evaluations of the Board of Directors, and the Rules of Procedure for Board Meetings. 11. 11. Proposed the 2023 Annual Audit Work Plan. 12. 12. Proposed the 2023 Loan Limit of Bank Financing. 13. Proposed to apply for the removal of the non-compete clause for directors. 14. Proposed to apply for the removal of the non-compete clause for managers.

Date/Term	Resolutions
	15. Proposal on the internal adjustment of the accounting firm to replace CPAs, the evaluation of their independence and suitability, and renumeration for their appointment.
Mar 9, 2023 (5th Meeting of the 10th Term.)	1. 2022 Business Report and Financial Statements. 2. Distribution of 2022 Earnings. 3. 2022 employees' and directors' and supervisors' remuneration. 4. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2023. 5. To authorize the Board of Directors to handle matters related of the cash capital increase of Formosa Pharmaceuticals Inc. within the next year. 6. Signed the revised the limited partnership agreement for the fund raising of Forward BioT Venture Capital. 7. Proposed to enter into a lease contract with Formosa Pharmaceuticals. 8. Proposed to issue the Statement of Internal Control System for 2022. 9. Proposed to formulate the Risk Management Policies and Procedures. 10. Proposed to approve in advance the provision of non-assurance services to the Company and its subsidiaries by CPAs, their firms, and their affiliates and allied firms. ◦ 11. The Company has elected independent directors and accepted the list of candidates for directors nominated by shareholders. 12. List of candidates for independent directors nominated by the Board of Directors of the Company. 13. Proposed release the Directors and their representatives from non-competition restrictions. 14. Convening the 2023 Annual General Shareholders' Meeting.

(XII) The main contents of the most recent year and as of the date of publication of the annual report, if the Director or supervisor has different opinions on important resolutions passed by the Board of Directors and there are records or written statements: None.

(XIII) Summary of the resignations and dismissals of the Chairman of the Board, the President, the Head of Accounting, the Head of Finance, the Head of Internal Audit and the Head of Research and Development in the most recent year and as of the date of publication of the annual report: None.

V. Disclosure of CPA's Renumeration

Unit: NTD thousand

Name of the accounting firm	Name of the CPA	Audit period of CPA	Audit fee	Non-audit fee	Total	Notes
PricewaterhouseCoopers Taiwan	Yen Yu-Fang, Yu Shu-Fen	2022.01.01 ~ 2022.12.31	4,325	985	5,310	

Note 1: Regular audit fees for the financial attestation.

Note 2: Mainly for the attestation of tax compliance.

(II) Whether there is any change of accounting firm and the audit fee paid in the replacement year is less than that paid in the preceding year: None.

(III) Whether the ratio of audit fee for the preceding year decreases by 10% or more: None.

VI. Information on Change of CPAs

(I) Regarding the former certified public accountant

<table>
<tr><td>Date of replacement</td><td colspan="5">Approved by the Board of Directors on Nov 11, 2022.</td></tr>
<tr><td>Reason of replacement and explanation</td><td colspan="5">In compliance with relevant regulatory requirements on rotation, the former engagement partner Yu, Shu-Fen was replaced by Deng, Sheng-Wei.</td></tr>
<tr><td rowspan="3">Statement on whether the Company or the accountant terminate or not accept the appointment</td><td colspan="3">Parties
Contracting Condition</td><td>CPA</td><td>Commissioner</td></tr>
<tr><td colspan="3">Voluntarily terminated the appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="3">Not accept (continuing) the appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>The opinions and reasons in audit reports other than unqualified opinion in the last two years</td><td colspan="5">Not applicable</td></tr>
<tr><td rowspan="7">Different opinions with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">✓</td></tr>
<tr><td colspan="5">Statement: None.</td></tr>
<tr><td>Other disclosures
(Matters covered in Item 1-4, Subparagraph 5, Article 10 of the Guidelines shall be disclosed)</td><td colspan="5">None.</td></tr>
</table>

Note: The Board of Directors' date of resolution

(II) Regarding the successor certified public accountant

Name of the accounting firm	PwC Taiwan
Name of the CPA	Yen Yu-Fang, Deng Sheng-Wei.
Date of appointment	Nov 11, 2022. (Note)
Matters and results of consultation on the accounting treatment methods or accounting principles for specific transactions and on the possible issuance of opinions on financial statements before the appointment	No discrepancy
Written opinion of the successor CPA on matters on which the former CPA has different opinions	None.

Note: The Board of Directors' date of resolution

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 5, Article 10 of the Guidelines: None.

VII. The chairman of the board of directors, the general manager, and the manager in charge of financial or accounting matters of the Company, who have worked in the firm of the certified public accountant or its affiliates within the last year: None.

VIII.Changes in the shareholding of directors, supervisors, managers and shareholders holding more than 10% of the shares and pledges of shares in the most recent year and up to the date of printing of the annual report

(I) Equity changes of directors, managers and major shareholders

Unit: shares

Title	name	2022		The current year of Apr. 29 2023		Note
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Chairman and President	Cheng Chen-Yu	—	(83,000)	—	—	
Director	Moraga Inc.	—	—	—	—	Resigned on June 23, 2022
	Representative: Lee Chien-Hung	33,000	—	—	—	
Director	Augusta Inc.	—	—	—	—	On June 23, 2022, the representative was changed to Fang Pei-Wei.
	Representative: Chung Chih-Han	—	—	—	—	
	Representative: Fang Pei-Wei	—	—	—	—	
Director	Heng Lang Limited Corporation.	—	—	—	—	On June 23, 2022, the representative was changed to Hu Yi-Kan.
	Representative: Wang Lu-Chieh	—	—	—	—	
	Representative: Hu Yi-Kan	—	—	—	—	
Director	Yuan Qing Investment Inc.	—	—	—	—	
	Representative: Shie Hung-Min	—	—	—	—	
Director	Sunleva International Inc. Ltd.	—	—	—	—	Resigned on June 23, 2022
	Representative: Lin Tong-ho	—	—	—	—	
Director	Hygica Biotech Ltd.	—	—	—	790,000	Newly appointed on June 23, 2022
	Representative: Lee Chien-Hung	—	—	—	395,000	
Independent Director	Wu Ting-Kai	—	—	—	—	Resigned on June 23, 2022
Independent Director	Chaung Tza-Zen	—	—	—	—	
Independent Director	Chen Yi-Fen	—	—	—	—	Newly appointed on June 23, 2022
Independent Director	Lu Ta-Jung	—	—	—	—	
Independent Director	Chang Ting-Jung	—	—	—	—	Newly appointed on June 23, 2022 and resigned on November 12, 2022.
Supervisor	Hong Ray Corporation	—	—	—	—	On June 23,

Title	name	2022		The current year of Apr. 29 2023		Note
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
	(Representative: Hu Yi-Kan)	—	—	—	—	2022, the Audit Committee was set up to replace supervisors.
Supervisor	Fang Pei-Wei	—	—	—	—	
Supervisor	Yu Wen-Ying	—	—	—	—	
Chief Executive Officer	Yang Chih-Ping	25,000	–	(6,000)	–	
Vice President of MSD	Liou Shan-Jan	—	—	—	—	
Vice President of Finance	Lo Yu-Chen	—	—	—	—	
Vice President of PD	Chen Chai-Sung	—	—	—	—	
Vice President of Injectable Department	Sung Chi-Hua	(4,000)	—	—	—	
Vice President of QC	Huang Hsien-Kuei	—	—	—	—	
Vice President of L&SP	Lin Chien-Hsing	—	—	—	—	
Vice President of OS	Yang Ling-Fang	—	—	—	—	
Vice President of QC	Wung Chi-Chang	—	—	—	—	
Vice President of RD	Hsieh Yih-Huang	—	—	—	—	
Vice President of EN and SHE	Wang Szu-Ching	—	—	—	—	
Assistant Vice President of PD	Ng Chze Siong	—	—	—	—	
Assistant Vice President of MSD	Juan Yueh-Tse	5,000	—	—	—	
Assistant Vice President of P&PM	Tseng Yu-Fang	—	—	—	—	
Assistant Vice President of RA	Hsu Jen-Chuan	(2,000)	—	—	—	
Assistant Vice President of Procurement	Lee Fung-Mei	—	—	—	—	
Assistant Vice President of QA	Hong Ding-Chao	—	—	—	—	
Assistant Vice President of PD	Hsu Shih-Wei	—	—	—	—	
Assistant Vice President of RD	Kao Tzu-Chiao	—	—	—	—	
Assistant Vice President of PD	Chen Shang-Hung	—	—	—	—	Resigned on March 10, 2023.
Assistant Vice President of RD	Kuo Lung-Huang	—	—	—	—	
Assistant Vice President of QC	Hung Chih-Sheng	—	—	(1,000)		
Assistant Vice President of Injectable Department	Hsiao Kuo-Feng	—	—	—	—	Took office on November 1, 2022.
Assistant Vice President of IT	Lin Chien-Fei	—	—	—	—	Took office on January 1, 2023.

Note: The changes in the shareholding structure of the personnel listed in the table above do not take into account the circumstances before or after their appointment.

(II) Information on the counterpart of equity transfer being a related party of the Company's directors, supervisors, managers and major shareholders: None.

(III) Information on the counterpart of equity pledge being a related party of the Company's directors, supervisors, managers and major shareholders: None.

IX. Information on the top ten shareholders who are related to each other or are spouses or relatives within the second degree of consanguinity.

Apr. 29, 2023 Unit: shares

Name	Shareholding held by the person		Shareholdings of spouse and minor children		Total shares held with other person's name		Disclosure of information on related parties, spousal relationship or relations within second degree of kinship, among the top ten shareholders, including their names and relationships		Notes
	Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio	Name	Relationship	
Cheng Chen-Yu	7,743,848	6.44	3,067,944	2.55	—	—	Li Hsiu-Hui	Spouse	None
							Moraga Inc. (Representative: Li Hsiu-Hui)	Spouse	None
Japan Securities Finance Co., Ltd.	3,631,000	3.02	—	—	—	—	None	None	None
Li Hsiu-Hui	3,067,944	2.55	7,743,848	6.44	—	—	Cheng Chen-Yu	Spouse	None
							Moraga Inc. (Representative: Li Hsiu-Hui)	Responsible person	None
Moraga Inc. (Representative: Li Hsiu-Hui)	2,674,043	2.22	—	—	—	—	Cheng Chen-Yu	Spouse of the responsible person	None
	3,067,944	2.55	7,743,848	6.44	—	—			
J.P. MORGAN SECURITIES PLC	2,522,960	2.10	—	—	—	—	None	None	None
Cathay Life Insurance Company, Ltd. (Representative: Huang Tiao-Kuei)	2,493,048	2.07	—	—	—	—	None	None	None
	—	—	—	—	—	—			
Ding Li Development Limited. (Representative: Hu Ting-Wu)	2,433,329	2.02	—	—	—	—	None	None	None
	—	—	—	—	—	—			
MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO., LTD.-EQUITY TRADING	2,405,000	2.00	—	—	—	—	None	None	None
Standard Chartered Bank - administrator JPMorgan	2,343,000	1.95	—	—	—	—	None	None	None

Name	Shareholding held by the person		Shareholdings of spouse and minor children		Total shares held with other person's name		Disclosure of information on related parties, spousal relationship or relations within second degree of kinship, among the top ten shareholders, including their names and relationships		Notes
	Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio	Name	Relationship	
UBS Europe SE	2,319,404	1.93	—	—	—	—	None	None	None

X. The number of shares held by the Company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same investee company, and the consolidated percentage of shareholding

Unit: share；%

Re-invested business (Note 1)	The Company's investment		Investment by directors, managers and directly- or indirectly-controlled businesses		Comprehensive investment	
	Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio
Formosalab Pharmaceuticals, Inc.	52,899,349	46.55%	1,925,551	1.69%	54,824,900	48.24%
Epione Pharmaceuticals, Inc.	4,000,000	100.00%	—	—	4,000,000	100.00%
A.R.Z TAIWAN LIMITED	271,620	45.00%	—	—	271,620	45.00%
Epione Investment Cayman Limited	334,000	100.00%	—	—	334,000	100.00%
Epione Investment HK Limited	—	—	266,500	100.00%	266,500	100.00%
Activus Pharma. Co., Ltd.	—	—	1,942	99.23%	1,942	99.23%
Shanghai Epione Enterprise Co., Ltd	—	—	—(Note 2)	100.00%	—	100.00%
Formosa Labarotories Japan, Inc.	400	40.00%	—	—	400	40.00%

Note 1: The investment made with Equity Method by the Company.

Note 2: A Limited Company.

Chapter 4 Capital Overview

I. Capital and Outstanding Shares

(I) Equity capital sources

1. Capital formation

Apr. 29, 2023 Unit: NTD thousand; thousand shares

Month/Year	Issuing price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Paid in properties other than cash	Others
Dec. 1995	10	1,000	10,000	100	1,000	The paid-in capital is NT$1,000,000	–	Note 1
Feb. 1998	10	1,000	10,000	1,000	10,000	Issuance of common stock for cash: NT$9,000,000	–	Note 2
Jun. 1999	10	2,000	20,000	2000	20,000	Issuance of common stock for cash: NT$10,000,000	–	Note 3
Jul. 2000	10	4,000	40,000	4,000	40,000	Issuance of common stock for cash: NT$20,000,000	–	Note 4
May. 2001	10	7,000	70,000	7,000	70,000	None	Increase capital by debt-for-equity swap NT$30,000,000	Note 5
Aug. 2001	13.2	10,000	100,000	8,311	83,111	Issuance of common stock for cash: NT$10,838,000	Increase capital by debt-for-equity swap NT$2,273,000	Note 6
May. 2002	12	10,000	100,000	10,000	100,000	Issuance of common stock for cash: NT$10,000,000	Increase capital by debt-for-equity swap NT$6,889,000	Note 7
Nov. 2003	10	12,579	125,787	19,879	198,787	Issuance of common stock for cash: NT$98,787,000 Issuance of common stock for cash: NT$73,000,000	–	Note 8
Dec. 2007	16	25,000	250,000	14,079	140,787	Issuance of common stock for cash: NT$15,000,000	–	Note 9

Month/Year	Issuing price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Paid in properties other than cash	Others
Feb. 2008	20	25,000	250,000	18,079	180,787	Issuance of common stock for cash: NT$40,000,000	–	Note 10
Sept.2008	10	65,000	650,000	53,631	536,307	Capital increase in connection with a merger: NT$355,520,000	–	Note 11
Jun.2009	10	88,000	880,000	56,500	565,000	Surplus profit distributed in the form of new shares: NT$28,693,000 (of which NT$3,623,000 was transferred from employee bonus)	–	Note 12
Jun.2009	50	88,000	880,000	60,000	600,000	Issuance of common stock for cash: NT$35,000,000	–	Note 13
Jul.2010	26	88,000	880,000	60,932	609,320	Stock options: NT$9,320,000	–	Note 14
Feb.2011	78	88,000	880,000	67,057	670,570	Issuance of common stock for cash: NT$61,250,000	–	Note 15
Apr.2013	48.2	88,000	880,000	67,264	672,645	Convertible bond: NT$2,075,000	–	Note 16
Jul.2013	48.2	88,000	880,000	67,269	672,686	Convertible bond: NT$41,000	–	Note 17
Oct.2013	48.2	88,000	880,000	80,632	806,316	Issuance of common stock for cash: NT$100,000,000 Convertible bond: NT$33,630,000	–	Note 18
Jan.2014	48.2	88,000	880,000	84,059	840,589	Convertible bond: NT$34,273,000	–	Note 19
Apr.2014	48.2	88,000	880,000	84,335	843,349	Convertible bond: NT$2,759,000	–	Note 20
Jul.2014	48.2	88,000	880,000	84,409	844,095	Convertible bond: NT$747,000	–	Note 21
Oct.2014	48.2	88,000	880,000	84,412	844,116	Convertible bond: NT$21,000	–	Note 22
Apr.2015	48.2	88,000	880,000	85,138	851,378	Convertible bond: NT$7,262,000	–	Note 23

Month/Year	Issuing price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Paid in properties other than cash	Others
Nov.2015	48.2	88,000	880,000	85,354	853,537	Convertible bond: NT$2,159,000	–	Note 24
Jan. 2016	48.2	88,000	880,000	87,468	874,682	Convertible bond: NT$21,145,000	–	Note 25
Jan. 2017	80.1	120,000	1,200,000	88,633	886,331	Convertible bond: NT$11,649,000	–	Note 26
Jan. 2017	80.1	120,000	1,200,000	88,717	887,167	Convertible bond: NT$836,000	–	Note 27
Apr. 2017	80.1	120,000	1,200,000	89,229	892,286	Convertible bond: NT$5,119,000	–	Note 28
Jul. 2017	80.1	120,000	1,200,000	89,923	899,227	Convertible bond: NT$6,941,000	–	Note 29
Sep. 2017	80.1	120,000	1,200,000	93,013	930,126	Convertible bond: NT$30,899,000	–	Note 30
Aug. 2018	50.0	120,000	1,200,000	99,013	990,126	Issuance of common stock for cash: NT$60,000,000	–	Note 31
May. 2020	37.0	120,000	1,200,000	108,313	1,083,126	Issuance of common stock for cash: NT$93,000,000	–	Note 32
Jul. 2020	—	160,000	1,600,000	108,313	1,083,126	Increase the authorized capital to NT$1,600,000,000	–	Note33
Jul. 2021	58.4	160,000	1,600,000	108,364	1,083,639	Convertible bond: NT$513,000	–	Note34
Sept. 2021	58.4	160,000	1,600,000	120,256	1,202,560	Convertible bond: NT$118,921,000	–	Note 35

Note 1: 1995.12.29 Jian-Yi-Zi No. 01054251.
Note 2: 1998.02.06 Jian-Yi-Zi No. 87257083.
Note 3: 1999.06.21 Jian-Yi-Zi No. 88301844.
Note 4: 2000.07.21 Bei-Shi-Jian-Shang-Er-Zi No. 89312686.:
Note 5: 2001.05.14 Bei-Shi-Jian-Shang-Er-Zi No. 90278117.
Note 6: 2001.08.07 Fu-Jian-Shang-Zi No. 90294407.
Note 7: 2002.05.20 Jing-Shou-Shang-Zi No. No. 09101167070.
Note 8: 2003.11.06 Fu-Jian-Shang-Zi No. 09223554900.
Note 9: 2007.12.17 Fu-Chan-Ye-Shang-Zi No. 09693228220.
Note 10: 2008.02.29 Fu-Chan-Ye-Shang-Zi No. 09781878000.
Note 11: 2008.09.16 Jing-Shou-Shang-Zi No. 09701225180.
Note 12: 2009.06.03 Jing-Shou-Shang-Zi No. 0981106900.
Note 13: 2009.07.01 Jing-Shou-Shang-Zi No. 0981136100.
Note 14: 2010.07.08 Jing-Shou-Shang-Zi No. 09901145140.
Note 15: 2011.03.31 Jing-Shou-Shang-Zi No. 10001048120.
Note 16: 2013.04.16 Jing-Shou-Shang-Zi No. 10201067110.
Note 17: 2013.07.18 Jing-Shou-Shang-Zi No. 10201139850.

Note 18: 2013.10.08 Jing-Shou-Shang-Zi No. 10201206640.
Note 19: 2014.01.20 Jing-Shou-Shang-Zi No. 10301007340.
Note 20: 2014.04.14 Jing-Shou-Shang-Zi No. 10301066440.
Note 21: 2014.07.21 Jing-Shou-Shang-Zi No. 10301144680.
Note 22: 2014.10.15 Jing-Shou-Shang-Zi No. 10301215730.
Note 23: 2015.04.13 Jing-Shou-Shang-Zi No. 10401066020.
Note 24: 2015.11.10 Jing-Shou-Shang-Zi No. 10401237190.
Note 25: 2016.01.13 Jing-Shou-Shang-Zi No. 10501006430.
Note 26: 2017.01.09 Jing-Shou-Shang-Zi No. 10601001710.
Note 27: 2017.01.17 Jing-Shou-Shang-Zi No. 10601007540.
Note 28: 2017.04.20 Jing-Shou-Shang-Zi No. 10601047880.
Note 29: 2017.07.24 Jing-Shou-Shang-Zi No. 10601100250.
Note 30: 2017.09.11 Jing-Shou-Shang-Zi No. 10601124020.
Note 31: 2018.08.22 Jing-Shou-Shang-Zi No. 10701099270.
Note 32: 2020.05.07 Jing-Shou-Shang-Zi No. 10901069990.
Note 33: 2020.07.14 Jing-Shou-Shang-Zi No. 10901132480.
Note 34: 2021.07.12 Jing-Shou-Shang-Zi No. 11001118920.
Note 35: 2021.09.07 Jing-Shou-Shang-Zi No. 11001160460.

2. Types of shares

Unit: shares

Share type	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common stock	120,255,963	39,744,037	160,000,000	Listed stocks

3. Relevant information of summary reporting system: Not applicable.

(II) Composition of shareholders

Apr 29, 2023; Unit: shares；%

Shareholder Structure / Amount	Government agency	Financial institution	Other corporations	Individual	Foreign institution and individual	Total
Number of shareholders	—	10	204	22,738	79	23,031
Shareholding	—	6,397,282	14,443,922	75,096,856	24,317,903	120,255,963
Shareholding ratio	—	5.32	12.01	62.45	20.22	100.00

(III) Distribution of shares

1. Common stock

Apr 29, 2023 Unit: shares；%

Shareholder ownership	Number of shareholders	Shareholding	Shareholding ratio
1~999	14,352	247,570	0.21
1,000~5,000	6,995	13,177,621	10.96
5,001~10,000	790	6,311,596	5.25
10,001~15,000	246	3,181,781	2.65
15,001~20,000	160	2,951,408	2.45

Shareholder ownership	Number of shareholders	Shareholding	Shareholding ratio
20,001~30,000	146	3,729,612	3.10
30,001~40,000	70	2,506,569	2.08
40,001~50,000	43	1,971,756	1.64
50,001~100,000	92	6,739,927	5.60
100,001~200,000	64	9,142,994	7.60
200,001~400,000	32	9,566,689	7.96
400,001~600,000	9	4,655,215	3.87
600,001~800,000	6	4,338,044	3.61
800,001~1,000,000	6	5,409,423	4.50
1,000,001 above	20	46,325,758	38.52
Total	23,031	120,255,963	100.00

2. Preferred stock: None.

(IV) Main shareholders list

Apr 29, 2023 Unit: shares；%

Shares / Name of major shareholders	Shares	%
Cheng Chen-Yu	7,743,848	6.44
Japan Securities Finance Co., Ltd.	3,631,000	6.44
Li Hsiu-Hui	3,067,944	2.55
Moraga Inc.	2,674,043	2.22
J.P. MORGAN SECURITIES PLC	2,522,960	2.10
Cathay Life Insurance Company, Ltd.	2,493,048	2.07
Ding Li Development Limited.	2,433,329	2.02
MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO., LTD.-EQUITY TRADING DIVISION (PROPRIETARY TRADING DESK) FOR TRI-PARTY	2,405,000	2.00
Standard Chartered Bank - administrator JPMorgan	2,343,000	1.95
UBS Europe SE	2,319,404	1.93

(V) Information of market price per share, net worth, earnings and dividends

Unit: thousand shares; NTD thousand

Year Item			2021	2022	The current year of Mar. 31 2023
Market price per Share (Note 1)	Highest		108.00	81.60	78.30
	Lowest		43.15	44.20	62.60
	Average		62.71	55.34	69.50
Net worth per Share (Note 5)	Before distribution		63.22	64.83	–
	After distribution		61.22	63.83	–
Earnings per share	Weighted average outstanding shares		114,356	120,256	–
	Earnings per share		10.92	3.40	–
Dividends per share (Note 5)	Cash dividend		2	1	–
	Stock dividends	Stock dividends from retained earnings	–	–	–
		Stock dividends from capital reserve	–	–	–
	Accumulated undistributed dividend		–	–	–
Analysis of return on investment (Note 5)	P/E ratio		5.74	16.28	–
	P/D ratio		31.36	55.34	–
	Cash dividend yield		3.19	1.81	–

Note 1: P/E ratio = Average closing price per share of the current year / EPS.

