Stock Code：4746

2023 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. 27, 2024

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 of Corporate Support Division
  Tel：(03)324-1072
  E-mail：info@formosalab.com
- (II) Deputy Spokesperson：Liou, Shan-Jan
  Title：Vice President of Business Division
  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 338002, Taiwan
  Tel：(03)324-0895
- (II) Plant
  Louchu Plant
  Address：
  No. 36, 36-1 Hoping Street, Louchu, Taoyuan 338002,Taiwan
  No. 398, Sec. 2, Youguan Rd., Louchu, Taoyuan 338002, Taiwan
  Tel：(03)324-0895
  Louchu No.2 Plant
  Address：No. 36, 36-1 Hoping Street, Louchu, Taoyuan 338002,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, Teng, Sheng-Wei
- (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 Shareholder

I. The 2023 Business Report

(I) Implementation Results of the Business Plan

In 2023, the operating revenue soared to a record-breaking high of NT$4,360,448 thousand, marking a remarkable growth of 15.80% compared to 2022. The net profit after tax amounted to NT$126,243 thousand, translating to earnings per share after tax of NT$1.05. The primary driver behind the profit growth was the heightened shipment volumes of cholesterol-lowering phosphate binders, anti-cancer active ingredients, and respiratory medications. Additionally, the robust performance of the US dollar bolstered gross profit margins, culminating in a notable surge in operating net profit compared to 2022. However, pre-tax net profit remained lower than the previous year, primarily attributable to the repercussions of financial asset valuation losses.

(II) Analysis on Revenue and Expense and Profitability

Year Item		2022	2023
Financial Structure	Debt to assets ratio	38.86	39.79
	Long-term fund to fixed assets ratio (%)	163.55	172.52
Debt Servicing Capability	Current ratio (%)	132.13	161.77
	Quick ratio (%)	78.30	109.12
Profitability	Return on total assets (%)	1.85	(0.13)
	Shareholders' return on total equity (%)	2.82	(0.65)
	Net margin (%)	5.76	(1.2)
	Earnings per share (NT$)	3.40	1.05

(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. Formosa Laboratories, Inc. (Formosa Labs) has received approval from the U.S. Food and Drug Administration (FDA) in March 2024 for the new drug application of APP13007, a drug for the treatment of post-operative ocular inflammation and pain. Regarding out-licensing, Formosa Labs has completed exclusive licensing agreements for APP13007 with Faranda Pharmaceutical (China) in 2021 and Eyenovia, Inc. (USA) in 2023, with the total licensing agreement amount with Eyenovia reaching US$86 million. Formosa Labs will supply the products for future sales. In addition, APP13007 has also signed an exclusive licensing agreement with Cristália Produtos Químicos Farmacêuticos Ltda. for the Brazil market in January 2024. In 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 2024.

II. 2024 Business Plan Outline

(I) Operation Goals

1. Given our existing production capacity, we persist in maximizing revenue scale and optimizing cost-profit margins for Active Pharmaceutical Ingredient (API) products. Moreover, we are actively pursuing the identification and development of the next star API product.

2. To expand the Contract Development and Manufacturing Organization (CDMO) business, establish strategic alliances, or acquire foreign companies with compatible partners to enter the market, serve local customers, and offer swift, high-quality, and cost-effective services.

3. The vaccine manufacturing facility successfully underwent inspection by the U.S. Food and Drug Administration (FDA), enabling it to vie for orders from prominent companies.

4. Assess the integration of cutting-edge tools or techniques such as microfluidics (Flow Chemistry), automated equipment, or Artificial Intelligence to enhance the efficiency of research and development, production processes, or the development of new drugs.

5. Strive for achieving “zero defect” in business operations to enhance efficiency and effectively minimize various expenditures.

6. Consistently assess investment targets to attain optimal investment returns.

(II) Production Plan

1. Active Pharmaceutical Ingredients (APIs): By employing optimal production scheduling, enhance capacity utilization, maximize output, and consequently, diminish costs while augmenting profits.

2. Injection products: Pursuant to our objective of mitigating variances, we endeavor to expeditiously conclude official factory inspections within domestic and international jurisdictions, thereby actively pursuing orders from multinational enterprises.

(III) Research and Development Plan

1. Committed to the development of proprietary generic drug injections utilizing in-house API, thereby elevating the barrier to competitive entry.

2. Continuously accumulate and construct intellectual property assets possessing patentability and utility.

(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.

After eleven years of development, our antibody drug conjugate (ADC) technology has matured. Combined with the injectable formulation R&D and contract manufacturing services which passed QP audit certification in 2021, our European client obtained clinical phase I trial approvals from the U.S. FDA, European EMEA and China NMPA in April 2022, and we have been stably providing clinical trial materials for ADC. In the field of innovation, with years of experience specializing in synthesis, the Company has also developed our own ADC linker-payload platform, providing partners and potential clients with various combinations of linkers and drugs, further increasing the drug to antibody ratio (DAR) and expanding the scope of Formosa Labs’ one-stop service for antibody drug conjugates. With its experienced ADC technology platform, the Company offers customized services and serves as the ideal partner for 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.