Note 2: P/D ratio = Average closing price per share of the current year / cash dividends per share.

Note 3: Cash dividend yield = cash dividends per share / average closing price per share of the current year.

Note 4: The latest CPAs reviewed financial statements are not available up to the date of publication of this annual report.

Note 5: The distribution of earnings for 2022 is pending resolution by the Shareholders' Meeting, but it is expected to be a cash dividend of NT$1 per share.

(VI) Dividend policy and its implementation status

1. The dividend policy of the Company is in accordance with Article 24 of the Articles of Association, and the relevant provisions are as follows:

   If the Company makes a profit, the Board of Directors shall allocate not less than 5% of the profit as the remuneration of employees and not more than 2% of the profit as the remuneration of directors. However, if the Company has accumulated losses, the Company shall set aside a part of the profit first to make up for the losses and report to the Shareholders' Meeting.

   The employees mentioned in the preceding paragraph shall include employees of the subsidiaries who meet the conditions set by the Board of Directors.

   If the Company earns a profit, it must first pay taxes to cover previous losses and then allocate 10% of the statutory surplus reserve. If the statutory surplus reserve equals the Company's total capital, the special surplus reserve must be allocated as mandated by law or the competent authority. The remaining amount may be added to the undistributed earnings from the previous period as dividends for shareholders. The Board of Directors will create a plan for distributing earnings and present it to the Shareholders' Meeting for approval, or choose to retain the earnings based on business requirements.

The Company's dividend policy considers various factors, including its financial structure, operating conditions, capital budget, shareholder interests, and dividend balance. Distributable earnings may be retained or distributed as shares, cash, or both. Cash dividends must account for at least 10% of the total dividends distributed to all shareholders, with the remainder being stock dividends.

2. Distribution of Dividends Proposed in the Shareholders’ Meeting Cash dividends distributed to shareholders (NT$1 per share)

(VII) The impact of the stock grants proposed by the shareholders’ meeting on the Company's operating performance and EPS: The Company has no share dividends distributed, and thus is not applicable here.

(VIII) Remuneration to employees and directors

1. The percentages or ranges of remuneration to employees and directors listed in the Articles of Incorporation

   If the Company makes a profit, the Board of Directors shall allocate not less than 5% of the profit as the remuneration of employees and not more than 2% of the profit as the remuneration of directors. However, if the Company has accumulated losses, the Company shall set aside a part of the profit first to make up for the losses and report to the Shareholders’ Meeting.

   The employees mentioned in the preceding paragraph shall include employees of the subsidiaries who meet the conditions set by the Board of Directors.

2. If there is any difference between the estimated basis of remuneration to employees and directors, the calculation basis for the number of shares distributed to employees as remuneration, the actual distribution amount and the estimated numbers in the current period, please state the method of accounting treatment.

   The Company will estimate employee and director remuneration expenses based on the percentages outlined in the Articles of Association. Any changes to the remuneration amount approved by the Board of Directors in the following period will be reflected in the expense for the subsequent year.

3. The remuneration distribution passed by the Board of Directors

   (1) Amount of remuneration to employees and directors distributed with cash or shares. If there is any discrepancy with the estimated amount in the expense recognition year, the difference amount, reasons for the difference and the handling situation shall be disclosed.

      A. On March 9, 2023, the Board of Directors of the Company approved the proposed cash distribution of NT$28,500,000 to employees and NT$7,998,000 to directors and supervisors for 2022.

      B. Please refer to the following table for the difference between the recognized expenses and the estimated figure, and the handling thereof:

Unit: NTD

Distributed items:	Amount of allotment proposed by the Board (A)	Recognized expenses and the estimated figure (B)	Discrepancy in amount (A-B)	Note
The remuneration of employees	28,500,000	28,500,000	0	No discrepancy
The remuneration of directors and supervisors	7,998,000	7,998,000	0	No discrepancy

(2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income for the current period and total employee remuneration: Not applicable as the Company did not distribute stock dividends to employees in 2022.

(3) In 2022, earnings per share remained at NT$3.40, as expenses for employee and director/supervisor remuneration were factored in without impacting the calculation of earnings per share.

4. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, additionally the discrepancy, cause, and how it is being handled

Information on the actual distribution of bonuses to employees and remuneration to directors and supervisors from the Company's earnings for the previous year (2022) is as follows:

The Company estimated a total remuneration of NT$68,800,000 for employees and NT$5,000,000 for directors and supervisors in 2021. As per the Board of Directors' resolution on March 10, 2022, the actual remuneration for employees and directors/supervisors remained unchanged from the estimated figures, at NT$68,800,000 and NT$5,000,000, respectively.

(IX) Conditions that the Company buys back its shares: None.

II. Disclosure Relating to Corporate Bonds: None.

III. Disclosure Relating to Preference Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options: None.

VI. Employees Restricted New Shares: None.

VII. New Shares Issued for Merger and Acquisition: None.

VIII.Implementation of Capital Allocation Plan: None.

Chapter 5 Operational Highlights

I. Content of Business

(I) Scope of business

1. Core business
The Company and its subsidiaries are primarily involved in developing, producing, and selling various products, including cholesterol and phosphate binders, Vit. D derivatives, anti-cancer active ingredients, respiratory agents, anti-inflammatory and analgesic agents, central nervous system (CNS) agents, and UV absorbers. Additionally, they are dedicated to researching and developing biotech and new drugs, trading and investing in pharmaceuticals and chemicals, and wholesaling, importing, and exporting chemical raw materials and products, as well as acting as commission agents.

2. Proportions of overall business:

Unit: NTD thousand: %

Year / products	2021		2022	
	Sales amount	%	Sales amount	%
Cholesterol and Phosphate Binders	1,048,247	33.36	1,292,494	34.32
Vit. D Derivatives	605,813	19.28	700,968	18.62
CDMO	449,013	14.29	535,512	14.22
Respiratory Agents	198,845	6.33	357,355	9.49
Anti-inflammatory and Analgesic Agents	187,719	5.98	225,977	6.00
CNS Agents	95,116	3.02	180,025	4.78
Others	557,653	17.74	473,173	12.57
Total	3,142,406	100.00	3,765,504	100.00

3. Current product items
The main products of the Company are as follows:

Items	Products
1	Cholesterol and Phosphate Binders
2	Vit. D Derivatives
3	Contract Development and Manufacturing Organization (CDMO)
4	Respiratory Agents
5	Anti-inflammatory and Analgesic Agents
6	CNS Agents

Note: Currently, Formosa Pharmaceuticals, Epione Pharmaceuticals, and Activus Pharma, which are subsidiaries of the Company, are still in the research and development phase for new drugs. Despite the different division of labor among Epione Investment Cayman Limited, Epione Investment HK Limited, and Shanghai Epione Enterprise, they are also in the stage of new drug application (NDA) and have not yet launched their products on the market, resulting in no revenue generated.

4. New products planned to be developed

The Company has upgraded its technology and services for active pharmaceutical ingredients (APIs), expanded its R&D efforts to include downstream processing of existing APIs, and entered into the R&D of injectable formulations. Currently, the Company has put into production general production lines for both small molecules and macromolecules, as well as production lines for cytotoxic manufacturing of anticancer drugs and ADCs. The Company has also focused on reference listed drugs that will soon be launched, selecting products from them to expand the market of antibody drug conjugates (ADCs) and injectable formulations.

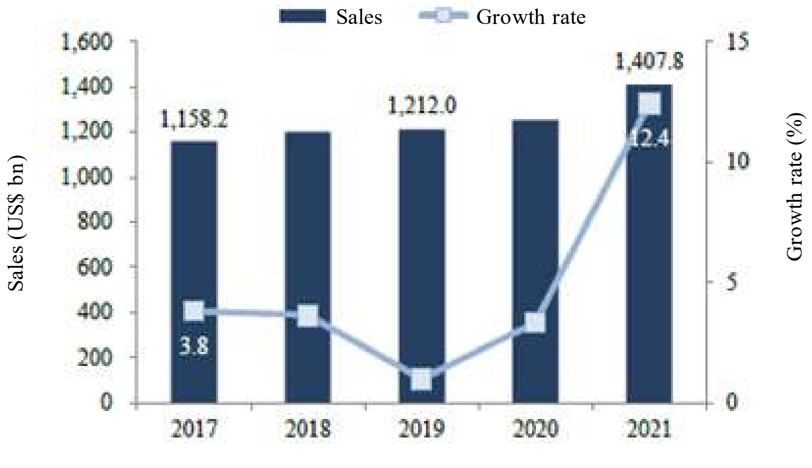
(II) Industry overview

1. The current condition and development of the industry

(1) Current Status of the Global Pharmaceutical Market

The global pharmaceutical market, as reported by Fitch Solutions, has reached US$1.4 trillion in 2021, indicating a 12.4% increase from 2020. The compound annual growth rate (CAGR) from 2017 to 2021 was 5.0%. The launch and expansion of various COVID-19 vaccines are expected to act as a catalyst for economic recovery. The development of COVID-19 related vaccines, drugs, and diagnostic products has created a multi-billion dollar business opportunity between 2021 and 2022, and the global demand for innovative medicines continues to expand. It is projected that the global pharmaceutical market will grow by US$1.7 trillion by 2026, with a CAGR of 4.6% between 2022 and 2026.

Global pharmaceutical market size from 2017 to 2021



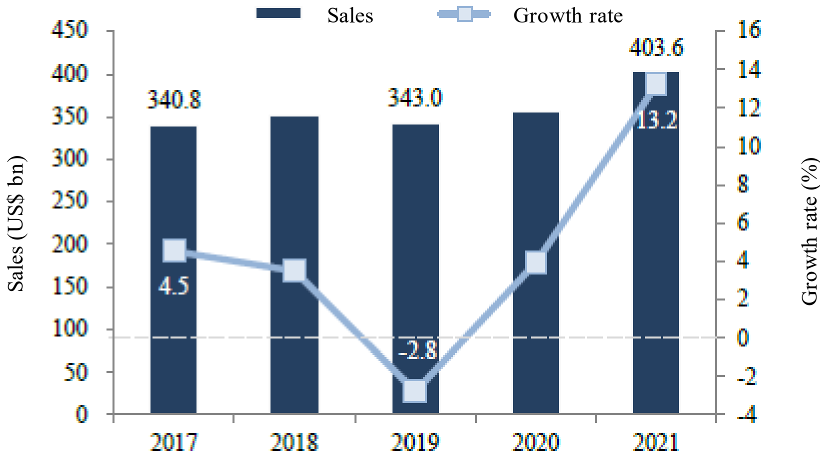
Source: DCB 2021 Pharmaceutical Industry Yearbook

(2) Current Status of the Generic Drug Market

The COVID-19 pandemic in 2020 resulted in economic growth slowing down due to social isolation measures adopted by many countries. As a result, governments have encouraged the use of generic drugs to save on medical expenses due to financial difficulties. Additionally, the aging global population has led to an increase in the number of chronic patients, further driving the generic drug market. The expansion of the COVID-19 pandemic has caused most chronic disease patients to avoid hospitals to prevent infection, resulting in panic buying and a short-term shortage of oral medications for chronic diseases. Furthermore, patients have become more anxious after learning about the crisis in the drug supply chain.

Hospital procurement departments have also been concerned about shortages due to the outbreak of COVID-19 in Chinese mainland and India, two of the world's most important API manufacturing areas, leading them to purchase large quantities of drugs to avoid a shortage crisis. All of these factors have contributed to the continued growth rate of the global generic drug market in 2020.

Global market size of generic drugs from 2017 to 2021



For chemical companies, the expiration of exclusive rights marks the conclusion of a new product's life cycle. It also indicates the conclusion of the market monopoly period, during which costs for continuous innovation are recouped and funds for future R&D are provided. Consequently, chemical companies gradually decrease commercial investment and shift focus to new innovative products, while the ecosystem of generic chemical companies takes over and continues to supply less expensive generic products to the market. According to the International Generics and Biosimilar Medicines Association, generic drugs account for 92% of prescription drugs in the US and 67% in Europe.

(3) Current Status of the API Market

Global API sales grew to US$205.6 billion in 2021. The COVID-19 pandemic has had an impact on the global API market, resulting in a slight disruption to the upstream production supply chain of APIs. Downstream pharmaceutical factories are concerned about potential supply chain disruptions and have increased their procurement of APIs, leading to a higher growth rate in the global API market compared to previous levels. However, it is anticipated that this growth rate will gradually decline to its original level in the future.

According to data released by MarketsandMarket, the global API market has generally shown a steady growth trend in recent years, with a growth rate of 9.5%, despite a decline in 2020 due to the impact of the COVID-19 pandemic. The production growth of APIs has been driven by the increasing number of drugs with expired patents and generic drugs. The global API market is projected to reach US$290 billion by 2026, with a CAGR exceeding 10%. The primary catalyst for market expansion is the increasing need for pharmaceuticals due to the global aging population, as well as the emergence of new demand resulting from the introduction of novel biological drugs and the growing significance of generic drugs. Additionally, the flourishing advancement of APIs in mainland China, India, and Europe serves as a key impetus for growth.

(4) Current Status of the Antibody Drug Conjugate (ADC) Market

The increasing number of approved ADCs has drawn attention to their therapeutic potential, resulting in a growing interest in related products and platform technologies. In July 2020, Daiichi Sankyo and AstraZeneca entered into another agreement to develop DS-1062, a TROP-2 directed ADC, following their successful collaboration in 2019 to bring Enhertu to market. The estimated value of this new project is up to US$6 billion. Manufacturers continue to roll out ADCs to secure their position and competitiveness in the cancer drug field.

(5) Current Status of the Injectable Formulation Market

Various dosage forms are available for Western pharmaceutical preparations, including oral preparations, patches, nasal sprays, and injectable formulations. Injectable formulations are primarily used for biological preparations, small molecule preparations, anticancer drugs, and non-oral nutritional supplements. They are currently utilized for many new drugs with high market value. There are various types of injectable formulations, such as liquid, powder, and pre-filled syringe formulations. Nevertheless, due to the ongoing enhancement of pharmaceutical regulations, numerous injectable formulation factories in the United States have ceased operations as they are unable to comply with the latest regulations. In the United States, the scarcity of injectable drugs has reached 63%. This shortage in the injectable drug market presents an opportunity for Taiwanese pharmaceutical companies to develop drugs with high production technology thresholds and high market values for export to countries with high economic scales, such as Europe and the United States.

(6) Current Status of Contract Development and Manufacturing Organization (CDMO) Market

CDMOs play an important role as facilitators in the global pharmaceutical industry, improving the efficiency of R&D and production. The COVID-19 pandemic has highlighted their significance even further, particularly in terms of meeting demand. CDMOs have benefited from the COVID-19 pandemic. The biotech industry's demand for CDMOs has increased due to the growing global demand for R&D productivity, the increasing complexity of drug discovery and development, and the rise of small/virtual biotech companies. The global CRO (Contract Research Organization) market is expected to grow to US$74.53 billion in 2025, with a CAGR of 9.0% from 2020 to 2025. Additionally, the global CMO (Contract Manufacturing Organization) market is projected to grow to US$149.44 billion in 2025, with a CAGR of 8.9% from 2020 to 2025.

Due to the proliferation of CDMOs worldwide, corporate mergers and acquisitions have become commonplace, and the CRO and CMO sectors are trending towards centralization. Strategic collaborations between industries are also becoming more frequent, with the shared objective of rapidly developing and manufacturing new therapeutic drugs, leading to the expansion of CDMO services and regional markets. Furthermore, by adopting new technologies and venturing into new therapeutic fields, CDMOs can provide value-added services and increase output efficiency. The COVID-19 pandemic has hastened the adoption of new technologies by CROs, including remote technologies and decentralized clinical trials. Additionally, an increasing number of CROs have focused on providing value-added services as their niche for development. The pandemic has also resulted in a surge of consigned manufacturing cooperation with CMOs/CDMOs, fostering strategic partnerships between industries and laying the groundwork for long-term collaboration. Furthermore, CDMOs are actively expanding their offerings to include ADCs and emerging therapies such as cell and gene therapy, in response to the diversified market structure of the biotech pharmaceutical industry, driven by advancements in technology and changes in industrial demands.

The COVID-19 pandemic crisis has presented new opportunities for the chemicals industry, as CDMOs have adopted new technologies and responded to market demand. The ongoing development of diverse products, specialized services, and cross-industry collaboration will drive the growth and advancement of CDMOs worldwide.

2. Relevance between the up, middle and downstream of industry

The API industry operates within the pharmaceutical industry's intermediate sector. Upstream raw materials primarily consist of natural animals and plants, as well as general chemicals. The downstream industry encompasses pharmaceutical factories, including both brand-name and generic drug companies.

	Upstream	Midstream	Downstream
Manufacturer	**Chemical API manufacturer**	**Professional API manufacturers**	**Pharmaceutical factories**
Products	**Chemical Natural Products** ⇨	**APIs Intermediates Inert Ingredients (including excipients and pigments)** ⇨ **Active ingedients APIs*** ⇨	**Formulations**
Market Conditions		**● APIs OEM of branded patent drugs ● APIs OEM of Generic Drug ● APIs OEM of R&D Drugs**	**● Prescription drug ● Non-prescription drug**

*API: Active Pharmaceutical Ingredient

Upstream, midstream, and downstream industries are described as follows:

(1) Upstream industry

Upstream industry supplies the necessary raw materials for the production of APIs, which encompass natural animal and plant products as well as general chemicals. These materials are primarily synthesized chemically or extracted from the tissue cells of animals, plants, and microorganisms.

(2) Midstream industry

As the majority of APIs are small organic molecules, they are typically synthesized using biological or chemical methods. Chemical methods are preferred due to their convenience, speed, and competitive pricing, making them a widely used option in the API industry. There are various production methods for APIs depending on the source of raw materials. In addition to raw material preparation, such as fermentation, natural product processing involves extraction, separation, hydrogenation, alcoholysis, esterification, saponification, and purification (e.g. distillation, extraction, crystallization). General chemical preparation involves complex organic synthesis, separation, and purification. Genetic engineering preparation involves purification and recovery engineering. As a result, the production process for APIs in the precision biochemical industry is complex, with synthesis technology being the most sophisticated.

(3) Downstream industry

The downstream segment of the pharmaceutical industry chain encompasses the factories responsible for manufacturing pharmaceutical preparations. The production process for pharmaceutical preparations entails the addition of APIs to adjuvants, including excipients, adhesives, emulsifiers, and other substances, which are then reprocessed into convenient dosage forms.

3. Product development trends and competition situations

In recent years, the COVID-19 pandemic has not only affected the global economy, but has also presented significant challenges to the healthcare system, pharmaceutical industry, and drug supply chain of various countries in the chemicals industry. The COVID-19 pandemic, which began in December 2019, quickly spread around the world in early 2020. The high mortality and infection rates caused widespread panic. In the absence of vaccines and medicines, countries implemented measures such as city and border shutdowns to prevent the spread of the pandemic and reduce the burden on medical systems. However, these measures have caused disruptions in global medical supplies. For example: Since January 2020, several regions in mainland China have been subject to shutdowns, including the manufacturing industry, which encompasses the pharmaceutical sector. In March 2020, the Indian government prohibited the export of 26 types of APIs and preparations to safeguard the domestic drug supply, leading to a worldwide shortage of pharmaceuticals.

After taking office, President Joe Biden pledged to support the localization of the US supply chain and proposed three reforms, including: (1) Leveraging the federal government's influence to reconstruct domestic supply chains for crucial products within the United States; (2) Guaranteeing that the United States possesses essential materials to manage future crises and maintain national security; (3) Collaborating with allies to stabilize the supply chain and expand opportunities for US exports. Our objective is to enhance the supply chain and manufacturing capacity of essential products within the United States, while also expanding the manufacturing opportunities for related products. In the event that the domestic market demand exceeds the manufacturing capacity of the United States, we will collaborate with our allies to address the long-standing issue of overreliance on imports from a single country.

Amidst the COVID-19 pandemic and geopolitical tensions between China and the United States, it is advisable for international pharmaceutical manufacturers to mitigate risks by diversifying their supply chains and reducing their reliance on China. This can be achieved by adjusting their supply structure and avoiding concentration in specific countries. Situated in the heart of the Asia-Pacific region, Taiwan boasts exceptional pharmaceutical production technologies and geographical advantages. For many years, Taiwan has adhered to the good manufacturing practice (GMP) guidelines outlined in the Pharmaceutical Inspection Co-operation Scheme (PIC/S). In 2018, Taiwan joined the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), aligning itself with other advanced countries in terms of laws and regulations. Moreover, numerous domestic manufacturers have successfully passed factory inspections conducted by leading countries such as the United States, the European Union, and Japan, giving them a competitive edge in terms of quality. As a result, they are well-positioned to become part of the new supply chain under the trend of supply chain remodeling.

For over 20 years, our Company has established a strong presence in the European, American, and Japanese markets, earning the trust of major pharmaceutical companies and cultivating a positive brand image. As a supplier of APIs to international pharmaceutical manufacturers, our Company possesses strong international market development capabilities, a smooth pipeline, and competitive pricing. Currently, the Company serves as a supplier to the top three brand drug manufacturers worldwide, five of the top ten generic drug manufacturers in the United States, and the top three generic drug manufacturers in Japan.

The company has amassed over a decade of experience in developing and producing APIs, resulting in a diverse range of products with unique characteristics. The following outlines the future market applications and development trends for these products.

(1) Active Pharmaceutical Ingredients (APIs)

A. Cholesterol and Phosphate Binders

The cholesterol and phosphate binder series of products are primarily utilized for reducing cholesterol levels and treating hyperphosphatemia in individuals with chronic kidney disease. These APIs are polymers, and only a select few manufacturers possess the necessary technology to produce them. The company is a top global supplier of various generic drugs, commanding a market share of over 70%. Four products in the series have been launched in the United States, and the Company has experienced stable business growth as clients in the US market continue to place orders. The high technical competition threshold of these products has positioned the Company as the main supplier in the American and European markets. The Company plans to expand its presence in the Asian market in the future. Notably, the Company is on the verge of obtaining the drug certificate in mainland China, which is expected to drive strong sales and contribute to revenue. Due to the limited supply of our products, we are currently expanding our production line. We anticipate that it will be operational by the fourth quarter.

B. Vit. D Derivatives

Vitamin D derivatives are primarily utilized to treat psoriasis, hyperparathyroidism, osteoporosis, and renal osteodystrophy resulting from uremia. The Company has independently developed and produced a series of APIs, which have been well-received in the European, American, and Asian markets. This series boasts a number of patents and has achieved excellent sales performance in the Chinese mainland, making it the Company's representative product series. The turnover of Vitamin D derivatives increased by over 50% between 2018 and 2021, with a significant rise in customer demand in Europe, Japan, and other regions. In addition to supplying renowned pharmaceutical manufacturers, the Company has signed a supply contract with a manufacturer specializing in original drugs for one of the products in this series this year. This is expected to result in significant performance growth.

C. Anti-inflammatory and Analgesic Agents

Anti-inflammatory and analgesic agents are primarily utilized for pain and inflammation relief. Using capsaicin as an example, a new drug development company in the United States has created a preparation that was approved for marketing by the European Medicines Agency and the Food and Drug Administration (FDA) in May and November 2009, respectively. This is the first prescription drug containing capsaicin for the treatment of postherpetic neuralgia. It was approved for the treatment of neuralgia caused by diabetes in July 2020. The Company, the sole API manufacturer authorized by the FDA, experiences a consistent increase in market demand.

D. Respiratory Agents

Due to the COVID-19 pandemic, the demand for respiratory related APIs has increased significantly since 2019. The US and Central/South American markets are experiencing a shortage, with a growth rate of 48% in 2022 compared to 2021.

E. Anticancers

Some of these APIs are highly potent. Currently, the Company has developed seven products, one of which has received approval for marketing in the United States, Chinese mainland, and Europe for the treatment of brain cancer. The API for the treatment of renal cell carcinoma is in stable shipment after being commercialized in mass production. Additionally, the API for the treatment of lung cancer has been approved by the FDA and is expected to obtain the exclusive right to sell for 180 days.

(2) Antibody Drug Conjugates (ADCs)

For many years, the Company has invested in R&D, manufacturing, and production facilities for high-toxicity products, and has developed a team of experts capable of handling such products. Furthermore, the Company has formed strategic partnerships with upstream and downstream partners, gained expertise in technology and raw material supply chains, and established a technology platform for ADCs. With years of experience and an international reputation, the Company has assisted numerous domestic and foreign companies in the development of new drugs, from product development to clinical drug production. We have successfully delivered clinical documents to regulatory units around the world and obtained approval for clinical trials. Currently, a European client has submitted clinical documents and has received approval for clinical trials.

(3) Injectable

In 2018, Formosa Laboratories established a development team dedicated to the production of injectable formulations. The plant's hardware was designed by NNE Global, a globally recognized company, to fully comply with the aseptic filling requirements outlined in GMP. Additionally, a plant was constructed to produce anti-cancer injectable formulations that meet the highest international standards. The production line adheres to the standards of the United States, the European Union, and Japan, and can be expanded to meet the needs of clients.

Formosa Laboratories has transformed and upgraded its operations from the manufacturing of APIs to injectable formulations. Additionally, the Company has established three production lines. In addition to the production lines related to cytotoxicity (anti-cancer drugs and ADCs), Formosa Laboratories has planned general production lines (small molecules and macromolecules) to provide clients with flexible production lines and capacity options. The production line has a maximum capacity of 10,000 to 250,000 vials per batch. In addition to the general production line, there is a cytotoxic/high-potency production line, which offers a comprehensive service that includes R&D and production of APIs and injectable formulations. This service reduces clients' R&D cycle and cost.

(4) Contract Development and Manufacturing Organization (CDMO)

A. Active Pharmaceutical Ingredients (APIs)

In addition to producing and selling APIs for generic drugs, the Company also serves as a CDMO in the pharmaceutical industry. Various pharmaceutical companies are actively pursuing diversified strategies and seeking more partners for joint development due to regulatory authorities in various countries accelerating the review of new drugs and policy incentives that attract manufacturers to invest in the development of drugs for rare diseases. Most small drug development companies lack the capacity to develop and produce APIs. As a result, they must collaborate with API manufacturers possessing process R&D capabilities and GMP certification. In recent years, various governments have mandated the reduction of drug prices. Consequently, brand pharmaceutical companies frequently delegate the production of their APIs to professional API manufacturers with competitive pricing and GMP certification. The company has collaborated with various international pharmaceutical companies and has successfully established a business model from research and development to mass production. Three active pharmaceutical ingredients (APIs) have been provided to clients involved in original drugs in the United States. The supply has remained stable in accordance with the aforementioned model. The Company has two OEMs that provide APIs to clients involved in producing original drugs in Japan, and the supply remains consistent.

B. ADCs

In addition to providing custom synthesis services for small molecule APIs for clinical use, the Company has also ventured into ADCs. The ADC technology platform underwent a ten-year incubation period, which enabled our clients to successfully pass the official IND review in Spain during Q4 of 2021. Our injectable formulations production line is now operational, and our products have obtained QP certification in Europe. Additionally, we have received Phase I clinical trial approval from the United States (FDA), European Union (EMA), and Chinese mainland (NMPA) in April 2022, allowing us to conduct clinical trials. This achievement marks a significant milestone in our one-stop service for ADCs. With its experienced ADC technology platform, the Company offers customized services and serves as the ideal partner for clients.

C. Injectable

By vertically integrating technologies and combining the production of APIs and sterile injectable formulations, our Company has established the capacity for mass production of sterile APIs. Our design, manufacturing process, validation, and registration of plants for sterile injectable formulations adhere to international regulations. Consistent production from APIs to sterile injectable formulations significantly reduces production costs, increases product profitability, and enhances our competitiveness.

(III) Overview of technology and R&D

1. R&D expenses

In the fiscal year 2022 and as of February 28, 2023, the R&D expenses invested were NT$777,016 thousand and NT$66,596 thousand, respectively.

2. successfully developed technology or products

The names of products successfully developed in 2022 and 2023 are as follows:

Product name: Relugolix, Istradefylline, etc.

(IV) Development programs for long- and short-term business

1. Short-term development program
   (1) Consolidate the relationship with the existing client base, actively attract new clients, and increase the market share in the industry.
   (2) Strengthen communication with clients to fully grasp their needs.
   (3) Focus on quality and maintain high standards of client satisfaction.
   (4) Lower costs to improve competitiveness.
2. Long-term development program
   (1) Strengthen the relationship between manufacturers in the upstream and downstream sectors, and establish effective connections between supply chain operations to more efficiently meet client demand.
   (2) Form strategic alliances with clients to expand market share and create win-win situations.
   (3) Launch a minimum of 10 new R&D programs annually and commercialize no less than 3 new products each year to sustain our competitive edge.

(4) Improve the equipment and processes to maximize efficiency, reduce costs, and increase market competitiveness.

(5) We aim to enhance our R&D and OEM operations, broaden our customer reach for ADCs and injectable formulations.

(6) Train employees to promote the company's sustainable growth in the future, foster recognition of the corporate culture among organizational members, establish a shared set of organizational values, and work towards the common goal of sustainable operations.

II. Market and Sales Overview

(I) Market analysis

1. Sales areas of major products

Unit: NTD thousand

Sales areas	2021	2022
India	751,375	918,782
Taiwan	306,381	380,508
Netherlands	88,441	377,799
Switzerland	333,461	280,347
Germany	247,221	231,162
Japan	253,814	228,751
China	137,108	220,018
Canada	269,292	208,519
America	116,200	190,339
Spain	290,044	115,776
Others	349,069	613,503
Total	3,142,406	3,765,504

2. Market share

(1) Active Pharmaceutical Ingredients (APIs)

A. Cholesterol and Phosphate Binders

These APIs are polymers, and only a few API manufacturers have the technology to produce them. The Company supplies three major manufacturers of generic drugs and holds the leading market share in the United States and Europe, accounting for 70% of the market.

B. Vit. D Derivatives

The series of Vit. D derivatives has numerous patents and has gained a favorable reputation in the European, American, Chinese, and Japanese markets, making it a flagship product series for the company. Currently, the company has nine APIs in this series, three of which are ranked in the top three globally.

C. Anti-inflammatory and Analgesic Agents

The FDA has inspected two APIs in this series, and preparations utilizing these APIs were approved by the FDA in 2006 and 2009, respectively. One API has accounted for over 50% of the market share in the United States in 2022. This product series is currently being produced and delivered with stability.

D. Respiratory Agents

This product series has been approved for marketing by the FDA, with one of them currently holding over 90% of the market share in the United States as of 2022. Currently, this product series is being produced and delivered with stability.

E. Anticancers

One of the products in this series has received FDA approval and obtained a drug certificate in mainland China. The API currently holds over 60% of the market share in the United States as of 2022, and production and delivery remain stable.

(2) ADCs

The Company's ADC technology platform enjoys a global reputation. It has aided numerous domestic and international drug development firms in product development and production. Additionally, it has successfully delivered clinical documents worldwide and passed QP audits. The demand for ADCs is expanding due to the promotion of client products. Currently, several growth opportunities have been planned, and a promising future growth is expected.

(3) Injectable

The company's production lines for injectable formulations fulfill the production requirements for small molecule and macromolecule drugs. It possesses two sterile production lines for injectable formulations, with an annual production capacity of hundreds of millions of doses. Additionally, it can provide millions of doses for the pre-clinical development of clients. The product lines related to cytotoxicity have an annual production capacity of tens of millions of doses. In 2021, the packaging production lines received certification from PIC/S GMP and PIC/S GDP, while the cytotoxicity production lines were certified by TFDA GMP in Q2 2022. The Company's production lines for injectable formulations are capable of meeting service capacity. By utilizing a joint development model, the Company has improved its product supply chain and sales network, accelerated market development, launched new products, seized business opportunities, and gradually improved operational performance.

(4) Contract Development and Manufacturing Organization

The Company's business model, from R&D to mass production, has proven effective due to the high demand for the OEM business. This has resulted in the Company serving major international manufacturers, with their projects now entering the critical stage of validation or commercial amplification. Furthermore, the technology platform for ADCs has gained international recognition, aiding several new drug companies in product R&D and production. In light of the COVID-19 pandemic and the restructuring of the global supply chain, our Company has provided pharmaceutical filling clients with flexible and efficient solutions, as well as complete R&D and production supply chains. The Company offers comprehensive services ranging from APIs to preparations, as well as cytotoxicity-related production lines for anti-cancer drugs and ADCs, and general production lines for small and macromolecules. The general production lines can provide pre-clinical development for clients with millions of doses, and offer flexible and diverse products. Presently, the

Company collaborates with several globally recognized pharmaceutical companies.

3. Future Supply and Demand Conditions and Growth Potential of the Market

   In recent years, due to the globalization of industry and economy, the API industry has gradually shifted to Asia for R&D, production, and OEM , due to the lower manufacturing and clinical trial costs and the rapid rise of the Asia-Pacific market. The proportion of bulk APIs and key intermediates produced in China and India has been increasing steadily. As a result, these two countries have become significant suppliers in the global market. However, their focus remains on producing inexpensive generic drugs. In contrast, the API markets in Western Europe, North America, and Japan are dominated by patented and high-priced new drugs. Consequently, the proportion of outsourced production in these regions is on the rise.

   The API market will experience constant growth due to the accelerated launch of new drugs and increased use in emerging markets. It is projected that global sales of APIs will reach US$208.05 billion by 2024, with a CAGR of 4.0% from 2019 to 2024. The primary markets for APIs will continue to be concentrated in the United States, Chinese mainland, and India.

   In the future, the chemicals industry will experience accelerated consolidation of global API manufacturers, resulting in the elimination of small and medium-sized manufacturers lacking international competitiveness. Only manufacturers with good manufacturing specifications, cost advantages, and price competitiveness will survive. Therefore, small and medium-sized companies must develop new technologies, such as transitioning from small-molecule APIs to large-molecule products, expanding from CMO business to CDMO business, integrating upstream new drugs to increase profitability, partnering with downstream pharmaceutical manufacturers to lower costs, and finding a niche to survive in a competitive environment through transformation and upgrading. Looking ahead, the company will continuously develop new products, adhere to strict GMP production management, strengthen R&D and OEM business, expand the client base for ADCs and injectable formulations, provide clients with higher quality products, and continue to expand market share.

4. Competitive Niches

   The Company's extensive management experience has enabled it to effectively control the development and launch time of new products, positioning it as a market leader. The following are its main competitive niches:

   (1) Strong R&D Team and Mass Production Experience

   The Company boasts a robust R&D team dedicated to developing API processes and analytical methods. With over a decade of experience in process development and patents for relevant processes, the Company is well-equipped to provide clients with comprehensive, one-stop services. Its strong production capacity and practical expertise further enhance its ability to meet client needs. The Company has leveraged its extensive experience in R&D, manufacturing, and production of highly toxic drugs and plant equipment, as well as its long-standing training of talented individuals capable of handling highly toxic products, to establish a technology platform for ADCs. This platform covers the entire process from bulk drugs to preparations, and includes filling services for highly toxic preparations and injectable formulations.

(2) Quality Products

All of the Company's products conform to cGMP specifications and have passed both on-site inspections by the Taiwan Food and Drug Administration and inspections by foreign pharmaceutical manufacturers and official competent authorities, including the FDA, on an annual basis. Furthermore, our products have obtained drug certifications from the United States, Germany, Japan, and other countries. The Company also regularly participates in international biotechnology and medical drug exhibitions, which has helped establish our international reputation and demonstrates that our products undergo strict examination and are recognized by various countries.

(3) Stable Raw Material Supply

The Company's main raw materials are sourced from long-standing partnerships with manufacturers, ensuring a secure supply and favorable pricing that maintains the Company's competitive advantage.

(4) Good International Marketing Ability

As the Company's business relies on exports for over 90% of its revenue, there are no market limitations on sales. Over the past decade, our Company has successfully established a robust international sales network that spans Europe, the United States, Japan, India, the Middle East, and Southeast Asia. We have experienced stable development and growth in all regions, which has been instrumental in expanding our market and diversifying our business risks. With clients evenly distributed around the world, we are well-positioned to continue our success in the global chemicals industry. Due to the Company's strong capacity for international market development and efficient pipeline, it has become a reliable supplier of APIs to global pharmaceutical manufacturers. This creates favorable conditions for the future development of our international market.

5. Favorable and Unfavorable Factors of Development Prospects and Countermeasures

(1) Favorable factors

A. Aging population structure and rising standard of living

Currently, the world has entered an era of aging society. As the population structure continues to age, the demand for various drugs is expected to rise, leading to an expansion and growth of the market size for API manufacturers. An increasing number of countries are placing greater emphasis on healthcare. In order to provide medical resources to the majority of people, policies and regulations have been implemented to regulate drug prices, manage medical expenses, and enhance the overall quality of healthcare. This has prompted major global pharmaceutical manufacturers to seek out companies with low costs and quality systems that comply with international quality standards. This trend bodes well for the future growth of our marketing business.

B. Government attention and guidance

The government has identified the API industry as a crucial development project. Alongside investing in industrial technology R&D, the government has implemented several preferential measures on taxation and financing for manufacturers. These measures include the Guiding Measures for the Development of Leading New Products, the Regulations for Promoting Industrial Upgrading, and the Plan for Strengthening the Promotion of Biotechnology Industry. These regulations and measures provide the Company with external competitive advantages, create opportunities for domestic API manufacturers to expand globally, and facilitate the Company's growth in the international API market.

(2) Unfavorable factors

- A. International regulations are increasingly stringent in the management of key starting materials, resulting in fewer suppliers who meet the necessary requirements.
- B. An imbalance in human resources caused by the electronics industry's shortage of talent and high salary incentives.
- C. Price-cutting competition from India.

(3) Countermeasures

- A. In addition to maintaining relationships with current suppliers, the Company has implemented a secondary supplier program and actively seeks out additional supply resources. Additionally, the Company has entered the intermediate supply chain with a strict GMP production management system and quality system that meets international regulatory requirements. This ensures the stability of raw material supply sources and creates new opportunities for the Company.
- B. Establish a stable supply chain with suppliers, promptly acquire market information, and adapt to market changes by adjusting demand and inventory.
- C. Carefully select products to differentiate in the market. Continue to maintain excellent product quality and the ability to obtain certifications in Europe, America, and Japan.

(II) Important uses of main products and their production process:

1. Important uses of main products

Important uses of main products of the company

(1) Cholesterol and Phosphate Binders: Mainly used to treat hyperlipidemia and hypophosphatemia.

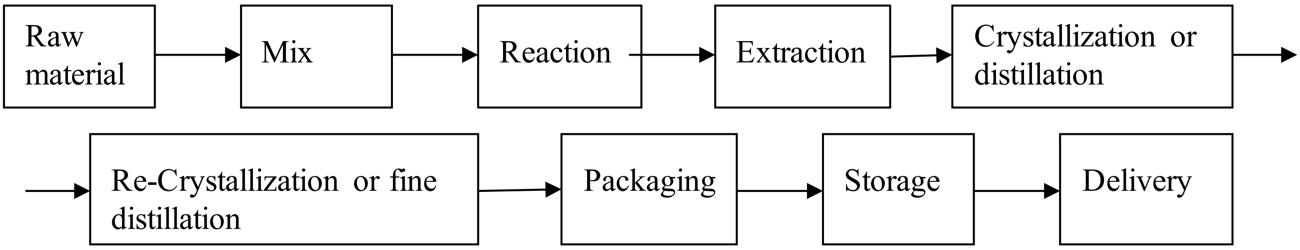
(2) Vit. D Derivatives: Mainly used to treat psoriasis, hyperparathyroidism, osteoporosis, and renal osteodystrophy as a complication of uremia.

(3) Respiratory Agents: Mainly used to treat sensitive and allergic diseases of the upper respiratory tract.

(4) Anti-inflammatory and Analgesic Agents: Mainly used as an analgesic for ulcerative colitis and herpes zoster.

(5) CNS Agents: Mainly used as an antidepressant.

2. Production process



(III) Supply of main raw materials

Main raw materials	Main suppliers	Supply status
Chemical materials	Company E and F	Good

(IV) List of major importers and sellers

1. Parties who deliver more than 10% of the total raw materials in any one of the past two years, their amount, proportion and reasons for changes

Unit: NTD thousand；%

Item	2021				2022			
	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the Supplier	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the Supplier
1	Company F	142,072	15.05	None	Company F	197,292	19.89	None
2	Company E	126,289	13.38	None	Company E	115,937	11.69	None
3	Company G	119,802	12.69	None				
	Others	555,856	58.88	—	Others	678,917	68.42	—
	Net purchase	944,019	100	—	Net purchase	992,146	100	—

Note: Reasons for increases or decreases in suppliers:

(1) Company G: Mainly supplies Vit. D derivative raw materials. Due to the price increase of raw materials and the restriction of power usage in Mainland China, the Company increased its inventory in 2021. Thus, the Company's purchase amount from Company G decreased compared to 2021.

2. Parties who buy more than 10% of goods sold in any one of the past two years, their amount, proportion and reasons for changes

Unit: NTD thousand；%

Item	2021				2022			
	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the Supplier	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the Supplier
1					Company AC	377,505	10.03%	None
					Others	3,387,999	89.97%	
	Net sales	3,142,406	100%	—	Net sales	3,765,504	100%	—

Note: Reasons for increases or decreases in clients:
AC Company: In 2021, at the request of AC, the shipment was changed to its affiliate BP, so the proportion of sales to AC was lower than 10%. In 2022, due to the expansion of the market size, the

proportion of sales to AC increased to 10.03%.

(V) Production volume the most recent two years

Unit: NTD thousand；KG

Year Production volume and value product (Note)	2021			2022		
	Production capacity	Production Volume	Production value	Production capacity	Production Volume	Production value
Cholesterol and Phosphate Binders	444,400	443,366.52	701,000	521,260	517,624.75	890,220
Vit. D Derivatives	11.11	11.00	248,504	17.59	17.40	318,957
CDMO	40,740	40,417.96	320,566	78,976	78,263.99	300,177
Respiratory Agents	80,175	79,426.91	171,120	100,000	99,545.81	204,584
Anti-inflammatory and Analgesic Agents	114,695	114,662.63	228,335	50,910	49,948.77	177,839
CNS Agents	45,240	44,656.34	58,858	96,000	95,455.20	86,679
Others	183,775	181,111.70	534,564	47,427	43,055.33	261,712
Total	909,036.11	903,653.06	2,262,947	894,590.59	883,911.25	2,240,168

Note: The subsidiaries are not involved in the production process.

Reasons for increase or decrease:

1. The production of anti-inflammatory and analgesic agents decreased in 2022 compared to the same period in 2021, in response to the decline in the market;
2. In response to market demand, the production of cholesterol and phosphate binders increased in 2022 compared to the same period in 2021.

(VI) Sales volume in the most recent two years

Unit: NTD thousand；KG

Year Sales volume and value Product	2021				2022			
	Domestic sales		Export sales		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cholesterol and Phosphate Binders	16,885.27	39,935	424,917.72	1,008,312	21,756.30	48,354	470,371.05	1,244,140
Vit. D Derivatives	1.94	81,282	9.98	524,531	2.46	103,205	11.45	597,763
CDMO	331.40	130,468	38,828.87	318,545	286.45	156,168	33,637.25	379,344
Respiratory Agents	0.30	84	65,003.40	198,761	2,422.56	12,847	108,108.81	344,508
Anti-inflammatory and Analgesic Agents	20.10	1,980	74,646.06	185,739	0.03	62	63,965.99	225,915
CNS Agents	39.50	7,769	14,337.16	87,347	41.70	10,901	28,723.70	169,124
Others	717,969.18	44,863	167,249.94	512,790	10,987.03	48,971	75,339.71	424,202
Total	735,247.69	306,381	784,993.13	2,836,025	35,496.53	380,508	780,157.96	3,384,996

Reasons for increase or decrease: Exports accounted for a majority of the Company's sales in the past two years. The rise in total sales value for 2022, in comparison to 2021, was primarily attributable to the increased sales value of cholesterol and phosphate binders, as well as respiratory agents.

III. Information of Employees

Year		2021	2022	The current year as of Mar. 31, 2023
Number of employees	Administrative and Sales	144	123	123
	R&D	115	122	124
	Factory	584	606	620
	Total	843	851	867
Average age		35.6	36.7	36.4
Average years of service		5.0	5.5	5.2
Percentages distribution of Education (%)	PhD	4.75%	4.58%	4.61%
	Master	26.45%	26.32%	26.64%
	University/College	56.82%	55.11%	54.44%
	High school	10.68%	12.93%	13.26%
	Below high school	1.30%	1.06%	1.04%

Note: The table above indicates the number of employees who remain employed by the Company and its subsidiaries at the end of each period.