Formosa Laboratories 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 forward, the Company will continue to adhere to rigorous GMP production management, improve APIs technology and services, strengthen R&D and contract manufacturing business, while expanding downstream into formulation development, venturing into injectable formulation R&D, production and manufacturing. We will also continue to pay attention to products with upcoming patent expirations, selecting items from them to expand the market for antibody drug conjugates and injectable formulations.

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

Chapter 2 Company Profile

I. Date of Incorporation

December 29, 1995

II. Company History

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.

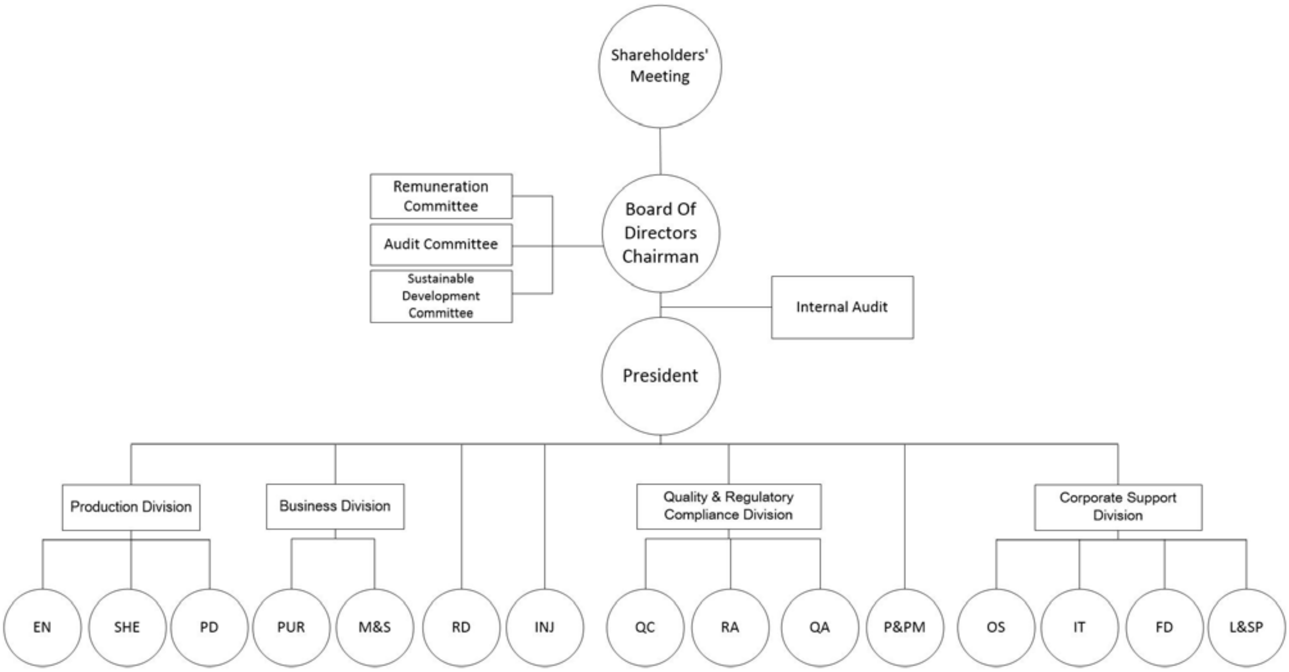
Sep 2009	Receive the Gold Medal Award for Biotechnology Commercialization at the 2009 Taipei Biotech Awards, followed by another Gold Medal Award at the Taiwan Healthcare Biotech Industries Innovation and Excellence Awards later that same year.
Oct 2009	Signed a five-year supply contract for a new range 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.
Dec 2023	TFDA's inspection on new Plant H, with expanded capacity for polymer products.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Business Functions of Major Departments

Department	Main Duties
Corporate Support Division	Legal affairs management, patent management, finance, accounting, human resources, information management, warehouse management, general affairs management
Quality & Regulatory Compliance Division	Quality system management, drug license and registration, quality control, analytical method development for APIs and injectable products
Business Division	Promote the R&D and OEM of APIs, ADCs, and injectable formulations.
Production Division	Commercial production of APIs, product trial production, scale-up and production, environmental protection and work safety, planning and execution of engineering internal audit
Internal Audit	Planning and execution of internal audit operations
Product & Project Management	New product selection and introduction process management, project planning management, production scheduling management
Injectable	Formulation production and formulation contract R&D, technical support
Research & Development	APIs, ADC and other R&D process evaluation, process development, scale-up and transfer, analytical method R&D

II. Directors, Supervisors and Management Team

(I) Directors Information

1. Name, Gender, Age, Nationality or Place of Registration, Experience, Shares Held and Nature

April 27, 2024; 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/ 70-75	1995/12/29	2022/06/23	3	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 10
Director	R.O.C	Augusta Inc.		2008/07/17	2022/06/23	3	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	R.O.C	Yuan Qing Investment Inc.		2008/07/17	2022/06/23	3	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	R.O.C	Hygica Biotech Ltd.		2022/06/23	2022/06/23	3	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	134,902	0.11	—	—		Note 4	—	—	—	—
Director	R.O.C	Heng Lang Limited Corporation.		2010/05/11	2022/06/23	3	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				—	—	—	—	—	—	—	—						
Independent Director	R.O.C	Chen, Yi-Fen	Female / 60-70	2022/06/23	2022/06/23	3	—	—	—	—	—	—	—	—	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	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	
															Director of Primasia Securities Company Limited; President of Far Eastern International Securities; Assistant Vice President of Citibank and Deputy Chief of Today Department Store.					
Independent Director	R.O.C	Lu, Ta-Jung	male / 70-75	2022/06/23	2022/06/23	3	—	—	—	—	—	—	—	—	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	—	—	—	—