IV. Environmental Protection Expenditure

(I) In the latest fiscal year and as of the publication date of the annual report, losses resulting from pollution to the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the file number of the punishment, the provisions of the statute, the content of the violation of the statute, and the content of the punishment) should be listed, and the current and future estimates should be disclosed as well. If the amount and the corresponding measures cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated. The company has always been dedicated to environmental protection and preventing pollution. While it is currently difficult to estimate potential losses resulting from environmental pollution in the future, the company will closely monitor the development of environmental protection laws and regulations, as well as changes in environmental pollution evaluation standards. The Company will respond to these evaluations with appropriate measures. The Company has incurred a fine of NT$72,000 for contravening the Toxic and Concerned Chemical Substances Control Act, the Water Pollution Prevention Act, and the Waste Disposal Act from 2022 up to the present date of this annual report's issuance.

Penalty events		Penalty no./date	Violation of laws and regulations and main content of violation	Improvement status
Object	Method (Amount)			
The Company	NT$72,000	Fu-Huan-Kong-Zi No.1100335834/ 2021/12/23	In April 2021, the Company reported the presence of tributyltin oxide, a toxic chemical, resulting in a violation of Article 4 of the Regulations Goveming the Operation and Release of Toxic and Concerned Chemical Substances authorized under Article 9(2) of the Regulations Governing the Handling of Toxic and Concerned Chemical Substances.	The item was omitted due to the lack of a mistake-proofing mechanism in the reporting system. The Company did not intentionally conceal or fail to report the information. Following the Company's response to the competent authority, an omission alert was implemented and added to the reporting system.

(II) The company has established appropriate facilities, designated specialized personnel, and engaged professional and legal institutions to manage pollutants produced during the manufacturing process, including wastewater (sewage), waste gas, garbage, and toxic chemicals. The following is a detailed account:

1. Permit for installation of facilities or discharge of pollutions
   (1) Sewage treatment

   The Environmental Protection Bureau of Taoyuan City Government has granted the Company the Water Pollution Prevention Permit (Taoyuan-Huan-Pai-Xu-Zi No. H0604-11). To manage the wastewater (sewage) produced during the production process, the Company has constructed a wastewater treatment plant, which is operated by designated personnel. The wastewater (sewage) is only discharged outside the factory after meeting the discharge standard. Additionally, Luzhu No.2 Plant has obtained the Wastewater (Sewage) Storage Permit (Taoyuan-Huan-Pai-Xu-Zi No. H3842-03) and has commissioned Luzhu Plant to treat wastewater (sewage).

   (2) Waste gas treatment

   The company has constructed Regenerative Thermal Oxidizers (RTOs) to improve the treatment of Volatile Organic Compounds (VOCs). These RTOs have a treatment efficiency of 97% or higher and can recycle and reuse waste heat, aligning with our commitment to environmental protection and energy conservation. Additionally, the company has obtained the Stationary Pollution Source Operating Permit in compliance with the Air Pollution Control Act and has designated specialized personnel to manage air pollution control.

Stationary Pollution Source Operating Permit	Permit No.
(Luzhu Plant) Other Western Medicine Manufacturing Procedure (M01)	Fu-Huan-Kong-Zi No. 1100314189. Cao-Zheng-Zi-No. H5698-04
(Luzhu No.2 Plant) Other Western Medicine Manufacturing Procedure (M01)	Fu-Huan-Kong-Zi No. 1080082792. Cao-Zheng-Zi-No. H5699-03
Boiler Steam Generation Procedure (M05)	Fu-Huan-Kong-Zi No. 1120028070. Cao-Zheng-Zi-No. H5368-06

(3) Industrial waste treatment
Recyclable waste generated during production will be recycled by resource recovery operators. Non-recyclable waste, such as solid waste, waste solvent, and garbage, will be cleaned and treated by qualified professional cleaners and treatment plants approved by environmental protection units.

(4) Toxic chemical treatment
The Company has applied appropriate measures for the treatment of toxic chemicals and has complied with relevant laws and regulations.

2. Unit responsible for environmental protection
The company has a dedicated environmental protection unit staffed with specialists in various environmental protection matters. The relevant information on these specialists is described below:

Specialist	Description
(Luzhu Plant) Wastewater Treatment Specialist	Specialist in charge of Class A wastewater treatment, Certificate No. (110) Huan-Shu-Xun Certificate No. GA270448
(Luzhu Plant) Air Pollution Specialist	Specialist in charge of Class A air pollution prevention and control, Certificate No. (110) Huan-Shu-Xun Certificate No. FA050198
(Luzhu No.2 Plant) Air Pollution Specialist	Specialist in charge of Class A air pollution prevention and control, Certificate No. (91) Huan-Shu-Xun Certificate No. FA060452
(Luzhu Plant) Waste Treatment Specialist	Specialist in charge of Class A waste treatment, Certificate No. (106) Huan-Shu-Xun Certificate No. HA150292
(Luzhu Plant) Toxic Chemical Treatment	Specialist in charge of Class A toxic chemical treatment, Certificate No. (106) Huan-Shu-Xun Certificate No. JA070309
(Luzhu No.2 Plant) Toxic Chemical Treatment	Specialist in charge of Class A toxic chemical treatment, Certificate No. (89) Huan-Shu-Xun Certificate No. JA190244

3. Future countermeasures (including improvement measures) and potential expenses:
   The Company places great emphasis on environmental protection. In recent years, we have constructed wastewater treatment facilities and RTOs, and have strengthened our proper treatment of wastewater and air pollution generated during the production process to meet relevant environmental protection standards.

V. Labor Relations

(I) Employee welfare measures, on-the-job further study, training, retirement system, working environment of the Company and personal safety protection of employees and its implementation, as well as the agreement between labor and employer and the maintenance measures of various employees' rights and interests.

1. Welfare measures
   (1) Health and insurance
   The Company offers labor insurance and National Health Insurance to its employees. Additionally, it provides free group insurance, which includes life insurance, medical insurance, accident insurance, and travel insurance for business trips, to both employees and their dependents (spouse and children). Furthermore, the Company offers preferential group insurance to employees' relatives, free annual health checkups for all employees, and on-site nursing services. Monthly health consultations with resident doctors are also available. The Company periodically organizes health-related activities, such as: Seminars on smoking cessation, weight management, training courses on automated external defibrillators (AED) and cardiopulmonary resuscitation (CPR), and blood donation activities were held.
   (2) Staff activities and facilities
   The Employee Benefit Committee has been established by the Company to provide a range of benefits to employees. These include subsidies for continuing education or language training, and scholarships for employees' children. In addition, the Company has establishedto provide meals during working hours, as well as free fresh milk and coffee every day, free parking for automobiles and motorcycles, and free staff dormitories. The Company also provides gyms, libraries, tunnel-type blood pressure machines, and lactation rooms. Furthermore, it organizes mountain climbing and hiking activities for employees to help them relieve physical and mental stress and strengthen their physique. The Company periodically organizes public welfare activities and extends invitations to employees to participate. Examples of such activities include: Public welfare activities such as charity sales and movie screenings, as well as initiatives to clean and protect streams, beaches, and rivers.
   (3) Variable pay and bonuses
      A. Relationship between Performance Grade and Employee Annual Performance
      The company has established the Rules for Performance Evaluations of Employees as a reference for promotions, salary adjustments, and bonus payments. At the end of the previous year or the beginning of the current year, employees set personal goals. After review by their

supervisor, employees implement these goals and adjust them during quarterly reviews if necessary. At the end of the current year, employees perform a self-evaluation and their supervisor reviews their implementation status and functional performance. The annual performance evaluation materials are then submitted to the HR Section for summary. Additionally, cross-departmental evaluation meetings are held to evaluate performance, which serves as a reference for the distribution of annual performance bonuses.

B. Relationship between Performance Bonus and Revenue Targets

The company has established the Payment of Performance Bonus Rules to incentivize all employees to meet revenue targets, maintain product quality, and enhance production efficiency. These rules apply to all staff members. According to the rules, the Finance Department will assess the revenue status at the end of each quarter and distribute a performance bonus of 3% to 10% of the net operating profit to all employees, based on the ratio of achieved revenue to the revenue target.

C. Relationship between Employee Share Ownership Trust (ESOT) and the Business Growth of the Company

The company has established the Employee Share Ownership Trust Committee, which regular employees are eligible to join. Employees may withdraw 3% or more of their remuneration from their monthly salary accounts, and the Company will allocate 3% of their remuneration as a bonus to the ESOT accounts on a monthly basis. This approach achieves the dual purpose of retaining talent and increasing employee remuneration, while also encouraging employees to regularly purchase shares of the Company. This principle of employees as shareholders creates a situation where labor and management share operating profits together.

2. Educational training

The company has developed procedures for education and training aimed at improving personal skills, training professionals, enhancing product quality and R&D capabilities, maintaining and strengthening our competitive position in the industry, fostering employee understanding of our corporate culture, and establishing a shared organizational culture. These efforts create opportunities for sustainable operations and promote common values.

The details of the Company's education and training in 2022 are as follows:

Item	Course fee (NT$)	Course hours	Attendance
Core	176,000	350	169
Professional	650,956	3,010	1,301
General knowledge	0	2,166	616
Labor safety and health	415,460	2,346	203
Administration	499,083	1,518	493
Total	1,741,499	9,390	2,782

3. Retirement system and implementation progress

   In compliance with the Labor Pension Act, the Company has been contributing 6% of employees' monthly salaries to their individual pension fund accounts, as established by the Bureau of Labor Insurance, since July 1, 2015. This applies to both new and existing employees who have opted for the new labor retirement system. In accordance with the Labor Standards Act, the Company calculates seniority for employees who have adopted the old pension scheme and retains their old seniority if they choose to apply the new pension scheme. Furthermore, the Company has established the Supervisory Committee of Labor Retirement Reserve to handle employee retirement matters and allocate retirement reserves to bank accounts in Taiwan on a monthly basis. The seniority of employees who serve as directors and supervisors and are transferred between affiliated enterprises while providing labor services is calculated cumulatively.

4. Negotiation between labor and employer and the status of each measure for maintaining employee rights

   The Company has always attached great importance to harmonious labor-management relationships and holds regular labor-management meetings to communicate views and maintain good relations.

(II) In the most recent year and up to the publication date of the annual report, losses due to labor-employer disputes (including violation of Labor Standard Act found in labor inspection, should have details of date of penalty, serial number of penalty, article of statute violated, content of article of statute violated and content of wrongdoings documented), estimated amount of current and future possible losses and response measures: None.

(III) Working environment and employee personal safety protection and its implementation

The Company operates in the biotechnology and medical treatment industry. In order to ensure factory safety, a round-the-clock smoking ban is enforced throughout the premises. Additionally, all employees receive annual health checks, with special attention given to those working in highly toxic areas. This encourages employees to take responsibility for their own health. Professional nurses and doctors are also available on a regular basis to provide consultation services, including occupational and general injury prevention, health consultation, first aid, and emergency treatment. Every year, tThe Company invites the Taoyuan Fire Department to conduct fire education drills and fire alarm tests. Furthermore, it organizes occupational safety and health education and training courses to promote crisis awareness and encourage employees to prioritize their personal safety during operations.

VI. Information Security Management

(I) Describe the framework for managing cyber security risks, the policies governing cyber security, specific management programs, and investments in resources for cyber security management.

The company has long been dedicated to cybersecurity and safeguarding personal data. To this end, we have developed Security Management Measures for Information Systems, which are implemented by the Information Section's Network Management

Team. Currently, the team consists of three members. The following outlines our primary management plans and policies:

1. Only authorized personnel and administrators are permitted to access the physical servers, network equipment, and other related equipment used in the information system platform architecture. The architecture utilizes redundancy, fault tolerance, and clustering to guarantee the system and hardware equipment's high availability.
2. Disk arrays and redundancy are utilized in physical devices for data storage and backup to improve data protection and availability.
3. Security devices are configured to block various network intrusions, preventing deliberate destruction, attacks, or tampering by external illegal users. Additionally, the built-in feature library identifies attack behavior and system weaknesses, providing administrators with early warning, evidence collection, and records.
4. The user must create a password that is at least 6-8 characters long and meets the criteria for password complexity.
5. The file system and connection transmissions are encrypted to prevent malicious tampering.
6. The anti-virus software console manages the hardware and software information and status of the client. It regularly connects to the original manufacturer to update attribute codes and anti-virus applications. The client also connects to the server regularly to update attribute codes and anti-virus applications. This ensures that the operating system is protected from threats such as viruses, Trojan horses, worms, spyware, adware, or malicious web pages.
7. The company has implemented a reliable backup schedule for both data and systems, and conducts routine restoration exercises to ensure the integrity and accessibility of data, systems, and storage media.
8. The company has implemented a data leakage protection scheme to prevent unauthorized computer usage by employees, thereby mitigating the risk of data leakage incidents from internal sources to external ones.

(II) Please provide a list of any losses that the Company has suffered due to significant cyber security incidents in the most recent fiscal year up to the publication date of this annual report. Additionally, please include the possible impacts of these incidents and any measures that are being taken or will be taken to address them. If a reasonable estimate of the losses cannot be made, please provide an explanation of the reasons why. None.

VII. Important Contracts

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Sales Contract	Company AF	1999.09.04 - Automatic one-year extension upon expiration	product supply	Non-disclosure agreement
Sales Contract	Company AG	2000.12.01 - 5 years after product launch	product supply	Non-disclosure agreement
Sales Contract	Company AH	2001.04.11 - Annual automatic renewal	product supply	Non-disclosure agreement

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Sales Contract	Company AC	2000.12.31 - Automatic update	product supply	Non-disclosure agreement
Sales Contract	Company AJ	2014.01.09 - Automatic update	Labor Contract	Non-disclosure agreement
Sales Contract	Company AK	2013.02.06 - Completion of product delivery	Labor Contract	Non-disclosure agreement
Sales Contract	Company AS	2017.02.09 ~ 2027.02.08	product supply	Non-disclosure agreement
Sales Contract	Company AT/ AU	2018.02.27 - 5 years after product launch	product supply	Non-disclosure agreement
Sales Contract	Company AW	2018.07.05 ~ 2024.07.04	CDMO	Non-disclosure agreement
Sales Contract	Company AX	2019.01.16 ~ 2024.01.16	product supply	Non-disclosure agreement
Sales Contract	Company AY	2018.06.19 ~ 2034.06.19	product supply	Non-disclosure agreement
Development and sales contract	Company BA	2019.08.16 ~ 2034.09.30	Development and Product Supply Contract	Non-disclosure agreement
Sales Contract	Company BD	2020.07.29 ~ Renew once every five years	Development and Product Supply Contract	Non-disclosure agreement
Sales Contract	Company BA	2020.05.04-2027.05.04	Development and Product Supply Contract	Non-disclosure agreement
Sales Contract	Company BF	2020.06.30 ~ 2030.07.30	product supply	Non-disclosure agreement
Sales Contract	Company BC	2019.11.12 ~ 2024.12.21	product supply	Non-disclosure agreement
CDMO	Company BG	2021.01.01 ~ 2021.12.31 (Annual update)	product supply	Non-disclosure agreement
CDMO	Company AO	2020.10.01 ~ 2030.10.01	Development and Product Supply Contract	Non-disclosure agreement
CDMO	Company BH	2021.01.13 ~ 2027.01.12	Development and Product Supply Contract	Non-disclosure agreement
Sales Contract	Company BJ	2020.06.19 ~ 2023.06.18	product supply	Non-disclosure agreement
CDMO	Company BK	2021.01.13 ~ 2031.01.13	Development and Product Supply Contract	Non-disclosure agreement
Sales Contract	Company BL	2020.07.17 ~ 2025.07.16	product supply	Non-disclosure agreement
CDMO	Company AA	2021.05.04 ~ 2028.05.03	Development and Product Supply Contract	Non-disclosure agreement
CDMO	Company BO	2020/10/01 ~ 2025/10/01	Development and Product Supply Contract	Non-disclosure agreement

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Sales Contract	Company AI	2021.10.15 ~ 2026.12.31	product supply	Non-disclosure agreement
CDMO	Company AS	2021.07.20 ~ 2026.07.19	Development and Product Supply Contract	Non-disclosure agreement
CDMO	Company BQ	2022.11.28 ~ 2032.11.27	Development and Product Supply Contract	Non-disclosure agreement
CDMO	Company BR	2022.10.01 ~ 2026.10.01	Development and Product Supply Contract	Non-disclosure agreement
CDMO	Company AO	2022.05.27 ~ 2032.05.26	Development and Product Supply Contract	Non-disclosure agreement
Sales Contract	Company BS	2021.11.18 ~ 2026.11.18	product supply	Non-disclosure agreement
Medium-Term Loan	East Taoyuan Branch, Sunny Bank	2020.05.20 ~ 2025.05.20	Mortgage loan	Pledge of land and plant
Medium-Term Loan	East Taoyuan Branch, Sunny Bank	2023.03.10 ~ 2026.03.10	Mortgage loan	Pledge of machinery and equipment
Medium-Term Loan	Pateh Branch, Mega International Commercial Bank	2022.02.25 ~ 2025.02.24	Mortgage loan	Pledge of land and plant
Medium-Term Loan	Taoyuan Branch, CTBC Bank	2023.02.28 ~ 2025.02.28	Credit loan	None
Medium-Term Loan	Chungli Branch, Bank of Shanghai	2022.07.28 ~ 2025.07.28	Mortgage loan	Pledge of machinery and equipment
Medium-Term Loan	Taoxing Branch, Yuanta Bank	2022.12.02 ~ 2023.12.01	Credit loan	None
Medium Term Loan	Jianbei Branch, Taishin Bank	2022.07.31 ~ 2025.01.31	Credit loan	None
Medium-Term Loan	Peace Branch, EnTie Commercial Bank	2022.03.16 ~ 2024.03.16	Credit loan	None
Medium-Term Loan	Taoyuan Branch, Chang Hwa Bank	2021.06.30 ~ 2024.06.30	Credit loan	None
Short-Term Loan	Nankan Branch, First Bank	2022.09.16 ~ 2023.09.16	Mortgage loan	Pledge of land and plant

Chapter 6 Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statements for the most five years

(I) Condensed Balance Sheet and Comprehensive Income Statement Data-Consolidated

1. Condensed Balance Sheet - Consolidated

Unit: NTD thousand

Year / Item		Financial data in the most recent 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		3,227,958	2,748,693	3,148,251	3,619,490	4,151,060
Property, plant and equipment		3,909,446	5,416,663	5,751,713	5,849,731	5,875,256
Intangible assets		351,356	276,586	268,264	247,600	222,929
Other assets		1,236,482	1,129,783	1,117,543	2,300,146	2,501,468
Total assets		8,725,242	9,571,725	10,285,771	12,016,967	12,750,713
Current liabilities	Before distribution	1,353,987	2,473,428	3,039,987	2,385,790	3,141,649
	After distribution	1,403,493	2,473,428	3,039,987	2,626,302	Note 2
Non-Current liabilities		2,813,437	2,641,009	1,960,067	2,029,012	1,812,791
Total liabilities	Before distribution	4,167,424	5,114,437	5,000,054	4,414,802	4,954,440
	After distribution	4,216,930	5,114,437	5,000,054	4,655,314	Note 2
Equity attributable to owners of the parent company		4,407,357	4,361,782	5,205,073	7,395,230	7,320,644
Capital stock		990,126	990,126	1,083,126	1,202,560	1,202,560
Capital surplus		2,383,852	2,383,852	2,732,630	3,503,382	3,514,488
Retained earnings	Before distribution	1,031,356	991,670	1,389,585	2,640,027	2,809,299
	After distribution	981,850	991,670	1,389,585	2,399,515	Note 2
Other equity		2,023	(3,866)	(268)	49,261	(5,703)
Treasury stock		–	–	–	–	–
Non-controlling interests		150,461	95,506	80,644	206,935	275,629
Total equity	Before distribution	4,557,818	4,457,288	5,285,717	7,602,165	7,796,273
	After distribution	4,508,312	4,457,288	5,285,717	7,361,653	Note 2

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: 2022 earnings distribution is subject to the resolution of the Shareholders' Meeting.

2. Condensed Balance Sheet-Consolidated

Unit: NTD thousand

Year Item	Financial data in the most recent 5 years (Note)				
	2018	2019	2020	2021	2022
Operating revenue	2,687,731	2,759,591	3,075,457	3,142,406	3,765,504
Operating gross profit	914,117	825,264	945,170	971,444	1,390,192
Operating income	60,484	24,438	28,013	(168,017)	163,489
Non-operating revenue and expense	86,489	(64,644)	333,155	1,255,543	169,692
Net income before tax	146,973	(40,206)	361,168	1,087,526	333,181
Net income of going-concern operation unit	124,657	(41,062)	329,178	1,043,518	216,810
Loss from discontinued unit	—	—	—	—	—
Net income (loss)	124,657	(41,062)	329,178	1,043,518	216,810
Other comprehensive income (Net amount after tax)	14,049	(9,962)	1,455	44,256	(56,485)
Total comprehensive income	138,706	(51,024)	330,633	1,087,774	160,325
Net income attributable to owners of the parent company	176,821	11,631	400,034	1,249,096	409,359
Net income attributable to noncontrolling interests	(52,164)	(52,693)	(70,856)	(205,578)	(192,549)
Comprehensive income attributable to owners of the parent company	185,778	3,931	401,513	1,299,971	354,820
Comprehensive income attributable to non-controlling interests	(47,072)	(54,955)	(70,880)	(212,197)	(194,495)
EPS	1.85	0.12	3.78	10.92	3.40

Note: The above financial information for each year was audited by the CPAs.

(II) Condensed Balance Sheet and Comprehensive Income Statement Data- (Individual)

1. Condensed Balance Sheet-Individual

Unit: NTD thousand

Year Item		Financial data in the most recent 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		2,889,594	2,648,850	3,084,611	3,383,636	3,704,202
Property, plant and equipment		3,898,216	5,409,795	5,743,770	5,844,675	5,871,964
Intangible assets		32,065	31,718	39,906	35,139	27,213
Other assets		1,497,269	1,271,078	1,237,267	2,480,679	2,752,171
Total assets		8,317,144	9,361,441	10,105,554	11,744,129	12,355,550
Current liabilities	Before distribution	1,265,496	2,461,570	2,996,461	2,382,939	3,126,588
	After distribution	1,315,002	2,461,570	2,996,461	2,623,451	Note 2
Non-Current liabilities		2,644,291	2,538,089	1,904,020	1,965,960	1,708,318
Total liabilities	Before distribution	3,909,787	4,999,659	4,900,481	4,348,899	4,834,906
	After distribution	3,959,293	4,999,659	4,900,481	4,589,411	Note 2
Equity attributable to owners of the parent company		4,407,357	4,361,782	5,205,073	7,395,230	7,520,644
Capital stock		990,126	990,126	1,083,126	1,202,560	1,202,560
Capital surplus		2,383,852	2,383,852	2,732,630	3,503,382	3,514,488
Retained earnings	Before distribution	1,031,356	991,670	1,389,585	2,640,027	2,809,299
	After distribution	981,850	991,670	1,389,585	2,399,515	Note 2
Other equity		2,023	(3,866)	(268)	49,261	(5,703)
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,407,357	4,361,782	5,205,073	7,395,230	7,520,644
	After distribution	4,357,851	4,361,782	5,205,073	7,154,718	Note 2

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: 2022 earnings distribution is subject to the resolution of the Shareholders' Meeting.

2. Condensed Balance Sheet and Comprehensive Income Statement-Individual

Unit: NTD thousand

Item \ Year	Financial data in the most recent 5 years(Note)				
	2018	2019	2020	2021	2022
Operating revenue	2,739,849	2,787,690	3,108,083	3,169,023	3,804,145
Operating gross profit	953,494	829,494	953,145	979,438	1,417,409
Operating income	250,343	214,822	249,762	198,047	528,879
Non-operating revenue and expense	(46,475)	(173,179)	182,682	1,092,660	987
Net income before tax	203,868	41,643	432,444	1,290,707	526,866
Net income of going-concern operation unit	176,821	11,631	400,034	1,249,096	409,359
Loss from discontinued unit	—	—	—	—	—
Net income (loss)	176,821	11,631	400,034	1,249,096	409,359
Other comprehensive income (Net amount after tax)	8,957	(7,700)	1,479	50,875	(54,539)
Total comprehensive income	185,778	3,931	401,513	1,299,971	354,820
Net income attributable to owners of the parent company	176,821	11,631	400,034	1,249,096	409,359
Net income attributable to noncontrolling interests	—	—	—	—	—
Comprehensive income attributable to owners of the parent company	185,778	3,931	401,513	1,299,971	354,820
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
EPS	1.85	0.12	3.78	10.92	3.40

Note: The above financial information for each year was audited by the CPAs.

(III) Names of CPA and audit opinion for the past five years

Year	Name of the accounting firm	Name of CPA	Audited opinions
2018	PWC	Deng Sheng-Wei, Tseng Hui-Chin.	Unqualified opinion
2019	PWC	Deng Sheng-Wei, Tseng Hui-Chin.	Unqualified opinion
2020	PWC	Yen Yu-Fang, Yu Shu-Fen	Unqualified opinion
2021	PWC	Yen Yu-Fang, Yu Shu-Fen	Unqualified opinion
2022	PWC	Yen, Yu-Fang, Yu Shu-Fen	Unqualified opinion

II. Financial analysis for the most five years

(I) Financial analysis - consolidated financial statements

Analysis items	Year	Financial analysis for the most recent 5 years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio	47.76	53.61	48.61	36.74	38.86
	Long term fund to property, plant and equipment ratio	188.55	131.72	125.98	164.64	163.55
Liquidity analysis (%)	Current ratio	238.40	111.13	103.56	151.71	132.13
	Quick ratio	131.30	56.24	52.76	79.66	78.30
	Interest coverage ratio	9.35	(0.40)	13.66	39.77	18.25
Operating Performance Analysis	Account receivable turnover (times)	3.18	3.17	3.69	4.03	4.63
	Average collection days	115	115	99	91	79
	Inventory turnover (times)	1.15	1.12	1.21	1.14	1.13
	Average payables turnover (times)	9.02	7.77	8.95	10.53	12.13
	Average inventory turnover days	317	326	302	320	323
	Property, plant and equipment turnover (times)	0.76	0.59	0.55	0.54	0.64
	Total assets turnover(times)	0.34	0.30	0.31	0.28	0.32
Profitability	ROA (%)	1.75	(0.13)	3.58	9.60	1.92
	ROE (%)	2.88	(0.91)	6.76	16.19	2.82
	Net income before tax to paid-up capital ratio (%)	14.84	(4.06)	33.34	90.43	27.71
	Net margin (%)	4.64	(1.49)	10.70	33.21	5.76
	EPS (NTD)	1.85	0.12	3.78	10.92	3.40
Cash flow	Cash flow ratio (%)	(5.97)	11.72	15.63	13.04	20.47
	Cash flow adequacy ratio (%)	47.99	41.92	42.59	27.33	29.74
	Cash reinvestment ratio (%)	(1.46)	3.25	4.92	2.49	5.00
Leverage	Operating leverage	15.27	42.45	41.48	(6.88)	9.65
	Financial leverage	1.41	(5.72)	(55.24)	0.86	1.13

Reasons for changes in financial ratios exceeding 20% over the past two years:

1. Times interest earned ratio, return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio, and earnings per share: The decline in several financial ratios resulted from the rise in non-operating income and expenses in 2021, which was caused by the valuation gain on financial assets, as well as the decrease in net income before and after taxes in 2022 compared to the corresponding period.
2. Cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio: Caused by the increase in net cash inflow from operating activities in 2022.
3. Operating and financial leverage: Caused by the increase in operating income and operating profit in 2022.

Note: The above financial information for each year was audited by the CPAs.

(II) Financial analysis - individual financial statements

Analysis items	Year	Financial analysis for the most recent 5 years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio	47.01	53.41	48.49	37.03	39.13
	Long term fund to property, plant and equipment ratio	180.89	127.54	123.77	160.17	157.17
Liquidity analysis (%)	Current ratio	228.34	107.61	102.94	141.99	118.47
	Quick ratio	114.36	52.80	51.80	70.53	64.91
	Interest coverage ratio	12.59	2.59	16.22	50.94	29.69
Operating Performance Analysis	Account receivable turnover (times)	3.21	3.15	3.71	4.04	4.64
	Average collection days	114	116	98	90	79
	Inventory turnover (times)	1.15	1.12	1.21	1.14	1.14
	Average payables turnover (times)	9.09	7.86	9.05	10.62	12.19
	Average inventory turnover days	317	326	302	320	320
	Property, plant and equipment turnover (times)	0.78	0.60	0.56	0.55	0.65
	Total assets turnover(times)	0.36	0.32	0.32	0.29	0.32
Profitability	ROA (%)	2.52	0.21	4.38	11.66	3.52
	ROE (%)	4.20	0.27	8.36	19.83	5.49
	Net income before tax to paid-up capital ratio (%)	20.59	4.21	39.93	107.33	43.73
	Net margin (%)	6.45	0.42	12.87	39.52	10.76
	EPS (NTD)	1.85	0.12	3.78	10.92	3.40
Cash flow	Cash flow ratio (%)	8.33	19.33	22.33	27.91	30.51
	Cash flow adequacy ratio (%)	51.03	50.29	53.46	42.89	47.80
	Cash reinvestment ratio (%)	0.66	5.51	7.06	5.44	7.74
Leverage	Operating leverage	4.54	5.65	5.46	7.60	3.60
	Financial leverage	1.08	1.14	1.13	1.15	1.04

Reasons for changes in financial ratios exceeding 20% over the past two years:

1. Times interest earned ratio, return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio, and earnings per share: The decline in several financial ratios resulted from the rise in non-operating income and expenses in 2021, which was caused by the valuation gain on financial assets, as well as the decrease in net income before and after taxes in 2022 compared to the corresponding period.
2. Cash flow adequacy ratio and cash re-investment ratio: Caused by the increase in net cash inflow from operating activities in 2022.
3. Operating leverage: Caused by the increase in operating income and operating profit in 2022.

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: Formulas are shown as follows

1. Financial Structure
    (1) Debt ratio= Total Liabilities / Total Assets
    (2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
2. Liquidity analysis
    (1) Current ratio = Current assets / Current liability
    (2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
    (3) Interest coverage ratio= net profit before interest and tax / interest expenses for the current period.
3. Operating Performance Analysis
    (1) Average collection turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
    (2) Average collection days = 365 / Receivable turnover ratio
    (3) Average inventory turnover = Cost of goods sold / Average inventory
    (4) Average payables turnover (times) (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
    (5) Average inventory turnover days= 365 / Average inventory turnover
    (6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net
    (7) Total assets turnover = Sales / Average total assets
4. Profitability
    (1) Rate of return on assets = [Profit + Interest expense x (1 - Tax rate)] / Average assets
    (2) Rate of return on equity = Profit / Average total Equity
    (3) Profit to sales = Profit / Sales
    (4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares
5. Cash flow
    (1) Cash flow ratio = Net cash provided by operating activities / Current liability
    (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
    (3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital)
6. Leverage
    (1) Operating Leverage= (Net operating revenue – Variable cost and expense) / Operating income
    (2) Financial leverage = Operating income / (Operating income – Interest expenses)
7. If the Company’s stock is a no-par-value stock or stock with par value other than NTD10, the paid-in capital ratio mentioned above shall be calculated based on the percentage of the equity attributed to owners of parent company in the balance sheet.

III. Audit report on the latest year financial statements by the Audit Committee: Please refer to this annual report page 156.

IV. Audited Financial report of last fiscal year: page 157~248.

V. Individual Audited Financial report of last fiscal year: page 249~339.

VI. If the Company and its affiliates have experienced financial difficulties in the recent year and as of the date of the annual report, the impact on the Company's financial position should be stated: None.

Chapter 7 Review of Financial Conditions, Operating Results, and Risk Management

I. Financial Status

Unit: NTD thousand

Year / Item	2021	2022	Difference	
			Dollar amount	%
Current assets	3,619,490	4,151,060	531,570	14.69
Property, plant and equipment	5,849,731	5,875,256	25,525	0.44
Intangible assets	247,600	222,929	(24,671)	(9.96)
Other assets	2,300,146	2,501,468	201,322	8.75
Total assets	12,016,967	12,750,713	733,746	6.11
Current liabilities	2,385,790	3,141,649	755,859	31.68
Non-Current liabilities	2,029,012	1,812,791	(216,221)	(10.66)
Total liabilities	4,414,802	4,954,440	539,638	12.22
Equity attributable to owners of the parent company	7,395,230	7,520,644	125,414	1.70
Capital stock	1,202,560	1,202,560	0	0
Capital surplus	3,503,382	3,514,488	11,106	0.32
Retained earnings	2,640,027	2,809,299	169,272	6.41
Other equity	49,261	(5,703)	(54,964)	(111.58)
Non-controlling interests	206,935	275,629	68,694	33.20
Shareholders' equity	7,602,165	7,796,273	194,108	2.55

(I) Reasons for and impact of changes: The change between the early and late stages exceeded 20%, and the amount of change reached NT$10 million or more.

1. Increase in current liabilities: The increase in short-term and long-term borrowings due within one year was the main contributing factor.
2. Decrease in other equity: The primary reason for the increase in period-end loss of financial assets measured at fair value through other comprehensive gains and losses in 2022 was due to this factor.
3. Increase in non-controlling interest: The subsidiary's issuance of common stock for cash resulted in a change in the shareholding ratio.

II. Financial Performance

(I) Financial performance for the most recent 2 years

Unit: NTD thousand

Year Items	2021	2022	Increase (decrease) dollar amount	Variation (%)
Operating revenues	3,142,406	3,765,504	623,098	19.83
Operating cost	2,170,962	2,375,312	204,350	9.41
Operating gross profit	971,444	1,390,192	418,748	43.11
Operating expenses	1,139,461	1,226,703	87,242	7.66
Operating profit	(168,017)	163,489	331,506	197.31
Non-operating revenues and expenses	1,255,543	169,692	(1,085,851)	(86.48)
Earnings before tax	1,087,526	333,181	(754,345)	(69.36)
Income tax expense	44,008	116,371	72,363	164.43
Current period net profit	1,043,518	216,810	(826,708)	(79.22)
Other comprehensive income for the period (net)	44,256	(56,485)	(100,741)	(227.63)
Total comprehensive income for the period	1,087,774	160,325	(927,449)	(85.26)
Net income attributable to owners of the parent company	1,249,096	409,359	(839,737)	(67.23)
Net income attributable to non-controlling interests	(205,578)	(192,549)	13,029	6.33
Total comprehensive income attributable to owners of the parent company	1,299,971	354,820	(945,151)	(72.71)
Total comprehensive income attributable to non-controlling interests	(212,197)	(194,495)	17,702	8.34

(I) Description of material changes: (The percentage increase or decrease exceeded 20%, and the amount of change was equal to or greater than NT$10 million.)

1. Increase in operating gross profit and operating profit: The rise in operating income and gross profit margin in 2022 was the primary cause.
2. Decrease in non-operating income and expenses: The decrease in net profit of financial assets measured at fair value through profit or loss in 2022 can be attributed to the rise in share value of companies like EirGenix, the investment target, on the valuation date at the end of 2021, as compared to the same period.
3. Increase in income tax expense: The rise in operating profit in 2022 was the primary cause.
4. Decrease in net profit before tax, net profit for the period, other comprehensive profits and losses, total comprehensive profits and losses for the period, net profit for the period attributable to owners of the parent company, non-controlling interests attributable to the net profit for the period, and total comprehensive profits and losses attributable to owners of the parent company: The decrease in the amount in 2022 compared to the same period was primarily caused by an increase in non-operating income and expenditure in 2021, resulting from the valuation gain on financial assets.

(II) Response plan: The above changes have no material impact on the Company or its subsidiaries.

(II) Expected sales volume and its basis over the next year: Not applicable.

III. Cash flow

(I) Cash flow analysis of the most recent year

Unit: NTD thousand；%

Items \ Year	2021	2022	Increase (decrease) dollar amount	Variation (%)
Cash Flows from Operating Activities	311,157	643,086	331,929	106.68
Cash Flows from Investing Activities	(589,491)	(540,721)	48,770	8.27
Cash Flows from Financing Activities	439,020	447,945	8,925	2.03
Description of material changes: (The change between the early and late stages exceeded 50%, and the amount of change exceeded 5% of the paid-in capital.) Operating activities: The primary reason for this was the cash inflow generated by the company's operations.				

(II) Plans to improve liquidity: Not applicable.

(III) Liquidity analysis for the next year

Unit: NTD thousand

Cash - beginning balance	Expected net cash flow from operating activities for the year	Expected cash outflow	Expected cash balance (insufficiency)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
1,279,462	717,223	456,047	1,540,638	–	–

1. Analysis of cash flow changes in the next year:
   (1) Operating activities: The primary reason for this was the projected cash inflow resulting from the Company's operations.
   (2) Investing activities: The primary reason for the cash outflow was the acquisition of machinery and associated equipment, as well as the maintenance and replacement of production and research equipment.
   (3) Financing activities: This was due to bank financing and subsidiaries' issuance of common stock for cash.
2. Remedial measures and liquidity analysis of estimated cash deficiency: Not applicable.

IV. Impact of major capital expenditures on corporate finance and business for the most recent year

The Company and its subsidiaries spent approximately NT$438,429,000 on capital expenditures in 2022. This amount was primarily used to establish a factory for injectable formulations, purchase machinery for the CDMO business, and replace and repair plant and equipment for APIs. This capital expenditure has effectively increased the production capacity of APIs, providing clients with one-stop value-added services for the downward expansion of injectable product production in the future. This will have a positive impact on the financial performance of the Company and its subsidiaries.

V. Recent year's investment policy, main reasons for profit or loss, improvement plans and future year's investment plans

(I) Re-investment policies of the Company and its subsidiaries: Improve the company's competitive advantages and enhance vertical expansion within the industry.

(II) Main reasons for profit or loss and improvement plan

Unit: NTD thousand

Name of business	Investment gains (losses)	Major causes for profits or losses	Corrective plans	Investments planned for the next year
Formosalab Pharmaceuticals, Inc.	(401,922)	The Company is currently in the research and development phase of new drugs, which has led to ongoing financial losses.	1. The Company concluded a comprehensive statistical analysis of human clinical trials for the new drug APP 13007 on January 31, 2023. It is anticipated that the drug license application will be submitted to the Food and Drug Administration (FDA) within the year. 2. TSY-0110 is a biosimilar of the (ADC) Kadcyla®. In March 2022, Formosa Pharmaceuticals entered into an authorization contract with EirGenix, Inc. for TSY-0110. Pursuant to the agreement, Formosa Pharmaceuticals will receive royalties in stages, EirGenix will have the right to share profits, and both parties will share the related earnings resulting from the R&D of TSY-0110. TSY0110 is currently in the late stage of preclinical development and is scheduled for clinical trials in the first half of 2023.	—
Epione Pharmaceuticals, Inc.	(537)	The Company is currently in the research and	Currently, the Company is focused on the application and development of biotechnology and new drugs,	—

Name of business	Investment gains (losses)	Major causes for profits or losses	Corrective plans	Investments planned for the next year
		development phase of new drugs, which has led to ongoing financial losses.	with an emphasis on discovering and exploring novel pharmaceuticals. Currently, our Company has a cooperative program with Taipei Medical University aimed at synthesizing compounds that target anti-lung cancer. We are currently in the animal experimentation stage to identify candidates with the most effective drug activity and pharmacokinetic properties.	
A.R.Z TAIWAN LIMITED	(401)	Decline in commission business.	—	—
Epione Investment Cayman Limited	(186)	The investment losses were primarily attributed to Epione Investment HK Limited and Shanghai Epione Enterprise Co., Ltd.	Revenue will be recognized in accordance with Shanghai Epione Enterprise's product launch plan.	—
Epione Investment HK Limited	(120)	The main cause of the investment losses was Shanghai Epione Enterprise.	Revenue will be recognized after product launch in accordance with Shanghai Epione Enterprise's product launch plan.	—
Shanghai Epione Enterprise Co., Ltd.	(84)	The manufacturing partner is in the process of applying for the drug license.	Once the drug license application is approved, production and sales can commence to generate revenue.	—
Activus Pharma Co., Ltd.	13,551	The increase in accounts receivable was primarily due to the appreciation of the US dollar.	In the future, the Company will persist in seeking drug development and licensing opportunities for its patented nano R&D technology.	—
Formosa Labarotories Japan, Inc.	7,767	Increase in sales.	—	—

(III) Investment plan for the coming year:

In addition to constructing polymer production lines to satisfy client and market demands, the Company will consistently broaden its business scope by developing APIs, preparations, and new drugs, as well as expanding its drug development and service ecosystem.

VI. Risk management and assessment

(I) The influence of changes in interest rates and exchange rates and inflation on the Group’s profit and loss and future countermeasures

1. Changes in interest rates

   In 2021 and 2022, the Company and its subsidiaries generated NT$357 thousand and NT$2,144 thousand in interest revenues, respectively, representing 0.01% and 0.06% of net operating income. Meanwhile, interest expenses for the same periods amounted to NT$28,051 thousand and NT$19,319 thousand, respectively, accounting for 0.89% and 0.51% of net operating income. Despite fluctuations in interest rates, the overall profitability of the Company and its subsidiaries remained largely unaffected. The Company and its subsidiaries will stay informed of fluctuations in interest rates in order to secure more advantageous rates and mitigate interest rate risk.

2. Exchange rate fluctuation

   The Company and its subsidiaries primarily import and sell in USD, with a small portion of sales in EUR. To mitigate the impact of exchange rate fluctuations on income, the financial departments of the Company and its subsidiaries regularly gather exchange rate information, monitor major currency changes in the international foreign exchange market, and maintain good relationships with banks to obtain favorable exchange rate quotations. The Company aims to achieve a balance between foreign currency assets and liabilities to achieve natural hedging and minimize the impact of exchange rate fluctuations on income.

   The Company incurred a foreign exchange loss of NT$6,860 thousand in 2021 and NT$10,382 thousand in 2022, primarily attributable to the fluctuation of the US dollar exchange rate against the New Taiwan dollar.

   The Company and its subsidiaries have taken the following measures in response to changes in exchange rates:

   (1) Regarding net foreign asset positions, our financial personnel collect and evaluate relevant information and trends in the foreign exchange market. They then exchange foreign currency in a timely manner to reduce risk based on the company's capital needs, in addition to the natural hedge provided by purchase and sale payments denominated in foreign currencies.
   (2) The company maintains close contact with major correspondent banks to stay informed of changes in the foreign exchange market. We appoint relevant personnel to provide timely quotations that reflect changes in the exchange rate.
   (3) The company has developed the Procedures for Acquiring or Disposing of Assets, which the Shareholders' Meeting has approved by resolution. These procedures aim to regulate the operating procedures related to derivative financial products. The Company may take necessary measures to mitigate foreign exchange risks that may arise from its business operations, based on its foreign currency positions and fluctuations in foreign exchange rates.

3. Inflation

   Inflation has not had a significant impact on the profits and losses of the Company and its subsidiaries. In the event of increased purchase costs due to inflation, the Company and its subsidiaries adjust sales prices accordingly.

(II) The policy, main reasons for the profit or loss, and future response measures of high risk, high leverage investment, lending of capital, endorsements and guarantees and derivatives tradings

1. Policies for Engaging in High-Risk and Highly Leveraged Investments, Main Reasons for Profits or Losses, and Future Countermeasures

   The company and its subsidiaries concentrate solely on their core business and have refrained from entering other high-risk industries. The company's financial policy is characterized by prudence and conservatism. It refrains from making highly leveraged investments and all investments are executed only after careful evaluation.

2. Policies for Lending Funds to Others, the Primary Reasons for Profits or Losses, and Future Countermeasures

   The Company and its subsidiaries have developed the Procedures for Lending Funds to Others, which have received approval from both the Board of Directors and the Shareholders' Meeting. These procedures serve as the foundation for the Company and its subsidiaries to conduct relevant transactions. During the most recent fiscal year and up to the publication date of this Annual Report, the Company has adhered to the Procedures for Lending Funds to Others, ensuring compliance with regulations regarding the objects of lending, limits on lending to individual objects, and the total amount of lending. These regulations are publicly announced on the Market Observation Post System. Additionally, the Company's subsidiaries have refrained from lending funds to any other parties during the same period.

3. Policies for Engaging in Endorsements and Guarantees, Main Reasons for Profits or Losses, and Future Countermeasures

   The company and its subsidiaries have developed the Procedures for Endorsements/Guarantees, which have received approval from the Board of Directors and Shareholders' Meeting for forthcoming endorsements and guarantees. The Company and its subsidiaries have not provided any endorsements or guarantees for any other parties during the previous fiscal year or up to the date of publication of this Annual Report.

4. Policies for Engaging in Derivative Trading, Main Reasons for Profits or Losses, and Future Countermeasures

   The Company and its subsidiaries trade derivative products in accordance with relevant regulations from competent authorities and the Procedures for Acquiring or Disposing of Assets. The primary objective is to mitigate market risk associated with net assets and liabilities denominated in foreign currency due to fluctuations in exchange rates and interest rates. This activity is not intended for arbitrage or speculative purposes. The Company and its subsidiaries only engage with creditworthy banks as counterparties, ensuring low credit risk. The Company and its subsidiaries did not participate in any derivative trading during 2021 and 2022.

(III) Future research and development plans, and the projected expenses

To enhance our industrial competitiveness, the Company and its subsidiaries are committed to ongoing R&D and innovation. In 2021 and 2022, we allocated 22.28% and 20.64% of our revenue to R&D expenses, respectively. We anticipate that future R&D expenses will remain at a certain level. Formosa Pharmaceuticals, a subsidiary of the Company, has developed APP13007, a drug used to alleviate inflammation caused by ophthalmic surgery. We plan to apply for NDA with the FDA after completing Phase III clinical trials this year. Additionally, TSY-0110, a biosimilar of Kadcyla used to treat breast cancer, will apply for human clinical trials before the end of this year. We expect to complete the first phase of clinical trials one year after receiving EMA approval. The Company is continuously developing new products, including derivatives of Vit. D, cholesterol and phosphate binders, anticoagulants, anti-cancer drugs, and MRI enhancing agents. Additionally, the Company is involved in custom R&D and OEM business. Along with providing clients with custom synthesis services for small molecule APIs for clinical use, it also offers customized synthesis services for ADCs. As a result, the Company has become an API supplier for pharmaceutical companies, enabling them to successfully launch new drugs. The estimated R&D expenses for 2023 are estimated to be approximately NT$1 billion.