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	Chaung, Tza-Zen	male / 70-75	2012/06/18	2023/06/27	3	—	—	—	—	—	—	—	—	Ph.D. in Chemical Engineering, MIT, Massachusetts Institute of Technology; Master of Chemical Engineering, West Virginia University, USA; Bachelor of Chemical Engineering, National Taiwan University. President/CEO, China Chemical & Pharmaceutical Co., Ltd. Research and Development Center, Taiwan; Biotechnology Production Process Group Leader, Bristol-Myers Squibb Company, USA; Drug Synthesis Process Research Investigator, Hoffmann La Roche, USA; Air Products R&D Assistant Vice President and Special Gas Plant/Plant Manager, Sanfu Chemical Co., Ltd, Taiwan; Senior Chemical Engineer, Merck & Company, USA.	Note 8				

Independent Director	R.O.C	Chang, Ting-Jung	Male/ <50	2019/06/27	2023/06/27	3	–	–	–	–	–	–	–	–	Master of Quantitative Finance, Master of Business Management, Doctoral Program in Accounting, Rutgers University; Bachelor of Commerce, Department of Statistics, Chengchi University. Chairman, Rong Wei Investment Co. Chairman, Ace Venture Consulting Corporation Supervisor, JKO Asset Management Director, Foundation of Pacific Basin Financial Research and Development Group Leader/Assistant Manager, Traditional Industry, Research Department, Investment Advisory Office, Cathay Futures/Securities Analyst/Assistant Manager, Yuanta Consulting Research Center (Foreign Investment Group) Senior Researcher/Assistant Manager, Domestic/Foreign Investment Group, Polaris Financial Group Research Center Financial and Systems Analyst, Formosa Plastics Management Center, USA Chief Accountant, Woodtextures/Lifestyle Home, Dayton, New Jersey	Note 9				

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 and President 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 Biopharma 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, Chairman of Hung Yun , Inc.

Note 7: Professor Emeritus of Department of Chemistry of National Chung Hsing University.

Note 8: Technical Director of SCH Life Sciences Company Limited, Independent Director of General Biologicals Corporation, Director of HYGEIA TOUCH INC, Director of Hsinchu Kuang-Fu High School, Director of The KT Wang Foundation.

Note 9: President of Ensure & Co., CPAs, Director of Foundation of Pacific Basin Financial Research and Development.

Note10: 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.

The Chairman, Dr. Cheng, Chen-Yu, concurrently serves as the President to improve operational efficiency and implement policies. Dr. Cheng, Chen-Yu holds a Ph.D. in Pharmaceutical Chemistry from the University of California, San Francisco. He previously served as a professor in the School of Pharmacy at National Taiwan University, researcher at DuPont Chemical Company, and postdoctoral research fellow in the Department of Chemistry at Massachusetts Institute of Technology. During his years as the Chairman and General Manager of Formosa Labs, he has accumulated professional capabilities and extensive experience in operational judgment, business management, leadership decision-making, and crisis management, providing professional and comprehensive guidance for the Company's operations management and investment decisions, which has significantly benefited Formosa Labs' operations management. Through close and sufficient communication with directors on the Company's operations and future plans, the directors gain a clearer understanding of the Company's operations. Therefore, it is reasonable and necessary for the Chairman to concurrently serve as the General Manager. In order to implement corporate governance and strengthen the independence of the board of directors, the Company has been actively training suitable candidates for the General Manager position. 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) Independent director seats to 4, which can not only enhance the functions of the Board of Directors, but also strengthen the supervisory and management functions.

2. Table 1: Substantial Corporate Shareholders

April 27, 2024

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders	Shareholding Ratio (%)
Augusta Inc.	Li, Hsiu-Hui	57.14
	Cheng, Chen-Yu	14.29
	Cheng, Ta-Jung	14.29
	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 27, 2024

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

Criteria Name	Professional Qualifications and Working Experience	Independence Criteria	Number of other public companies currently acting as independent director
Fang, Pei-Wei / Director	• Professional Qualifications 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.	Non-independent director.	None
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 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.	Non-independent director.	None

Criteria Name	Professional Qualifications and Working Experience	Independence Criteria	Number of other public companies currently acting as independent director
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 Company Act.	Non-independent director.	None
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

Criteria Name	Professional Qualifications and Working Experience	Independence Criteria	Number of other public companies currently acting as independent director
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 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.	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 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.	None.

Criteria Name	Professional Qualifications and Working Experience	Independence Criteria	Number of other public companies currently acting as independent director
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, 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.	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 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.	無。

Criteria Name	Professional Qualifications and Working Experience	Independence Criteria	Number of other public companies currently acting as independent director
Chaung, Tza-Zen/ Independent Director	• Professional Qualifications Ph.D. in Chemical Engineering, MIT, Massachusetts Institute of Technology. Master of Chemical Engineering, West Virginia University, USA. Bachelor of Chemical Engineering, National Taiwan University. • Experience Experience: President/CEO, China Chemical & Pharmaceutical Co., Ltd. Research and Development Center, Taiwan; Biotechnology Production Process Group Leader, Bristol-Myers Squibb Company, USA; Drug Synthesis Process Research Investigator, Hoffmann La Roche, USA; Air Products R&D Assistant Vice President and Special Gas Plant/Plant Manager, Sanfu Chemical Co., Ltd, Taiwan; Senior Chemical Engineer, Merck & Company, USA. • Concurrent Positions: Technical Director of SCH Life Sciences Co., Ltd.; Independent Director of General Biologicals Corporation; Director of HYGEIA Touch Inc; Director of Hsinchu Kuang-Fu High School; Director of The KT Wang Foundation. • 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.	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 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.	1

Criteria Name	Professional Qualifications and Working Experience	Independence Criteria	Number of other public companies currently acting as independent director
Chang, Ting-Jung / Independent Director	• Professional Qualifications Master of Quantitative Finance, Master of Business Management, Doctoral Program in Accounting, Rutgers University. Bachelor of Commerce, Department of Statistics, Chengchi University. • Experience Experience: Chairman, Rong Wei Investment Co; Chairman, Ace Venture Consulting Corporation; Supervisor, JKO Asset Management; Director, Foundation of Pacific Basin Financial Research and Development; Group Leader/Assistant Manager, Traditional Industry, Research Department, Investment Advisory Office, Cathay Futures/Securities; Analyst/Assistant Manager, Yuanta Consulting Research Center (Foreign Investment Group); Senior Researcher/Assistant Manager, Domestic/Foreign Investment Group, Polaris Financial Group Research Center; Financial and Systems Analyst, Formosa Plastics Management Center, USA; Chief Accountant, Woodtextures/ Lifestyle Home, Dayton, New Jersey. • Concurrent Positions: President, Ensure & Co., CPAs. Director, Foundation of Pacific Basin Financial Research and Development. • 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.	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 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.

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 9 members currently serving on the Board of Directors during the 10th term, 5 (56%) possess a background in pharmaceuticals or chemistry, while 4 (44%) have expertise in finance or corporate management. The Board also includes 2 female directors, comprising approximately 22% 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 continues to arrange diverse training courses for board members to serve as references for their decision-making, improve their supervisory and management capabilities, and further strengthen the functions of the board of directors. Therefore, each director of the Company can provide their professional opinions based on their different expertise and perspectives, which has a significant effect on the Company’s business performance and governance decisions.

B. Independence of Board of Director

Currently, the Company has 4 independent directors, accounting for 44% of all (9) 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 27, 2024; 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 5
Senior Vice President of Business Division	R.O.C	Liou, Shan-Jan	Female	2024/01/01	230,703	0.19	–	–	–	–	Master, Graduate School of Chemistry, Providence University Deputy Director of R&D Department of SCI Pharmtech Inc.	Note 3	–	–	–	–
Senior Vice President of Corporate Support Division	R.O.C	Lo, Yu-Chen	Female	2024/01/01	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 4	–	–	–	–
Senior Vice President of Production Division	R.O.C	Chen, Chai-Sung	Male	2024/01/01	28,259	0.02	–	–	–	–	Department of Chemistry, Chung Yuan Christian University Head of Production Division of SCI Pharmtech Inc.	–	–	–	–	–
Senior Vice President of Quality & Regulatory Compliance Division	R.O.C	Huang, Hsien-Kuei	Male	2024/01/01	796	0.00	–	–	–	–	Graduate Institute of Agricultural Chemistry, National Taiwan University Project Manager of ScinoPharm Taiwan Ltd.	–	–	–	–	–
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.	–	–	–	–	–

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 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.	—	—	—	—	—
Vice President of Operational Support	R.O.C	Yang, Ling-Fang	Female	2020/10/19	12,500	0.01	11,000	0.01	—	—	Master, School of Management, National Central University COO of Purchasing and Sales/Warehouse Department, Rong Cheng Trading LLC (USA)	—	—	—	—	—
Vice President of Research and Development	R.O.C	Hsieh, Yih-Huang	Male	2021/07/05	—	—	24,600	0.02	—	—	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.	—	—	—	—	—
Vice President of Quality Control	Canada	Xu, Chuan-Bin	Male	2023/07/17	—	—	—	—	—	—	Post-graduate Diploma, bioinformatics Program, Seneca College; Master, Department of Biological Science, Simon Fraser University; Bachelor, Department of Biochemistry, Wuhan University. Senior Director of Quality Control of Contract Pharmaceuticals Limited.; Senior Manager of Quality Control of Wellspring Pharma Services Inc.; Manager of Quality Control of Sanofi Pasteur Limited.; Manager of Quality Control, Septodont Novocol.; Supervisor of Quality Control, Taro Pharmaceuticals.	—	—	—	—	—
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.	—	—	—	—	—