(IV) The influence of I mportant policies and changes in laws at home and abroad on the Company's financial business and the countermeasures

The Company and its subsidiaries conduct daily operations in accordance with applicable domestic and international laws and regulations. Furthermore, they monitor the development of domestic and international policies and changes in laws and regulations, gather relevant information to inform management decisions, and adjust operating strategies accordingly. As of the date of this Annual Report, the financial operations of the Company and its subsidiaries have not been impacted by significant changes in domestic or foreign policies and laws.

(V) Effect of technology development (including cyber security risks) and industrial change on the Company's financial operations, and measures to be taken in response

The Company and its subsidiaries stay up-to-date with product and technological advancements in their respective industry. They consistently enhance product quality and manufacturing processes, promptly identify industry trends and market information, and implement sound financial management strategies to sustain market competitiveness. In order to promote cybersecurity-related policies, implement related incident reporting and contingency measures, the Company and its subsidiaries regularly assess cybersecurity risks, implement relevant education and training, and formulate audits for the implementation of cybersecurity maintenance plans to rigorously put risk management of cybersecurity into practice. In the future, the Company and its subsidiaries will monitor changes in related product trends, evaluate their impact on operations, and make necessary adjustments to enhance business development and financial standing. There have been no significant changes in technology or industry that have materially impacted the Company and its subsidiaries during the most recent fiscal year up to the publication date of this Annual Report.

(VI) Effect of corporate image change on the Company's crisis management, and measures to be taken in response

Since its establishment, the Company and its subsidiaries have strived to uphold their corporate image and adhere to laws and regulations. As of the date of this Annual Report, there have been no incidents that have had an impact on the corporate image.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and response measures to be taken

As of the publication date of this Annual Report, the Company has no plans for mergers or acquisitions. If such plans arise in the future, the Company will thoroughly evaluate and consider the benefits of the proposal in accordance with the Company's Procedures for Acquiring or Disposing of Assets and relevant laws and regulations. This will ensure the protection of the Company's interests and those of its shareholders.

(VIII) Expected benefit and possible risk associated with plant expansion, and measures to be taken in response

1. Expected Benefit

In Q2 2020, the Company acquired a license to construct a plant for injectable formulations and purchase equipment. The plant registration was obtained in Q1 2021. In 2021, the aseptic filling and packaging line underwent inspection by the Taiwan Food and Drug Administration (TFDA). The packaging production line was certified by PIC/S GMP and PIC/S GDP. The Company's injectable formulation production lines cater to the production requirements of small molecule and macromolecule drugs. It boasts three sterile production lines for injectable formulations, with an annual production capacity of hundreds of millions of doses. Additionally, it can provide millions of doses for clients' pre-clinical development. The production lines for injectable formulations are capable of meeting service demands. By adopting a joint development model, the Company has enhanced its product supply chain and sales network, expedited market development, launched products, seized business opportunities, and gradually improved operational performance.

2. Potential risks and countermeasures

The Company’s plant expansion is mainly due to the enhancement of production and quality standards. The Company strives to achieve a one-stop service with the production of injectable formulations and continually works on improving and strengthening product quality so as to reduce operating risk.

(IX) Risks associated with purchasing or sales consolidation, and measures to be taken in response

1. Risk assessment of purchasing concentration and countermeasures

The Company procures major raw materials by collaborating with at least two qualified suppliers, ensuring that purchases from a single supplier do not exceed 30%. This principle mitigates the risk of excessive concentration of purchases at present.

2. Risk assessment of sales concentration and countermeasures

In 2021 and 2022, the Company's largest client accounted for 2.52% and 10.03% of annual sales, respectively, without exceeding 30%. As a result, there was no sales concentration risk.

(X) Effect upon and risk to the Company in the event a major quantity of shares held by a director or a major shareholder with more than 10% shareholding has been transferred or changed hands, and measures to be taken in response: None.

(XI) Effect upon and risk to Company associated with any change in governance personnel or top management, and measures to be taken in response

There have been no changes to the Company's operating rights during the previous fiscal year and up to the date of this Annual Report.

(XII) Litigious and non-litigious matters

1. If there has been any material impact on shareholders' equity or the Companysecurities prices due to litigation, non-litigious proceedings, or administrative disputes involving the Company that were finalized or remained pending during the most recent fiscal year up to the publication date of this Annual Report, we shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case. None.
2. If any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent has had a material impact upon shareholders' equity or prices for the Company's securities, and the matter was finalized or remained pending in the most recent two fiscal years up to the publication date of the Annual Report, it must be disclosed. None.

(XIII) Other important risks and response measures: None.

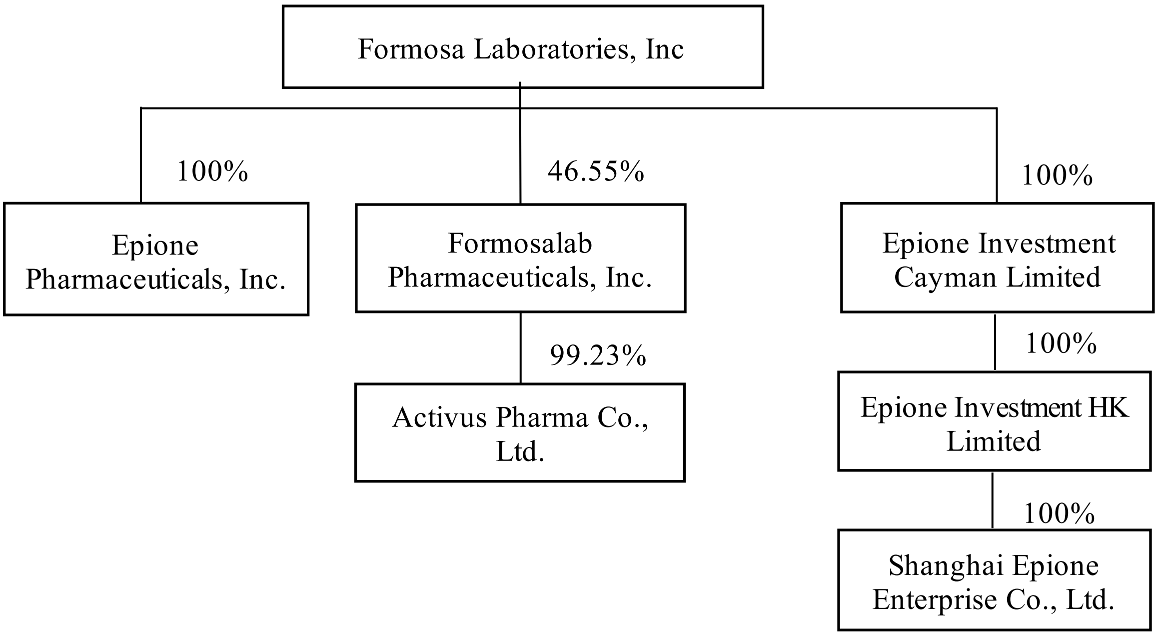
VII. Other significant matters: None.

Chapter 8 Special Disclosures

I. Summary of Affiliated Companies

(I) Overview of affiliates (Dec. 31 2022)

1. Affiliates' Organizational Chart



2. Information of affiliates:

Unit: NTD thousand

Company Name	Date of establishment	Address	Paid in capital	Scope of business/ production
Formosa Pharmaceuticals Inc.	Dec. 06, 2010	8F-6, No. 57, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	1,136,421	Research and development of New drug
Epione Pharmaceuticals, Inc.	Dec. 02, 2015	36 Hoping Street, Louchu, Taoyuan 33842, Taiwan	40,000	Research and development of New drug
Epione Investment Cayman Limited	May. 05, 2011	4rd Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	9,568	Purpose of reinvestment
Epione Investment HK Limited	May. 17, 2011	21/F., Central 88, No.88 Des Voeus Road Central, Hong Kong	7,591	Purpose of reinvestment

Company Name	Date of establishment	Address	Paid in capital	Scope of business/ production
Shanghai Epione Enterprise Co., Ltd	Aug. 24, 2011	Room 1009, Caobao Road, Minhang District Shanghai.	6,409	Wholesale, import and export agency of chemical raw materials and products.
Activus Pharma Co., Ltd.	Oct. 24, 2006	TAKANASHI BLDG. 3F, 2-15-7 NIHONBASHI NINGYO-CHO, CHUO-KU, TOKYO 103-0013, JAPAN.	JPY 90,000,000	Research and Development of New drug

3. Presumptive reasons for the presumption of control and subordinate relationship and related information of personnel: None.
4. The industries covered by the business operations of overall affiliates and the division of labor

   The affiliates primarily focus on biotech and new drug research and development. Formosa Pharmaceuticals Inc., Epione Pharmaceuticals, Inc., and Activus Pharma Co., Ltd. are currently in the R&D stage of new drugs and have not generated any sales revenue. Although Epione Investment Cayman Limited, Epione Investment HK Limited, and Shanghai Epione Enterprise have different divisions of labor, they are all currently in the new drug application (NDA) stage and have not yet launched any products on the market, resulting in no revenue generated.
5. Information of directors, supervisors and general manager of the Company's affiliates

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
Formosalab Pharmaceuticals, Inc.	Chairman	Formosa Laboratories, Inc. (Representative: Cheng, Chen-Yu)	52,899,349	46.55%
	Director	Formosa Laboratories, Inc. (Representative: Huang, Weng-Foung)	52,899,349	46.55%
	Director	Shen Jo	467,387	0.41%
	Director	Chang Hong-Jen	0	0%
	Director	CDIB Capital Healthcare Ventures II Limited Partnership	4,471,000	3.93%

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
	Independent Director	Su Yu-Hui	0	0%
	Independent Director	Lo Leah	0	0%
	President	Cheng Chen-Yu	74,224	0.07%
Epione Pharmaceuticals, Inc.	Chairman	Formosa Laboratories, Inc. (Representative: Cheng Chen-Yu)	4,000,000	100%
	Director	Formosa Laboratories, Inc. (Representative: Wang Chung-Jen)	4,000,000	100%
	Director	Formosa Laboratories, Inc. (Representative: Liou Shan-Jan)	4,000,000	100%
	Supervisor	Formosa Laboratories, Inc. (Representative: Lo Yu-Chen)	4,000,000	100%
	President	Cheng Chen-Yu	0	0%
Epione Investment Cayman Limited	Director	Formosa Laboratories, Inc. (Representative: Cheng Chen-Yu)	334,000	100%
Epione Investment HK Limited	Director	Cheng Chen-Yu	0	0%
Shanghai Epione Enterprise Co., Ltd.	Executive Director	Lee Chung-Hur	0	0%
	Supervisor	Yu Wen-Ying	0	0%
	President	Cheng I-Shih	0	0%
Activus Pharma Co., Ltd.	Chairman	Cheng Chen-Yu	0	0%
	Director	Lee Chien-Hung	0	0%
	Director	Lin Jinn-Yuan	0	0%
	Director	Hsu Li-Ko	0	0%
	Supervisor	Lo Yu-Chen	0	0%

6. Operational highlights of business of various affiliates

Unit: NTD thousand

Name of business	Capital amount	Total assets	Total liabilities	Net value	Operating revenue	Operating Profit (Loss)	Net income for the current period (after tax)	EPS (TWD) (after tax)
Formosalab Pharmaceuticals, Inc.	1,136,421	981,951	488,608	493,343	1,315	(376,512)	(401,922)	(3.54)
Epione Pharmaceuticals, Inc.	40,000	12,990	70	12,920	0	(214)	(537)	(0.13)
Epione Investment Cayman Limited	9,568	5,809	19	5,790	0	(298)	(186)	(0.56)
Epione Investment HK Limited	7,591	5,126	105	5,022	0	(74)	(120)	(0.42)
Shanghai Epione Enterprise Co., Ltd.	6,409	5,781	1,079	4,702	0	(87)	(84)	(Note)
Activus Pharma Co., Ltd.	24,795	105,235	244	104,991	0	(719)	13,551	5.47

Note: It is a limited company.

(II) Consolidated Financial Statements of Affiliates

If the entities required for the consolidated financial report comprising the parent and its subsidiaries are identical to those necessary for preparing the consolidated financial statements covering affiliates, and if the mandatory disclosures for the consolidated financial statements covering affiliates are already included in the consolidated financial report comprising the parent and its subsidiaries, then there is no need to prepare the consolidated financial statements covering affiliates.

II. Private placement of securities in the most recent year and as of the date of the annual report: None.

III. Information on the Company's shares held or disposed of by subsidiaries in the most recent year and as of the date of the annual report: None.

IV. Other Material Issues: None.

Chapter 9 Occurrences of events defined under Article 36-3-2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

Audit Committee' Review Report

2022 Business Report, Financial Statement (consolidated and individual financial statements) and Earnings Distribution of the Company submitted by the Board of the Directors, have been audited by CPA Yen Yu-Fang, Yu Shu-Fen of PWC. The Audit Committee has also reviewed all of the reports and statements mentioned above and found no inconsistencies. Therefore, the Audit Committee has acted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and clarified as above.

To

2023 Annual Shareholders' Meeting of Formosa Laboratories, Inc.

Audit Committee Convener: Chen Yi-Fen

March 9, 2023

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

Key audit matters - inventory valuation

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

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

Other matter – Parent company only financial reports

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Yen, Yu-Fang	Yu, Shu-Fen

For and on Behalf of PricewaterhouseCoopers, Taiwan
March 9, 2023

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

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

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

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

(Continued)

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

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

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

FORMOSA LABORATORIES, INC.AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANIZATION

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

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

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Research and development of new biotechnology medicine	46.55	46.63	Note 1 and Note 2
Formosa Laboratories, Inc.	Epione 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 2022, as Formosa Pharmaceuticals Inc.’s employees gradually exercised share options, the Group’s shareholding ratio in Formosa Pharmaceuticals Inc. decreased to 46.55%. Refer to Note 6(31).

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

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

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

E. Significant restrictions: None.

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

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

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

Summarised financial information of the subsidiaries:

Balance sheets

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

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

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

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

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

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

(9) Financial assets at amortised cost

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

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

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

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

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

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

(15) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) Intangible assets

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

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

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

(18) Impairment of non-financial assets

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

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

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

(19) Borrowings

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

(20) Accounts and notes payable

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

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

(21) Financial liabilities at fair value through loss

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

(a) Hybrid (combined) contracts; or

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

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

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

(22) Convertible bonds payable

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

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

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

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

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

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

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(26) Employee share-based payment

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

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

(27) Income tax

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

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

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

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

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

(28) Share capital

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

(29) Dividends

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

(30) Revenue recognition

A. Sales of goods

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

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

B. Research and development revenue

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

C. Revenue from licencing intellectual property

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

(31) Operating segments

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

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

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

Critical accounting estimates and assumptions

(1) Evaluation of inventories

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

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

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

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

(3) Revenue recognition

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 29,158	$ 37,111
TOT Biopharm International Company Limited	52,940	52,940
Emerging stocks		
TaiRx, Inc.	16,484	71,907
Derivatives		
- the redemption rights of convertible bonds	2,010	2,020
	100,592	163,978
Valuation adjustment	96,927	199,968
	$ 197,519	$ 363,946
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 588,756	$ 588,756
Unlisted stocks		
HCmed Innovations Co., Ltd.	14,976	-
AG Global Inc.	35,340	35,340
	639,072	624,096
Valuation adjustment	1,538,479	1,336,287
	$ 2,177,551	$ 1,960,383
Non-current financial liabilities items:		
Financial liabilities designated as at fair value through profit or loss		
New medicine development revenue share	$ 58,390	$ -
Valuation adjustment	3,030	-
	$ 61,420	$ -

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

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

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

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

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

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

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

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

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

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

(4) Financial assets at amortised cost

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

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

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

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

(5) Notes and accounts receivable, net

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

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

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

The above ageing analysis was based on past due date.

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

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

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

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

(6) Inventories

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

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

Current expenses related to inventories are as follows:

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

(7) Investments accounted for using equity method

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

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

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

(8) Property, plant and equipment

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

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

Note 2: Including capitalised interests.

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

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

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

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

Note 2: Including capitalised interests.

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

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

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

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

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

(9) Intangible assets

	2022				
		Professional expertise			
	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’).

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

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

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

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

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

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

(10) Other non-current assets

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

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

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

(11) Short-term borrowings

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

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

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

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

(12) Short-term notes and bills payable

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

(13) Other payables

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

(14) Bonds payable

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

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

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

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

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

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

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

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

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

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

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

(15) Long-term borrowings

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

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

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

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

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

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

(16) Pensions

A. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Defined contribution plans

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

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

(17) Share-based payment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(18) Share capital

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

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

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

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

(19) Capital surplus

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

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

(20) Retained earnings

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

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

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

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

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

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

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

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

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

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

(21) Other equity items

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

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

(22) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

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

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

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

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

B. Contract assets and liabilities

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

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

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

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

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

(23) Interest income

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

(24) Other income

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

(25) Other gains and losses

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

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

(26) Finance costs

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

(27) Expenses by nature

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

(28) Employee benefit expense

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

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

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

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

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

(29) Income tax

A. Income tax expense

(a) Components of income tax:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

	December 31, 2021			
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	109,092	109,092	〃
		$ 158,228	$ 158,228	

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

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

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

December 31, 2022

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

December 31, 2021

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

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

December 31, 2022

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

December 31, 2021

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

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

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

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

(30) Earnings per share

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

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

(31) Transactions with non-controlling interest

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

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

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

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

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

(32) Supplemental cash flow information

Investing activities with partial cash payments

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

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

(33) Changes in liabilities from financing activities

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

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

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

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

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

(3) Significant related party transactions

A. Operating revenue

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

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

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

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

B. Purchases

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

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

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

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

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

D. Accounts receivable

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

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

E. Other income and other receivables

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

Note 1: Refer to the G. for details.

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

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

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

D. Loans to /from related parties:

Loans to related parties:

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

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

(4) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

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

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

12. OTHERS

(1) Capital management

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

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

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

(2) Financial instruments

A. Financial instruments by category

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

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

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

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

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

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

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

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

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

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

Price risk

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

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

Cash flow and fair value interest rate risk

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

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

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

December 31,2022 and 2021: None.

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

13. SUPPLEMENTARY DISCLOSURES

(4) Significant transactions information

A. Loans to others: Refer to table 1.

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

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

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

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

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

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

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

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

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

(5) Information on investees

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

(6) Information on investments in Mainland China

A. Basic information: Refer to table 6.

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

(7) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

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

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

(4) Reconciliation for segment income (loss)

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

(5) Information on products and services

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

(6) Geographical information

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

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

(7) Major customer information

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

Note 2: The Company loans to others:

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

Note 2: The investment loss for the year ended December 31, 2022 is calculated based on the Company's financial statements which were audited by independent accountants.

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

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,792 thousand at the exchange rate of 27.68 and translated into $132,653.

Note 4: Ceiling on investments in Mainland China was calculated by the higher of the Company's net assets and 60% of consolidated net assets.

Note 5: The Company's accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was $39,642, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2022

Table 7

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

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

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Key audit matters - Inventory valuation

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

Description

As of December 31, 2022, the amount of the Company's reinvestment in Formosa Pharmaceuticals, Inc. was significant and the reinvestment generated goodwill. Refer to Notes 4(12) and (16) for details of related accounting policies, and Notes 5(2) and 6(7) for uncertainty of accounting estimates and assumptions in relation to impairment assessment of investments accounted for using equity method. The Company measured the recoverable amount of cash generating unit by discounting estimated future cash flows of related research and development projects as basis for impairment assessment. As the amount of investments accounted for using equity method was significant and the valuation model used in the impairment assessment involves significant accounting estimates, and the recoverable amount was determined based on projected future cash flows, we considered the impairment assessment of investments accounted for using equity method as a key audit matter.