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 Regulatory Affairs	R.O.C	Hsu, Jen-Chuan	Male	2016/03/01	3,572	—	—	—	—	—	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.	—	—	—	—	—
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.	—	—	—	—	—
Assistant Vice President of Marketing and Sales	R.O.C	Juan, Yueh-Tse	Male	2014/02/01	17,516	0.01	—	—	—	—	Department of Chemical Engineering, Feng Chia University Manager of Sales Department of Formosa Laboratories, Inc.	—	—	—	—	—
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	—	—	—	—	—

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	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.	–	–	–	–	–
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	–	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 Quality Assurance	R.O.C	Hsu, Chao-Hsien	Female	2024/01/01	–	–	–	–	–	–	Bachelor, Department of Chemical Engineeting, NCHU Engineer, Department of Quality Assurance, Unimicron Technology Corp. Manager, Department of Quality Assurance, Formosa Laboratories, Inc.	–	–	–	–	–

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 and President 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 Epione Pharmaceuticals, Inc; Director of A.R.Z Taiwan Limited.

Note 4: Supervisior of Epione Pharmaceuticals, Inc; Supervisior of A.R.Z Taiwan Limited; Supervisior of Activus Pharma Co., Ltd.

Note 5: 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.

The Chairman, Dr. Cheng, Chen-Yu, concurrently serves as the President to improve operational efficiency and implement policies. Dr. Cheng, Chen-Yu holds a Ph.D. in Pharmaceutical Chemistry from the University of California, San Francisco. He previously served as a professor in the School of Pharmacy at National Taiwan University, researcher at DuPont Chemical Company, and postdoctoral research fellow in the Department of Chemistry at Massachusetts Institute of Technology. During his years as the Chairman and General Manager of Formosa Labs, he has accumulated professional capabilities and extensive experience in operational judgment, business management, leadership decision-making, and crisis management, providing professional and comprehensive guidance for the Company's operations management and investment decisions, which has significantly benefited Formosa Labs' operations management. Through close and sufficient communication with directors on the Company's operations and future plans, the directors gain a clearer understanding of the Company's operations. Therefore, it is reasonable and necessary for the Chairman to concurrently serve as the General Manager. In order to implement corporate governance and strengthen the independence of the board of directors, the Company has been actively training suitable candidates for the General Manager position. 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) Independent director seats to 4, which can not only enhance the functions of the Board of Directors, but also strengthen the supervisory and management functions.

III. Remuneration to Directors, Supervisors, President and Vice President in the Latest Year (2023)

(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.(E) (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 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)		The Company	All companies contained in the financial report (Note7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Director	Cheng, Chen-Yu	—	—	—	—	1,300	1,300	80	128	1,380 1.09	1,428 1.13	5,973	5,973	—	—	210	—	210	—	7,563 5.99	7,611 6.03	25
	Augusta Inc. Representative: Fang, Pei-Wei	—	—	—	—	650	650	80	80	730 0.58	730 0.58	—	—	—	—	—	—	—	—	730 0.58	730 0.58	—
	Yuan Qing Investment Inc. Representative: Shie, Hung-Min	—	—	—	—	650	650	80	80	730 0.58	730 0.58	—	—	—	—	—	—	—	—	730 0.58	730 0.58	—
	Hygica Biotech Ltd. Representative: Lee, Chien-Hung	—	—	—	—	650	650	80	80	730 0.58	730 0.58	—	—	—	—	—	—	—	—	730 0.58	730 0.58	—
	Heng Lang Limited Corporation. Representative: Hu, Yi-Kan	—	—	—	—	650	650	80	80	730 0.58	730 0.58	—	—	—	—	—	—	—	—	730 0.58	730 0.58	—
Independent Director	Chen, Yi-Fen	600	600	—	—	—	—	180	180	780 0.62	780 0.62	—	—	—	—	—	—	—	—	780 0.62	780 0.62	—
	Lu, Ta-Jung	600	600	—	—	—	—	210	210	810 0.64	810 0.64	—	—	—	—	—	—	—	—	810 0.64	810 0.64	—
	Chaung, Tza-Zen	300	300	—	—	—	—	60	60	360 0.29	360 0.29	—	—	—	—	—	—	—	—	360 0.29	360 0.29	—
	Chang, Ting-Jung	300	300	—	—	—	—	120	120	420 0.33	420 0.33	—	—	—	—	—	—	—	—	420 0.33	420 0.33	—

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: None.

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: (1) This field represents all forms of compensation the director has received from the Company's invested businesses other than subsidiaries.
(2) 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.
(3) 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.

(II) 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	39,636	39,636	1,287	1,287	17,762	17,762	1,474	—	1,474	—	60,159 47.65	60,159 47.65	25
Chief Executive Officer (Note)	Yang, Chih-Ping													
Senior Vice President of Business Division	Liou, Shan-Jan													
Senior Vice President of Corporate Support Division	Lo, Yu-Chen													
Senior Vice President of Production Division	Chen, Chai-Sung													
Senior Vice President of Quality & Regulatory Compliance Division	Huang, Hsien-Kuei													
Vice President of Injectable Department	Sung, Chi-Hua													
Vice President of Legal & Strategy Planning	Lin, Chien-Hsing													
Vice President of Operational Support	Yang, Ling- Fang													
Vice President of Research and Development	Hsieh, Yih-Huang													
Vice President of Engineering and SHE	Wang, Szu-Ching													
Vice President of Quality Control (Note)	Xu, Chuan-Bin													
Vice President of Quality Control (Note)	Wung, Chi-Chang													

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)	Wung, Chi-Chang	Wung, Chi-Chang
NTD3,500,000 - NTD5,000,000 (exclusive)	Liou, Shan-Jan, Chen, Chai-Sung, Lo, Yu-Chen, Huang, Hsien-Kuei, Yang, Ling- Fang, Hsieh, Yih-Huang, Wang, Szu-Ching, Xu, Chuan-Bin, Lin, Chien-Hsing, Sung, Chi-Hua,	Liou, Shan-Jan, Chen, Chai-Sung, Lo, Yu-Chen, Huang, Hsien-Kuei, Yang, Ling- Fang, Hsieh, Yih-Huang, Wang, Szu-Ching, Xu, Chuan-Bin, Lin, Chien-Hsing, Sung, Chi-Hua,
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	13 persons	13 persons

Note: Yang Chih-Ping, Chief Executive Officer, and Weng Chi-Chang, Deputy General Manager, retired on January 31, 2024 and June 30, 2023, respectively; Xu, Chuan-Bin was appointed as Deputy General Manager on July 17, 2023.

(III) 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	–	2,232	2,232	1.77
Senior Vice President of Business Division	Liou, Shan-Jan				
Senior Vice President of Corporate Support Division	Lo, Yu-Chen				
Senior Vice President of Production Division	Chen, Chai-Sung				
Senior Vice President of Quality & Regulatory Compliance Division	Huang, Hsien-Kuei				
Vice President of Injectable Department	Sung, Chi-Hua				
Vice President of Legal & Strategy Planning	Lin, Chien-Hsing				
Vice President of Operational Support	Yang, Ling- Fang				
Vice President of Research and Development	Hsieh, Yih-Huang				
Vice President of Engineering and SHE	Wang, Szu-Ching				
Vice President of Quality Control	Xu, Chuan-Bin				
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 Marketing & Sales	Juan, Yueh-Tse				
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 Information Technology	Lin, Chien-Fei				

(IV) 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. Analysis of the total remuneration paid by the Company and all companies in the consolidated statements to the Company's directors, supervisors, general manager, and deputy general managers as a percentage of net income after tax in the parent company only or individual financial reports for the most recent two years

Unit: NTD thousand; %

Item / Title	The Company				All Companies Included in the Financial Statements			
	2022		2023		2022		2023	
	Amount	Proportion of net profit after tax (%)	Amount	Proportion of net profit after tax (%)	Amount	Proportion of net profit after tax (%)	Amount	Proportion of net profit after tax (%)
Director	8,886	2.17	6,670	5.28	8,910	2.18	6,718	5.32
Supervisor (Note)	1,560	0.38	—	—	1,560	0.38	—	—
President and Vice President	58,353	14.25	60,159	47.65	58,353	14.25	60,159	47.65
Net income after tax	409,359		126,243		409,359		126,243	

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

Note: The decrease in the total remuneration for directors in 2023 compared to 2022 was due to the decrease in net income after tax in 2023. The increase in the total remuneration for the general manager and deputy general managers compared to 2022 was due to the increase in salaries paid.

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) 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

   (1) Director

   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.

   The Company has established the "Board Performance Evaluation Measures" which stipulate that internal performance evaluations of board members shall be conducted at least once a year. The measurement indicators include the grasp of the company's goals and tasks, understanding of directors' responsibilities, level of participation in the company's operations, internal relationship management and communication, directors' professionalism and continuing education, and internal control.

   In addition, the distribution of individual directors' remuneration is based on the "Remuneration Measures for Directors (Supervisors), Members of Various Functional Committees, and Managers". According to their level of participation in and contribution to the company's operations, the following weights are given and the weighted results are used for distribution:

   A. The basic weight for serving as a director or supervisor is 1.

   B. For serving as the Chairman, the weight is increased by 1.

   C. For serving as a joint and several guarantor due to financing needs, the weight is increased by 1.

   D. For other significant contributions, after being proposed by the Remuneration Committee and discussed and approved by the Board of Directors, the weight is increased by 1.

   E. Paid annually, if the tenure is less than one year, the weight is calculated according to the tenure.

The formula for calculating an individual director's remuneration is as follows:

Total amount of directors' remuneration resolved by the Board of Directors × (individual director's weight / total sum of weights of all directors participating in the distribution)

If a director concurrently serves as an employee, their employee remuneration standards are the same as the following remuneration standards for managers.

(2) Managerial Officer

A. Remuneration

   a. Changes in Managerial officers' salary determination, annual salary adjustment, promotion, etc. are handled by the President in accordance with the Company's "Salary Management Measures", approved and sent to the Chairman for approval, and reported to the Board of Directors for resolution after being reviewed by the most recent Remuneration Committee meeting.

   b. The Remuneration Committee may review the reasonableness of Managerial officers' salaries based on their level of participation in and contribution to the company's operations, using the salary levels of the industry as a basis ranging from 0% to 150%.