How our audit addressed the matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yen, Yu-Fang	Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 10, 2023

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

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

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

	Assets	Notes	December 31, 2022	%	December 31, 2021	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 994,993	8	$ 505,438	4
1110	Current financial assets at fair value through profit or loss	6(2) and 8	195,592	2	361,708	3
1150	Notes receivable, net	6(4)	-	-	2,586	-
1170	Accounts receivable, net	6(4)	798,849	6	758,855	7
1180	Accounts receivable - related parties	7	22,808	-	18,986	-
1200	Other receivables		14,590	-	28,634	-
1210	Other receivables - related parties	7	598	-	675	-
130X	Inventory	6(5)	1,601,672	13	1,639,197	14
1410	Prepayments		72,967	1	63,765	1
1470	Other current assets		2,133	-	3,792	-
11XX	**Total current assets**		3,704,202	30	3,383,636	29
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	2,177,551	18	1,960,383	17
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	61,479	-	114,962	1
1550	Investments accounted for under equity method	6(6)	273,688	2	192,433	2
1600	Property, plant and equipment	6(7) and 8	5,871,964	48	5,844,675	50
1755	Right-of-use assets		36,438	-	47,822	-
1780	Intangible assets		27,213	-	35,139	-
1840	Deferred income tax assets	6(26)	97,189	1	72,302	-
1900	Other non-current assets	6(7)(8) and 8	105,826	1	92,777	1
15XX	**Total non-current assets**		8,651,348	70	8,360,493	71
1XXX	**Total assets**		$ 12,355,550	100	$ 11,744,129	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2022	%	December 31, 2021	%
	Current liabilities					
2100	Short-term borrowings	6(10) and 8	$ 1,449,666	12	$ 1,017,388	9
2110	Short-term notes and bills payable	6(9)	49,909	-	159,939	1
2130	Current contract liabilities	6(19) and 7	75,440	1	120,220	1
2150	Notes payable		1,017	-	1,636	-
2170	Accounts payable		186,473	2	202,418	2
2200	Other payables	6(11)	552,535	4	528,374	5
2230	Current income tax liabilities		141,374	1	22,891	-
2280	Current lease liabilities		19,597	-	24,979	-
2320	Long-term liabilities, current portion	6(12)(13) and 8	619,017	5	284,861	2
2399	Other current liabilities		31,560	-	20,233	-
21XX	**Total current liabilities**		3,126,588	25	2,382,939	20
	Non-current liabilities					
2527	Non-current contract liabilities	6(19) and 7	16,989	-	-	-
2540	Long-term borrowings	6(13) and 8	1,637,756	14	1,906,992	17
2570	Deferred income tax liabilities	6(26)	19,695	-	18,512	-
2580	Non-current lease liabilities		17,030	-	23,080	-
2600	Other non-current liabilities	6(14)	16,848	-	17,376	-
25XX	**Total non-current liabilities**		1,708,318	14	1,965,960	17
2XXX	**Total liabilities**		4,834,906	39	4,348,899	37
	Share capital	1 and 6(15)				
3110	Common stock		1,202,560	10	1,202,560	10
	Capital surplus	6(12)(16)				
3200	Capital surplus		3,514,488	28	3,503,382	30
	Retained earnings	6(17)				
3310	Legal reserve		444,979	4	319,935	3
3320	Special reserve		20	-	20	-
3350	Unappropriated retained earnings		2,364,300	19	2,320,072	20
	Other equity interest	6(18)				
3400	Other equity interest		(5,703)	-	49,261	-
3XXX	**Total equity**		7,520,644	61	7,395,230	63
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
	Significant Events after the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 12,355,550	100	$ 11,744,129	100

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

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

			Year ended December 31			
	Items	Notes	2022	%	2021	%
4000	Operating revenue	6(19) and 7	$ 3,804,145	100	$ 3,169,023	100
5000	Operating costs	6(5)(24)(25)	(2,386,736)	(63)	(2,189,585)	(69)
5900	Gross profit		1,417,409	37	979,438	31
5910	Unrealised profit from sales		-	-	(14,025)	(1)
5920	Realised profit from sales		3,102	-	2,693	-
5950	Net operating margin		1,420,511	37	968,106	30
	Operating expenses	6(24)(25)				
6100	Selling expenses		(187,120)	(5)	(170,921)	(5)
6200	General and administrative expenses		(208,970)	(5)	(261,684)	(8)
6300	Research and development expenses		(471,194)	(12)	(351,326)	(11)
6450	(Impairment loss) impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(28,348)	(1)	13,872	-
6000	Total operating expenses		(895,632)	(23)	(770,059)	(24)
6900	Operating income		524,879	14	198,047	6
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	1,654	-	298	-
7010	Other income	6(21) and 7	3,747	-	25,277	1
7020	Other gains and losses	6(2)(22)	178,199	5	1,280,396	41
7050	Finance costs	6(23)	(18,327)	(1)	(25,844)	(1)
7070	Share of loss of associates and joint ventures accounted for using equity method, net	6(6)	(164,286)	(4)	(187,467)	(6)
7000	Total non-operating income and expenses		987	-	1,092,660	35
7900	**Profit before income tax**		525,866	14	1,290,707	41
7950	Income tax expense	6(26)	(116,507)	(3)	(41,611)	(2)
8200	**Profit for the year**		$ 409,359	11	$ 1,249,096	39

(Continued)

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

	Items	Notes	Year ended December 31 2022	%	2021	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plan	6(14)	$ 531	-	$ 1,682	-
8316	Unrealised (loss) gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(53,483)	(2)	55,972	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(106)	-	(336)	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(53,058)	(2)	57,318	2
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(1,851)	-	(8,054)	-
8399	Income tax relating to the components of other comprehensive loss	6(26)	370	-	1,611	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(1,481)	-	(6,443)	-
8300	**Total other comprehensive (loss) income for the year**		($ 54,539)	(2)	$ 50,875	2
8500	**Total comprehensive income for the year**		$ 354,820	9	$ 1,299,971	41
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		$	3.40	$	10.92
9850	Diluted earnings per share		$	3.39	$	10.32

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

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

			Capital Reserves			Retained Earnings			Other Equity Interest		
	Notes	Common stock	Capital surplus, additional paid-in capital	Capital Surplus, changes in ownership interests in subsidiaries	Stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
2021											
Balance at January 1, 2021		$1,083,126	$2,472,917	$ 226,326	$ 33,387	$ 280,144	$ 20	$1,109,421	($ 2,123)	$ 1,855	$5,205,073
Profit for the year		-	-	-	-	-	-	1,249,096	-	-	1,249,096
Other comprehensive income (loss)		-	-	-	-	-	-	1,346	(6,443)	55,972	50,875
Total comprehensive income (loss)		-	-	-	-	-	-	1,250,442	(6,443)	55,972	1,299,971
Appropriation and distribution of retained earnings:	6(17)										
Legal reserve		-	-	-	-	39,791	-	(39,791)	-	-	-
Conversion of convertible bonds	6(12)	119,434	610,659	-	(33,387)	-	-	-	-	-	696,706
Changes in ownership interests in subsidiaries	6(28)	-	-	193,480	-	-	-	-	-	-	193,480
Balance at December 31, 2021		$1,202,560	$3,083,576	$ 419,806	$ -	$ 319,935	$ 20	$2,320,072	($ 8,566)	$ 57,827	$7,395,230
2022											
Balance at January 1, 2022		$1,202,560	$3,083,576	$ 419,806	$ -	$ 319,935	$ 20	$2,320,072	($ 8,566)	$ 57,827	$7,395,230
Profit for the year		-	-	-	-	-	-	409,359	-	-	409,359
Other comprehensive income (loss)		-	-	-	-	-	-	425	(1,481)	(53,483)	(54,539)
Total comprehensive income (loss)		-	-	-	-	-	-	409,784	(1,481)	(53,483)	354,820
Appropriations and distribution of retained earnings:	6(17)										
Legal reserve		-	-	-	-	125,044	-	(125,044)	-	-	-
Cash dividends		-	-	-	-	-	-	(240,512)	-	-	(240,512)
Changes in ownership interests in subsidiaries	6(28)	-	-	11,106	-	-	-	-	-	-	11,106
Balance at December 31, 2022		$1,202,560	$3,083,576	$ 430,912	$ -	$ 444,979	$ 20	$2,364,300	($ 10,047)	$ 4,344	$7,520,644

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

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

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 525,866	$ 1,290,707
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	437,651	439,938
Amortisation	6(24)	11,753	12,770
Expected credit impairment loss (gain)	12(2)	28,348	(13,872)
Net gains on financial assets at fair value through profit or loss	6(22)	(178,832)	(1,292,184)
Interest expense	6(23)	18,327	25,844
Interest income	6(20)	(1,654)	(298)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	164,286	187,467
(Realised) unrealised gain on inter-affiliate accounts		(3,102)	11,332
Losses on disposal of property, plant and equipment	6(22)	(51)	(310)
Gain from lease modification	6(22)	(24)	(139)
Expenses transferred from prepayments for equipment (shown as other non-current assets)		12,801	8,041
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		-	275
Notes receivable		2,586	(2,586)
Accounts receivable		(68,342)	(238)
Accounts receivable - related parties		(3,822)	(911)
Other receivables		14,311	(9,836)
Other receivables - related parties		77	2,294
Inventory		37,525	(188,146)
Prepayments		(9,202)	17,681
Other current assets		1,659	1,222
Other non-current assets		(231)	(1,955)
Changes in operating liabilities			
Current contract liabilities		(44,780)	78,165
Non-current contract liabilities		16,989	-
Notes payable		(619)	1,636
Accounts payable		(15,945)	(5,720)
Other payables		33,863	141,816
Other current liabilities		11,327	14,439
Cash inflow generated from operations		990,765	717,432
Interest received		1,654	298
Interest paid		(16,742)	(19,710)
Income taxes paid		(21,728)	(33,030)
Net cash flows from operating activities		953,949	664,990

(Continued)

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

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at amortised cost		$ -	$ 20,000
Acquisition of financial assets at fair value through profit or loss		(14,976)	(200,440)
Proceeds from disposal of financial assets at fair value through profit or loss		142,756	167,394
Acquisition of investments accounted for using equity method		(233,229)	(79,506)
Received cash dividends from investments accounted for using equity method		45	51
Acquisition of property, plant and equipment (including capitalised interests)	6(29)	(380,940)	(383,162)
Proceeds from disposal of property, plant and equipment		51	310
Acquisition of intangible assets		(1,553)	(4,216)
(Increase) decrease in refundable deposits		(1,078)	8,045
Increase in prepayments for business facilities (shown as other non-current assets)	6(7)	(57,488)	(125,395)
Prepayments for investments (shown as other non-current assets)		(38,895)	-
Net cash flows used in investing activities		(585,307)	(596,919)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans	6(30)	432,278	(80,680)
Decrease in short-term notes and bills payable	6(30)	(110,030)	(9,958)
Proceeds from long-term debt	6(30)	3,396,000	3,450,203
Repayments of long-term debt (including current portion)	6(30)	(3,331,080)	(3,420,040)
Payments of lease liabilities		(25,743)	(26,943)
Cash dividends paid	6(19)	(240,512)	-
Repayment of matured corporate bonds	6(12)	-	(2,500)
Net cash flows from (used in) financing activities		120,913	(89,918)
Net increase (decrease) in cash and cash equivalents		489,555	(21,847)
Cash and cash equivalents at beginning of year		505,438	527,285
Cash and cash equivalents at end of year		$ 994,993	$ 505,438

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

FORMOSA LABORATORIES, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANIZATION

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

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

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

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

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

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

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

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

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

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

(8) Accounts and notes receivable

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

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

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

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and significant unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries were in consistent with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.

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

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

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

G. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only financial statements is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(13) Property, plant and equipment

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

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

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

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

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

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

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

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  (a) The amount of the initial measurement of lease liability;
  (b) Any lease payments made at or before the commencement date; and
  (c) Any initial direct costs incurred by the lessee;

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

(15) Intangible assets

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Accounts and notes payable

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

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

(19) Convertible bonds payable

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

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

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

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

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

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(23) Income tax

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

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

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

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

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

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

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

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

B. Research and development revenue

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

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

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

Critical accounting estimates and assumptions

(1) Evaluation of inventories

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

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

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

The assessment procedure of goodwill impairment which was generated from premiums on investment relies on the Company's subjective judgement which is based on the discounted value of expected future cash flows of investees to estimate the recoverable amount and the reasonableness of related assumptions.

(3) Revenue recognition

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 29,158	$ 37,111
TOT Biopharm International Company Limited	52,940	52,940
Emerging stocks		
TaiRx, Inc.	16,484	71,907
	98,582	161,958
Valuation adjustment	97,010	199,750
	$ 195,592	$ 361,708
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 588,756	$ 588,756
Unlisted stocks		
HCmed Innovations Co., Ltd.	14,976	-
AG Global Inc.	35,340	35,340
	639,072	624,096
Valuation adjustment	1,538,479	1,336,287
	$ 2,177,551	$ 1,960,383

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

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

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

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

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

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

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

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

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

(4) Notes and accounts receivable, net

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

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

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

The above ageing analysis was based on past due date.

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

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

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

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

(5) Inventories

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

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

Current expenses related to inventories are as follows:

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

(6) Investments accounted for using equity method

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

A. Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

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

(7) Property, plant and equipment

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2022												
Cost	$ 655,950	$ 1,575,057	$ 2,885,370	$ 97,668	$ 368,116	$ 206,603	$ 96,261	$ 15,243	$ 277,673	$ 2,293,505	$ 8,471,446	$ 85,433
Accumulated depreciation	-	(452,426)	(1,550,851)	(78,172)	(182,277)	(112,373)	(72,262)	(10,401)	(168,009)	-	(2,626,771)	-
	$ 655,950	$ 1,122,631	$ 1,334,519	$ 19,496	$ 185,839	$ 94,230	$ 23,999	$ 4,842	$ 109,664	$ 2,293,505	$ 5,844,675	$ 85,433
Year ended December 31, 2022												
Opening net book amount as at January 1	$ 655,950	$ 1,122,631	$ 1,334,519	$ 19,496	$ 185,839	$ 94,230	$ 23,999	$ 4,842	$ 109,664	$ 2,293,505	$ 5,844,675	$ 85,433
Additions (Note 2)	-	2,655	32,413	-	25,926	491	2,761	-	14,135	291,272	369,653	57,488
Transfers (Note 4)	-	20,524	71,238	-	4,343	10,871	11,744	-	8,983	(58,135)	69,568	(83,216)
Reclassifications	-	-	(1,649)	-	1,445	(49)	-	-	253	-	-	-
Depreciation charge	-	(59,537)	(257,618)	(2,009)	(40,074)	(17,124)	(9,186)	(762)	(26,622)	-	(412,932)	-
Closing net book amount as at December 31	$ 655,950	$ 1,086,273	$ 1,178,903	$ 17,487	$ 177,479	$ 88,419	$ 29,318	$ 4,080	$ 106,413	$ 2,526,642	$ 5,870,964	$ 59,705
At December 31, 2022												
Cost	$ 655,950	$ 1,598,236	$ 2,981,623	$ 97,668	$ 399,315	$ 217,964	$ 110,766	$ 15,244	$ 300,818	$ 2,526,642	$ 8,904,226	$ 59,705
Accumulated depreciation	-	(510,963)	(1,802,720)	(80,181)	(221,836)	(129,545)	(81,448)	(11,164)	(194,405)	-	(3,032,262)	-
	$ -	$ 1,087,273	$ 1,178,903	$ 17,487	$ 177,479	$ 88,419	$ 29,318	$ 4,080	$ 106,413	$ 2,526,642	$ 5,871,964	$ 59,705

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

Note 2: Including capitalised interests.

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

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

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2021												
Cost	$ 655,950	$ 1,517,293	$ 2,773,838	$ 97,668	$ 365,547	$ 206,273	$ 92,000	$ 15,243	$ 239,067	$ 2,044,326	$ 8,007,205	$ 116,352
Accumulated depreciation	-	(412,596)	(1,323,728)	(76,152)	(142,268)	(96,156)	(63,233)	(9,370)	(139,932)	-	(2,263,435)	-
	$ 655,950	$ 1,104,697	$ 1,450,110	$ 21,516	$ 223,279	$ 110,117	$ 28,767	$ 5,873	$ 99,135	$ 2,044,326	$ 5,743,770	$ 116,352
Year ended December 31, 2021												
Opening net book amount as at January 1	$ 655,950	$ 1,104,697	$ 1,450,110	$ 21,516	$ 223,279	$ 110,117	$ 28,767	$ 5,873	$ 99,135	$ 2,044,326	$ 5,743,770	$ 116,352
Additions (Note 2)	-	8,799	37,365	-	10,647	330	2,573	-	9,449	297,811	366,974	125,395
Transfers (Note 4)	-	64,772	99,170	-	89	-	1,758	-	29,806	(48,632)	146,963	(156,314)
Reclassifications	-	-	7,740	-	(7,740)	-	-	-	-	-	-	-
Depreciation charge	-	(55,637)	(259,866)	(2,020)	(40,436)	(16,217)	(9,099)	(1,031)	(28,726)	-	(413,032)	-
Closing net book amount as at December 31	$ 655,950	$ 1,122,631	$ 1,334,519	$ 19,496	$ 185,839	$ 94,230	$ 23,999	$ 4,842	$ 109,664	$ 2,293,505	$ 5,844,675	$ 85,433
At December 31, 2021												
Cost	$ 655,950	$ 1,575,057	$ 2,885,370	$ 97,668	$ 368,116	$ 206,603	$ 96,261	$ 15,243	$ 277,673	$ 2,293,505	$ 8,471,446	$ 85,433
Accumulated depreciation	-	(452,426)	(1,550,851)	(78,172)	(182,277)	(112,373)	(72,262)	(10,401)	(168,009)	-	(2,626,771)	-
	$ 655,950	$ 1,122,631	$ 1,334,519	$ 19,496	$ 185,839	$ 94,230	$ 23,999	$ 4,842	$ 109,664	$ 2,293,505	$ 5,844,675	$ 85,433

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

Note 2: Including capitalised interests.

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

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

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

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

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

(8) Other non-current assets

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

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

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

(9) Short-term borrowings

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

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

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

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

(10) Other payables

	December 31, 2022	December 31, 2021
Salaries and bonus payable	$ 209,696	$ 178,063
Payable on machinery and equipment	54,660	65,947
Consumables payable	56,303	51,182
Accrued commission	36,160	30,576
Repairs and maintenance expense payable	37,067	39,501
Employees' compensation and directors' and supervisors' remuneration payable	36,498	73,800
Service expenses payable	27,192	2,508
Utilities expense payable	17401	14,475
Others	77,558	72,322
	$ 552,535	$ 528,374

(11) Short-term notes and bills payable

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

(12) Bonds payable

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

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

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

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

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

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

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

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

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

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

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

(13) Long-term borrowings

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

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

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

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

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

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

(14) Pensions

A. Defined benefit plans

(a) The Company has 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 contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Defined contribution plan

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

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were $33,182 and $31,766, respectively.

(15) Share capital

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

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

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

Note: Information relating to lease payments receivable is provided in Note 6(13)E.

(16) Capital surplus

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

(17) Retained earnings

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

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

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

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

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

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

	Year ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 125,044		$ 39,791	
Cash dividends	240,512	$ 2.00	-	$ -
	$ 365,556		$ 39,791	

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

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

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

(18) Other equity items

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

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

(19) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2022		
	At a point in time	Over time	Total
India	$ 918,782	$ -	918,782
Taiwan	308,087	111,061	419,148
Netherlands	377,799	-	377,799
Switzerland	227,939	52,408	280,347
Germany	231,162	-	231,162
Japan	228,515	236	228,751
China	220,018	-	220,018
Canada	204,047	4,472	208,519
United States	172,338	18,001	190,339
Spain	86,825	28,951	115,776
Others	613,504	-	613,504
	$ 3,589,016	$ 215,129	$ 3,804,145

	Year ended December 31, 2021		
	At a point in time	Over time	Total
India	$ 751,042	$ 333	$ 751,375
Taiwan	267,981	92,868	360,849
Netherlands	88,441	-	88,441
Switzerland	333,461	-	333,461
Germany	247,221	-	247,221
Japan	253,814	-	253,814
China	109,257	-	109,257
Canada	265,994	3,298	269,292
United States	79,465	36,735	116,200
Spain	244,361	45,683	290,044
Others	348,646	423	349,069
	$ 2,989,683	$ 179,340	$ 3,169,023

B. Contract assets and liabilities

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

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

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

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

	Year ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 101,291	$ 15,846

(20) Interest income

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

(21) Other income

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

(22) Other gains and losses

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

(23) Finance costs

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

(24) Expenses by nature

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

(25) Employee benefit expense

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

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

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

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

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

(26) Income tax

A. Income tax expense

(a) Components of income tax:

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

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

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

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	$ 105,173	$ 258,141
Expenses disallowed by tax regulation	18,192	(194,100)
Tax exempt income by tax regulation	(19,519)	(21,827)
Prior year income tax overestimation	(1,574)	(603)
Tax on undistributed surplus earnings	14,244	-
Foreign withholding tax on dividends	(9)	-
Income tax expense	$ 116,507	$ 41,611

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Unrealised inventory valuation loss	$ 61,497	$ 14,954	$ -	$ 76,451
Unrealised exchange loss	-	3,218	-	3,218
Amount of allowance for bad debts that exceed the limit for tax purpose	-	6,241	-	6,241
Pensions	3,795	-	(106)	3,689
Unrealised expenses	4,868	210	-	5,078
Cumulative translation adjustments	2,142	-	370	2,512
	72,302	24,623	264	97,189
－Deferred tax liabilities:				
Land revaluation increment	(17,529)	-	-	(17,529)
Unrealised exchange gain	(324)	324	-	-
Foreign investment income	(659)	(1,507)	-	(2,166)
	(18,512)	(1,183)	-	(19,695)
	$ 53,790	$ 23,440	$ 264	$ 77,494

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised inventory valuation loss	$ 73,083	($ 11,586)	$ -	$ 61,497
Unrealised exchange loss	3,654	(3,654)	-	-
Amount of allowance for bad debts that exceed the limit for tax purpose	2,296	(2,296)	-	-
Pensions	4,131	-	(336)	3,795
Unrealised expenses	4,469	399	-	4,868
Foreign investment losses	1,203	(1,203)	-	-
Cumulative translation adjustments	531	-	1,611	2,142
	89,367	(18,340)	1,275	72,302
—Deferred tax liabilities:				
Land revaluation increment	(17,529)	-	-	(17,529)
Unrealised exchange gain	-	(324)	-	(324)
Foreign investment income	-	(659)	-	(659)
	(17,529)	(983)	-	(18,512)
	$ 71,838	($ 19,323)	$ 1,275	$ 53,790

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

(27) Earnings per share

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

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

(28) Transactions with non-controlling interest

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

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

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

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

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

(29) Supplemental cash flow information

Investing activities with partial cash payments

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

(30) Changes in liabilities from financing activities

	2022				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liability	Liabilities from financing activities-gross
At January 1	$ 1,017,388	$ 159,939	$ 2,191,853	$ 48,059	$ 3,417,239
Changes in cash flow from financing activities	432,278	(110,030)	64,920	(25,743)	361,425
Changes in other non-cash items	-	-	-	14,311	14,311
At December 31	$ 1,449,666	$ 49,909	$ 2,256,773	$ 36,627	$ 3,792,975

	2021				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liability	Liabilities from financing activities-gross
At January 1	$ 1,098,068	$ 169,897	$ 2,161,690	$ 43,137	$ 3,472,792
Changes in cash flow from financing activities	(80,680)	(9,958)	30,163	(26,943)	(87,418)
Changes in other non-cash items	-	-	-	31,865	31,865
At December 31	$ 1,017,388	$ 159,939	$ 2,191,853	$ 48,059	$ 3,417,239

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

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

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

(3) Significant related party transactions

A. Operating revenue

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

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

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

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

B. Purchases:

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

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

C. Accounts receivable

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

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

D. Contract liabilities:

	December 31, 2022	December 31, 2021
Current contract liabilities		
Formosa Pharmaceuticals. Inc.	$ 19,665	$ 10,533

C. Other income and other receivables

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

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

D. Loans to /from related parties:

Loans to related parties:

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

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

(4) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

(5) As resolved by the Board of Directors during its meeting on March 9, 2023, the Board of Directors is authorised to handle matters related to the cash capital increase of its subsidiary, Formosa Pharmaceuticals. Inc., in the following year. The shareholding ratio of the Group after the completion of the capital increase shall be compared with the cumulative reduction of the ratio in the previous three years, which shall not exceed 20%.

12. OTHERS

(1) Capital management

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

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

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

(2) Financial instruments

A. Financial instruments by category

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

	December 31, 2022	December 31, 2021
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 1,449,666	$ 1,017,388
Short-term notes and bills payable	49,909	159,939
Notes and accounts payable	187,490	204,054
Other payables	552,535	528,374
Long-term borrowings (including current portion)	2,256,773	2,191,853
	$ 4,496,373	$ 4,101,608
Lease liability (including current portion)	$ 36,627	$ 48,059

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

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

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

	December 31, 2022				
	Foreign currency amount (in thousands)		Exchange rate	Carrying amount (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	42,773	30.71	$	1,313,559
Non-monetary items					
USD:NTD		1,632	30.71		50,129
EUR:NTD		1,879	32.72		61,479
Financial liabilities					
Monetary items					
USD:NTD		2,907	30.71		89,274

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

iv. The exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to $12,903 and ($10,832), respectively.