B. Bonuses

   a. The distribution of various bonuses for Managerial officers' is handled by the President in accordance with the Company's "Employee Performance Evaluation Measures", "Performance Bonus Distribution Measures", "Year-end Bonus Distribution Management Measures", and other salary management related measures, approved and sent to the Chairman for approval, and reported to the Board of Directors for resolution after being reviewed by the most recent Remuneration Committee meeting.

   b. The total amount received by Managerial officers shall not exceed 40% of the total amount of that bonus. For those with special contributions, after being reviewed by the Remuneration Committee and reported to the Board of Directors for resolution, they may not be subject to the above bonus distribution ratio limit.

C. The Remuneration of Employees

   a. Each year, based on the employee remuneration provisions in the Company's Articles of Incorporation, it is resolved by the Board of Directors and reported to the shareholders' meeting. The amount received by Managerial officers is handled by the President in accordance with the Company's "Employee Bonus (Remuneration) Management Measures", reviewed and sent to the Chairman for approval, and reported to the Board of Directors for resolution after being reviewed by the most recent Remuneration Committee meeting.

b. The total amount of employee remuneration received by all Managerial officers shall not exceed 40% of the total amount of employee remuneration distributed; individual Managerial officer shall not exceed 50% of the total employee remuneration for managers. For those with special contributions, after being reviewed by the Remuneration Committee and reported to the Board of Directors for resolution, they may not be subject to the above employee remuneration distribution ratio limit.

D. Retirement Pension

The Company allocates employee retirement pensions in accordance with relevant laws and regulations such as the Labor Standards Act and the Labor Pension Act.

E. Housing, Accommodation, Vehicles

This refers to the purchase or lease of housing and accommodation for managers' use due to work needs; vehicles are handled in accordance with the Company's "Executive Vehicle Management Measures".

F. Employee Stock Options, Employee Stock Subscription in Cash Capital Increase, Transfer of Treasury Shares to Employees

These are handled in accordance with current laws and regulations and the Company's relevant measures such as the "Measures for Issuance and Subscription of Employee Stock Option Certificates" and "Cash Capital Increase Employee Stock Subscription Management Measures". The number of shares that Managerial officers can subscribe to will be determined by the President based on factors such as seniority, rank, work performance, overall contribution or special performance, approved and sent to the Chairman for approval, and reported to the Board of Directors for resolution after being reviewed by the most recent Remuneration Committee meeting.

(V) 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.

The Company has established the “Board Performance Evaluation Measures”. Through the measurement items of performance evaluation, including six major aspects of grasping the company’s goals and tasks, understanding directors’ responsibilities, level of participation in the company’s operations, internal relationship management and communication, directors’ professionalism and continuing education, and internal control, it ensures the effective operation of the Board of Directors and evaluates the performance of directors as a reference for future selection of directors.

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 4 meetings (A) in the most recent fiscal year (2023), 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	4	0	100%	
Director	Augusta Inc. (Representative: Fang, Pei-Wei)	4	0	100%	
Director	Yuan Qing Investment Inc. (Representative: Shie, Hung-Min)	4	0	100%	
Director	Heng Lang Limited Corporation. (Representative: Hu, Yi-Kan)	4	0	100%	
Director	Hygica Biotech Ltd. (Representative: Lee, Chien-Hung)	4	0	100%	
Independent Director	Chen, Yi-Fen	4	0	100%	
Independent Director	Lu, Ta-Jung	4	0	100%	
Independent Director	Chaung, Tza-Zen	2	0	100%	Elected as an independent director on June 27, 2023
Independent Director	Chang, Ting-Jung	2	0	100%	

Other items to be stated:

1. 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:

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

Date /Term	agendas	Independent Director's Opinion
Mar 9, 2023 (5th Meeting of the 10th Term.)	1. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2023.	All the independent directors present passed without objection.
	2. A proposal is set forth to request authorization from the shareholders'	All the independent directors present passed without objection.

	meeting for the Board of Directors to manage affairs pertaining to the cash capital increase of Formosa Pharmaceuticals Inc. within the upcoming year.	
	3. Signed the revised the limited partnership agreement for the fund raising of Forward BioT Venture Capital.	All the independent directors present passed without objection.
	4. Proposed to formulate the Risk Management Policies and Procedures.	All the independent directors present passed without objection.
	5. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions	All the independent directors present passed without objection.
May 12, 2023 (6th Meeting of the 10th Term.)	1. Proposal to amend the "Sustainable Development Committee Organizational Regulations".	All the independent directors present passed without objection.
	2. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions	All the independent directors present passed without objection.
Aug 10, 2023 (7th Meeting of the 10th Term.)	1. Proposal to formulate the "Operating Standards for Financial Business Between Related Parties".	All the independent directors present passed without objection.
	2. Proposal to revise the "Procedures for Prevention of Insider Trading".	All the independent directors present passed without objection.
	3. Proposal to participate in the cash capital increase subscription of HCMED Innovations Co., Ltd..	All the independent directors present passed without objection.
Nov 10, 2023 (8th Meeting of the 10th Term.)	1. Proposal to revise the "Salary Management Measures".	All the independent directors present passed without objection.
	2. Proposal to revise the "Employee Performance Evaluation Measures".	All the independent directors present passed without objection.
	3. Proposal to amend the "Sustainable Development Committee Organizational Regulations".	All the independent directors present passed without objection.
	4. Proposal to formulate the "Integrity Management Team Establishment and Operation Measures" and "Integrity Management Reporting Management Measures".	All the independent directors present passed without objection.
	5. Proposal to formulate the "Information Security Policy".	All the independent directors present passed without objection.
	6. Proposal to participate in the subscription of new shares issued by AmMax Bio, Inc. for cash capital increase.	All the independent directors present passed without objection.