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

	Year ended December 31, 2022			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	1%	$	13,136	$ -
Non-monetary items				
USD:NTD	1%		501	-
EUR:NTD	1%		-	615
Financial liabilities				
Monetary items				
USD:NTD	1%		893	-

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

Price risk

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

ii. The Company’s investments in equity securities comprise equity instruments issued by domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by $23,731 and $23,221, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased by $615 and $1,150, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Company's interest rate risk arose from short-term notes and bills payable, short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which was partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

ii. For the years ended December 31, 2022 and 2021, if the borrowing interest rate increased by 0.1% (such as 1% increased to 1.1%) with all other variables held constant, the profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased by $1,805 and $1,753, respectively. The main factor is that increases in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and financial assets stated at amortised cost.

ii. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumption under IFRS 9, that is, default occurs when the contract payments are past due over 90 days.

iv. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision roll rate matrix based on the loss rate methodology to estimate the expected credit loss.

vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

vii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. The Company distinguished customers into optimal customers and non-optimal customers based on the customers' rating. Related information is as follows:

(i) The loss allowance for optimal customers' accounts was estimated to be 0.03% by using expected loss rate method. As of December 31, 2022 and 2021, the balances of loss allowance were $174 and $192, respectively.

(ii) The loss allowance for non-optimal customers' accounts was estimated by using provision roll rate matrix. As of December 31, 2022 and 2021, related information is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2022			
Not past due	0.35%	$ 211,197	$ 734
Up to 30 days past due	48.46%	44,400	21,518
31~ 90 days past due	100.00%	11,352	11,352
91~ 180 days past due	100.00%	-	-
181 days past due	100.00%	-	-
Total		$ 266,949	$ 33,604

	Expected loss rate	Total book value	Loss allowance
December 31, 2021			
Not past due	0.19%	$ 106,136	$ 200
Up to 30 days past due	20.22%	12,354	2,498
31~ 90 days past due	46.35%~65.39%	57	27
91~ 180 days past due	22.77%~45.38%	5,482	2,488
181 days past due	22.77%	13,173	25
Total		$ 137,202	$ 5,238

viii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Year ended December 31, 2022		
	Non-related parties	Related parties	Total
Balance at January 1	$ 5,426	$ 4	$ 5,430
Reversal of impairment loss	28,348	-	28,348
Balance at December 31	$ 33,774	$ 4	$ 33,778

	Year ended December 31, 2021		
	Non-related parties	Related parties	Total
Balance at January 1	$ 19,297	$ 5	$ 19,302
Reversal of impairment loss	(13,871)	(1)	(13,872)
Balance at December 31	$ 5,426	$ 4	$ 5,430

For provisioned loss on December 31, 2022 and 2021, the impairment losses (reversal) arising from customers' contracts are $28,348 and ($13,872), respectively.

(c) Liquidity risk

i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational requirements.

ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	$ 1,458,236	$ -	$ -	$ -
Short-term notes and bills payable	49,909	-	-	-
Notes payable	1,017	-	-	-
Accounts payable	186,473	-	-	-
Other payables	552,535	-	-	-
Lease liability (including current portion)	19,976	11,653	2,969	2,653
Long-term borrowings (including current portion)	659,573	651,979	681,355	343,298
	$ 2,927,719	$ 663,632	$ 684,324	$ 345,951

Non-derivative financial liabilities:

December 31, 2021	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	$ 1,018,486	$ -	$ -	$ -
Short-term notes and bills payable	159,939	-	-	-
Notes payable	1,636	-	-	-
Accounts payable	202,418	-	-	-
Other payables	528,374	-	-	-
Lease liability (including current portion)	25,484	14,196	7,893	1,297
Long-term borrowings (including current portion)	313,290	1,251,412	432,775	250,855
	$ 2,249,627	$ 1,265,608	$ 440,668	$ 252,152

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Unobservable inputs for the asset or liability.

B. The carrying amounts of the Company's financial instruments not measured at fair value comprise cash and cash equivalents, contract assets, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, corporate bonds payable and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2022	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
Financial assets at fair value through other comprehensive income - equity securities	-	-	61,479	61,479
Total	$ 2,358,167	$ -	$ 76,455	$ 2,434,622

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss - equity securities	$ 2,322,091	$ -	$ -	$ 2,322,091
Financial assets at fair value through other comprehensive income - equity securities	-	-	114,962	114,962
Total	$ 2,322,091	$ -	$ 114,962	$ 2,437,053

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. For the instruments the Company used market quoted prices as their fair values (that is, Level 1), the Company uses the closing price of market quoted price to measure the listed and emerging shares.

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. Some of the listed stocks which were invested by the Company were restricted by lock-up period. Their fair values were determined based on the quoted prices of the same and unrestricted instruments in the active market, adjusted by the restricted effects, and calculated by inputting available market information in the model at the balance sheet date.

D. For the year ended December 31, 2021, some of the listed stocks which were invested by the Company were restricted due to lock-up period, thus the Company transferred the adopted fair value from Level 1 into Level 2 at the end of the month when the event incurred. As of December 31, 2022, the aforementioned stocks which were restricted due to lock-up period were transferred from Level 2 into Level 1 as the lock-up period has expired.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	Equity securities and derivative instruments	
	2022	2021
At January 1	$ 114,962	$ 64,611
Recognised in profit or loss	-	(5,621)
Gains and losses recognised in other comprehensive income	(53,483)	55,972
Acquired during the year	14,976	-
At December 31	$ 76,455	$ 114,962

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments.

Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and periodically reviewed.

G. The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 76,455	Latest transaction prices in inactive market	Not applicable	-	Not applicable

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 114,962	Latest transaction prices in inactive market	Not applicable	-	Not applicable

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

December 31, 2022 and 2021: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Companys' paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2).

J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

In accordance with the Article 22 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company was not required to prepare segment information within the scope of IFRS 8 in its parent company only financial statements.

FORMOSA LABORATORIES, INC.
STATEMENT OF CASH
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Description		Amount
Petty cash and cash on hand		$	534
Demand deposits - NTD			428,785
Foreign currency demand deposits -	USD 16,388,926 (Note 1), conversion rate: 30.71;		503,304
	EUR 9,932 (Note 1), conversion rate: 32.72;		325
	HKD 158,571 (Note 1), conversion rate: 3.938;		625
Time deposit	USD 2,000,000 (Note 1), conversion rate: 30.71;		61,420
		$	994,993

Note 1: The amounts of foreign currency were shown in units of dollars.

Note 2: The period from December, 1, 2022 to January, 1 2023, with interest rate at 4.3%

FORMOSA LABORATORIES, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Client Name	Amount	Note
Customer A	$ 99,125	
Customer B	77,534	
Customer C	66,131	
Customer D	55,529	
Customer E	53,772	
Customer F	45,604	
Customer G	41,816	
Others	393,112	Balance of each client has not exceeded 5% of total account balance.
	832,623	
Less: Allowance for bad debts	(33,774)	
	$ 798,849	

Note: Because the Company had contracted that names of customers should not be disclosed, the Company named them with code names.

FORMOSA LABORATORIES, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Market price	
Goods	$ 3,582	$ 4,846	Net Realizable Value
Finished goods	856,099	1,439,888	〃
Work in progress	501,221	1,422,474	〃
Raw materials	623,027	754,981	Replacement cost
	1,983,929		
Less: Allowance for valuation losses and loss for obsolete and slow-moving inventories	(382,257)		
	$ 1,601,672		

FORMOSA LABORATORIES, INC.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name of Financial Instrument	Description	Shares	Cost	Fair Value		Note
				Unit Price (Note)	Total Amount	
Listed stocks						
EirGenix Inc.	Common share	18,582,818	$ 617,914	$ 123.00	$ 2,285,687	
TOT Biopharm International Company Limited	Common share	5,299,100	52,940	9.46	50,129	
Emerging stocks						
TaiRx, Inc.	Common share	601,000	16,484	37.19	22,351	
Unlisted stocks						
AG Global Inc.	Preferred share	1,041,666	35,340	48.00	-	
	Common share	312,000	14,976		14,976	
			$ 737,654		$ 2,373,143	

(Note) In New Taiwan dollars.

FORMOSA LABORATORIES, INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
Name	Shares (Note 1)	Amount	Shares (Note 1)	Amount (Note 2)	Shares	Amount (Note 3)	Shares (Note 1)	Percentage of Ownership (%)	Amount	Unit Price (Note 4)	Total Amount	Collateral	Note
Formosa Pharmaceuticals Inc.	46,081	$ 166,347	6,818	$ 73,206	-	$ -	52,899	46.55	$ 239,553	4.53	$ 239,553	None	
Epione Pharmaceuticals, Inc.	4,000	13,457	-	-	-	(537)	4,000	100	12,920	3.23	12,920	〃	
A.R.Z Taiwan Limited	272	794	-	-	-	(180)	272	45	614	2.26	614	〃	
Epione Investment Cayman Limited	284	4,516	50	1,274	-	-	334	100	5,790	17.34	5,790	〃	
Formosa Laboratories Japan Inc.	-	7,319		7,492		-	-	40	14,811	37,027.50	14,811	〃	
		$ 192,433		$ 81,972		($ 717)			$ 273,688				

Note 1: In thousands of shares.

Note 2: Additions were new investments for the year, gains on investments accounted for using equity method and accumulated translation adjustment accounted for using equity method.

Note 3: Decreases were losses on investments accounted for using equity method, recognition of changes in ownership interests in subsidiaries, accumulated translation adjustment accounted for using equity method, receipt of cash dividends and realised (unrealised) profit or loss of down-stream transactions.

Note 4: New Taiwan Dollars.

FORMOSA LABORATORIES, INC.
STATEMENT OF CHANGES IN COST, ACCUMULATED DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(8) for details.

FORMOSA LABORATORIES, INC.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral	Note
JihSun International Commercial	Secured borrowings	$ 60,000	111.10.14 ~ 112.01.14	1.52%	$ 60,000	Yes	
Hua Nan Commercial Bank, Ltd.	〃	60,000	111.10.24 ~ 112.10.24	1.91%	300,000	〃	
〃	〃	240,000	111.11.04 ~ 112.11.03	1.85%		〃	
〃	Unsecured borrowings	50,000	111.12.01 ~112.06.01	1.95%	140,000	None	
〃	〃	90,000	111.12.13 ~ 112.06.13	1.76%		〃	
Cathay United Bank Hsinchu Branch	〃	50,000	111.11.11 ~ 112.03.22	1.63%	50,000	〃	
Mega International Commercial Bank Pateh	〃	120,000	111.11.22 ~ 112.02.20	1.60%	120,000	〃	
〃	Import and export financing	28,058	111.11.22 ~ 112.04.21	1.60%	30,000	〃	
First Commercial Bank Nankan Branch	Secured borrowings	64,000	111.11.25 ~ 112.02.23	1.92%	64,000	Yes	
〃	Unsecured borrowings	300,000	111.11.25 ~ 112.02.23	1.92%	100,000	None	
〃	Import and export financing	37,608	111.11.29 ~ 112.02.24	1.92%	60,000	〃	
Bank of China Ltd.	Secured borrowings	100,000	111.11.23 ~ 112.02.23	1.76%	100,000	Yes	
	Unsecured borrowings	100,000	111.11.23 ~ 112.02.23	1.76%	100,000	None	
	〃	150,000	111.12.08 ~ 112.03.08	1.76%	150,000	〃	
		$ 1,449,666					

FORMOSA LABORATORIES, INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(14) for details.

FORMOSA LABORATORIES, INC.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Sales revenue		
Cholesterol and Phosphate Binders	$ 1,292,972.00	
Vit. D Derivatives	706,068	
Contract Development and Manufacturing Organization (CDMO)	515,821	
Respiratory Agents	357,355	
Anti-inflammatory and Analgesic Agents	225,977	
CNS Agents	180,025	
Others	532,222	Balance of each item has not exceeded 5% of total account balance.
Total	3,810,440	
Less: Sales returns and discounts	(6,295)	
	$ 3,804,145	

FORMOSA LABORATORIES, INC.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Beginning inventory	$ 12,827
Add: Purchase for the year	64,874
Less: Ending inventory	(3,582)
Transferred to manufacturing expenses	(96)
Scrapping goods	-
Cost of purchasing and selling	74,023
Beginning raw materials	562,742
Add: Raw materials purchased for the year	927,272
Reversal of segment transferred out	53,216
Add: Ending raw materials	(623,027)
Raw materials sold	(5,432)
Transferred to manufacturing expenses	(36,489)
Transferred to operating expenses	(31,945)
Scrapping raw materials	-
Raw materials used during the year	846,337
Direct labor	249,121
Manufacturing expense	1,187,058
Manufacturing cost	2,282,516
Beginning work in progress	518,519
Add: Reversal of segment transferred out	11,532
Less: Ending work in progress	(501,221)
Transferred to manufacturing expenses	(53,670)
Transferred to operating expenses	(10,065)
Selling work in progress	(7,194)
Scrapping work in progress	(249)
Cost of finished goods	2,240,168
Beginning finished goods	852,594
Add: Reversal of segment transferred out	17,805
Less: Ending finished goods	(856,099)
Transferred to manufacturing expenses	(35,782)
Transferred to operating expenses	(54,784)
Transferred to cost of services	(7,492)
Scrapping finished goods	-
Manufacturing and selling costs	2,156,410
Disposal of raw materials and current work in progress	5,681
Cost of goods sold	$ 2,236,114
Loss on valuation decline and scrapping inventory	74,772
Revenue from sales of scraps	(1,057)
Cost of services	76,907
Operating costs	$ 2,386,736

FORMOSA LABORATORIES, INC.
STATEMENT OF MANUFACTURING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Depreciation	$ 367,253	
Wages and salaries	262,547	
Consumables	212,314	
Utilities expense	142,352	
Repairs and maintenance expense	92,734	
Others	109,858	Balance of individual accounts has not exceeded 5% of total account balance
	$ 1,187,058	

FORMOSA LABORATORIES, INC.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Commissions expense	$ 68,366	
Export expense	57,328	
Wages and salaries	26,734	
Others	34,692	Balance of individual accounts has not exceeded 5% of total account balance
	$ 187,120	

FORMOSA LABORATORIES, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Wages and salaries	$ 119,917	
Repairs and maintenance expense	15,622	
Insurance expense	13,359	
Miscellaneous expenses	12,990	
Depreciation	11,136	
Others	35,946	Balance of individual accounts has not exceeded 5% of total account balance
	$ 208,970	

FORMOSA LABORATORIES, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Wages and salaries	$ 177,870	
Consumables	106,613	
Depreciation	51,370	
Repairs and maintenance expense	46,589	
Service expense	25,709	
Others	63,043	Balance of individual accounts has not exceeded 5% of total account balance
	$ 471,194	

FORMOSA LABORATORIES, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Function	Year ended December 31, 2022			Year ended December 31, 2021		
Nature	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	$ 497,790	$ 315,635	$ 813,425	$ 526,769	$ 302,772	$ 829,541
Labour and health insurance fees	41,759	25,109	66,868	41,965	21,115	63,080
Pension costs	20,722	13,161	33,883	22,339	10,074	32,413
Directors' remuneration	-	8,886	8,886	-	7,240	7,240
Other personnel expenses	13,151	8,392	21,543	12,751	6,485	19,236
	$ 573,422	$ 371,183	$ 944,605	$ 603,824	$ 347,686	$ 951,510
Depreciation	$ 367,253	$ 70,398	$ 437,651	$ 374,398	$ 65,540	$ 439,938
Amortisation	$ 6,798	$ 4,955	$ 11,753	$ 6,864	$ 5,906	$ 12,770

Note:

A. As at December 31, 2022 and 2021, the Company has an average of 837 and 831 employees, respectively, including 7 non-employee directors for both years.

B. (1) Average employee benefit expense in current year was $1,127 thousand ((Total employee benefit expense in current year - Total directors’ compensation in current year) / (Number of employees in current year - Number of non-employee directors in current year)).

Average employee benefit expense in previous year was $1,146 thousand ((Total employee benefit expense in previous year - Total directors’ compensation in previous year) / (Number of employees in previous year - Number of non-employee directors in previous year)).

(2) Average employee salaries in current year was $980 thousand (Total employee salaries in current year / (Number of employees in current year - Number of non-employee directors in current year)).

Average employee salaries in previous year was $1,007 thousand (Total employee salaries in previous year / (Number of employees in previous year - Number of non-employee directors in previous year)).

(3) Adjustment of average employee salaries was (3%) ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).

(4) The Company’s supervisors’ remuneration for the years ended December 31, 2022 and 2021 were $1,560 thousand and $340 thousand, respectively.

FORMOSA LABORATORIES, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(5) The Company’s Compensation Policy is as follows:

i. Compensation that the Company paid to the employees includes basic salary, performance rewards, year-end bonus and salary increase. The salary standard was referred to internal salary and external market of salary, job classification, education background, professional knowledge and skill, professional working experience to approve competitive salary. The distribution of performance rewards took into consideration the operating performance of the Company and employees’ performance. The salary raising would be based on the Company’s operation profit of current year, performance assessment and other results and encourage employees’ long-term development and with reference to the comprehensive consideration of the salary market standard and overall salary raising status to process annual salary raising.

ii. The Company’s remuneration policies for managers were based on the Company’s operation strategies, profit, performance and contributions in work, etc., and referred to salary standard in market, and be executed after being proposed by remuneration committee and approved by the Board of Directors.

iii. Additionally, under the Company’s Articles of Incorporation, if the Company had profit for the year, the Board of Directors should resolve that the profit of the current year shall be distributed by not lower than 5% as employees’ compensation and distributed no higher than 2% as directors’ and supervisors’ remuneration.

FORMOSA LABORATORIES, INC.

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Other receivables due from related parties	Y	$ 50,000	$ 50,000	$ -	2%	2	$ -	Revolving funds	$ -	None	$ -	$ 752,064	$ 1,504,128	Note 2

Note 1: The column of ‘Nature of loan’ shall fill in 1: ‘Business transaction or 2: ‘Short-term financing’.

Note 2: The Company loans to others:

(1) Ceiling of loans to individual (short-term financing) was 10% of the creditor’s net asset of latest financial statements.

(2) Total ceiling of loans to individual (short-term financing) was 20% of the creditor’s net asset of latest financial statements.

FORMOSA LABORATORIES, INC.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2022				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Carrying amount	Ownership (%)	Fair value	Footnote
Formosa Laboratories, Inc.	EirGenix, Inc. common stocks	None	Current/non-current financial assets at fair value through profit or loss	18,582,818	$ 2,295,687	6.12	$ 2,295,687	None
Formosa Laboratories, Inc.	TOT Biopharm International Company Limited common stocks	None	Financial assets at fair value through profit or loss - current	5,299,100	50,129	0.86	50,129	None
Formosa Laboratories, Inc.	TaiRx, Inc. common stocks	None	Financial assets at fair value through profit or loss - current	601,000	22,351	0.67	22,351	None
Formosa Laboratories, Inc.	AG Global Inc Unlisted stocks	None	Financial assets at fair value through profit or loss -	1,041,666	-	1.99	-	None
Formosa Laboratories, Inc.	HCMED INNOVATIONS CO., LTD. common stocks	None	Financial assets at fair value through profit or loss - noncurrent	303,713	61,479	3.69	61,479	None
Formosa Laboratories, Inc.	Oncomatryx Biopharma, S.L.common stocks	None	Non-current financial assets at fair value through other	312,000	14,976	1.28	14,976	None
Epione Pharmaceuticals, Inc.	RiTdisplay Corporation Ⅱ unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	10,000	937	-	937	None
Epione Pharmaceuticals, Inc.	AcBel Polytech Inc. Ⅰ unsecured convertible bonds	None	Financial assets at fair value through profit or loss - current	10,000	990	-	990	None

FORMOSA LABORATORIES, INC.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

					Overdue receivables			
Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate （Note 1）	Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	Same ultimate parent company	$ 104,414	0.00	$ -	-	$ -	$ -

Note 1: The turnover rate is listed as 0.00 because the long-term receivables are listed in the table, so the turnover rate is not applicable.

FORMOSA LABORATORIES, INC.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Operating revenue	$ 39,956	Note 5	1%
1	Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	1	Contract liabilities	19,665	Note 5	-
2	Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	3	Other receivables	104,414	Note 6	1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The aforementioned threshold of disclosure was NT$10 million above. Aforementioned related party transactions were written-off when preparing the consolidated financial statements.

Note 5: The transaction price and terms were based on mutual agreement.

Note 6: It was receivables from authorised transaction in 2018 and was based on terms from mutual agreement, and the transaction price was $196,928. Because it was a business transfer in the Group, the profit or loss was not recognised.

FORMOSA LABORATORIES, INC.

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2022					
Investor	Investee	Location	Main business activities	December 31, 2022	December 31, 2021	Number of shares	Ownership (%)	Book value	Net income of investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
Formosa Laboratories, Inc.	Formosa Pharmaceuticals Inc.	Taiwan	Research and development of new biotechnology medicine	$ 810,811	$ 578,979	52,899,349	46.55%	$ 239,553	($ 401,922)	($ 171,150)	
Formosa Laboratories, Inc.	Epione Pharmaceuticals, Inc.	Taiwan	Research and development of new biotechnology medicine	40,000	40,000	4,000,000	100.00%	12,920	(537)	(537)	
Formosa Laboratories, Inc.	A.R.Z TAIWAN LIMITED	Taiwan	Agency sales of raw materials and intermediates	2,716	2,716	271,620	45.00%	614	(401)	(180)	
Formosa Laboratories, Inc.	Formosa Laboratories Japan Inc.	Japan	Agency sales of medicine and intermediates	1,105	1,105	400	40.00%	14,811	7,767	7,767	
Formosa Laboratories, Inc.	Epione Investment Cayman Limited	Cayman Islands	Medicine, chemical trade and investment business	9,568	8,172	334,000	100.00%	5,790	(186)	(186)	
Epione Investment Cayman Limited	Epione Investment HK Limited	Hong Kong	Medicine, chemical trade and investment business	7,591	6,866	266,500	100.00%	5,022	(120)	(120)	
Formosa Pharmaceuticals Inc.	Activus Pharma. Co., Ltd.	Japan	Research and development of new biotechnology medicine	274,633	274,633	1,942	99.23%	13,551	13,551	13,360	

FORMOSA LABORATORIES, INC.

Information on investments in Mainland China

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

					Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022								
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
Shanghai Epione Eenterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	$ 6,717	Note 1	$ 6,241	$ 476	$ -	$ 6,717	($ 84)	100%	($ 84)	$ 4,702	$ -	Note 2

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
Note 2: The investment loss for the year ended December 31, 2022 is calculated based on the Company's financial statements which were audited by independent accountants.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Formosa Laboratories, Inc.	$ 46,341	$ 147,666	$ 4,677,764

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,792 thousand at the exchange rate of 27.68 and translated into $132,653.
Note 4: Ceiling on investments in Mainland China was calculated by the higher of the Company's net assets and 60% of consolidated net assets..
Note 5: The Company's accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was $39,642, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC.

Major shareholders information

December 31, 2022

Table 7

	Shares	
Name of major shareholders	Name of shares held	Ownership (%)
CHENG, CHEN-YU	7,743,848	6.43%

Note 1: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

Formosa Laboratories, Inc.

Chairman: Cheng Chen-Yu