	7. Proposal to revise the authorization table in the “Duties Authorization and Agent System”.	All the independent directors present passed without objection.
	8. Proposal for the evaluation of the independence and suitability of the certifying accountants and their appointment remuneration.	All the independent directors present passed without objection.

(2) 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.

2. 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.

3. 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:

The Company has completed the 2023 Board of Directors performance self-evaluation and reported the self-evaluation results at the Board of Directors meeting on March 12, 2024, as described below:

(1) The implementation status of the evaluation by the Board of Directors:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content
Once a year	2023.01.01-2023.12.31	1. Board of Directors 2. Board members 3. Audit Committee 4. 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 12, 2024. Please refer to 2 for the results of the performance evaluation of the Board of Directors.

(2) Results of Board of Directors Performance Evaluation

A. Performance Evaluation of the Board of Directors

The Board of Directors’ performance evaluation indicators encompass five aspects, with an average score of 4.95, signifying good evaluation results.

Evaluation items	Board of Directors
Self-assessment	1. Degree of involvement in corporate operation 2. Improvement in the quality of decision making by the Board of Directors 3. Composition and structure of the Board of Directors 4. Selection and continuing education of directors 5. Internal control
Evaluation results	Good

B. Performance Evaluation of Individual Board Members

The evaluation of individual board members' performance encompasses six aspects, with an average score of 4.94, indicating good overall results.

Evaluation items	Board members
Self-assessment	1. Understanding of the Company's objectives and tasks 2. Directors' awareness of duties 3. Degree of involvement in corporate operation 4. Internal relationship management and communication 5. Directors' professional competence and continuing education 6. Internal control
Evaluation results	Good

C. 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	1. Degree of involvement in corporate operation 2. Audit Committee members' awareness of duties 3. Improvement in the quality of decision making by the Audit Committee 4. Composition of the Audit Committee and election of its members 5. Internal control
Evaluation results	Good

D. Evaluation 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	1. Degree of involvement in corporate operation 2. Remuneration Committee members' awareness of duties 3. Improvement in the quality of decision making by the Remuneration Committee 4. 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.

In addition, according to the provisions of the Company's "Board Performance Evaluation Measures", the Company shall appoint an external professional independent organization or an external expert and scholar team to conduct a board performance evaluation at least every three years. The Company completed an external board performance evaluation by the independent professional organization, Taiwan Investor Relations Institute, in 2023.

4. 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.

   (1) 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.

   (2) 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.

   (3) 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 (2023) to deliberate on remuneration policies and pertinent recommendations for directors, supervisors, and managers.

   (4) 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.

5. 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.

   (1) 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 2023, their communication was as follows.

Date	Communication Highlights	Handling of Opinions
March 9, 2023	1. Audit Report for Q1 2023. 2. Report on the Implementation of the 2022Annual Internal Audit Plan.	No objections
May 12, 2023	1. Audit Report for Q2 2023. 2. Report on Declaration of Internal Control System in 2022.	No objections
August 10, 2023	1. Audit Report for Q3 2023. 2. Report on the Improvement of the Deficiencies and Abnormalities of Internal Control System in 2022.	No objections
November 10, 2023	1. Audit Report for Q4 2023. 2. Discussion on the 2023 Annual Audit Work Plan.	No objections

(2) 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 Independent Director and independent directors during the most recent fiscal year (2023) was as follows:

Date	Communication Highlights	Handling of Opinions
March 9, 2023	The CPA explained and communicated the audit results of the 2022 financial report, the revised provisions for non-assurance services, and the questions raised by independent directors with the governance units.	Independent directors had no objections to the CPAs' explanations.
May 12, 2023	Regarding the Q1 2023 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 10, 2023	Regarding the Q2 2023 Financial Report audit results, the CPAs provided an explanation and communicated with the governing body about the audit results of the financial statements, recent regulatory updates, and the questions raised by independent directors.	Independent directors had no objections to the CPAs' explanations.
November 10, 2023	Regarding the Q3 2023 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.

Note1: If directors and supervisors hold shares in the Company, the names of the corporate shareholders and their representatives must be disclosed.

Note2: (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 of Directors' Recusal from Conflict-of-Interest Agenda Items

Board Meeting Date	Content of the Motion	Conflict of Interest Name of Director	Reasons for Recusal	Participation in Voting
March 9, 2023	1. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2023.	Cheng, Chen Yu	Involved the director's own interests	Chairman Cheng Chen-Yu recused himself from the discussion and resolution of this motion.
	2. Signed the revised the limited partnership agreement for the fund raising of Forward BioT Venture Capital.	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 enter into a lease 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.
May 12, 2023	Release the Company's Directors for the Board of Directors from Non-Competition Restrictions	Lee, Chien-Hung	Involved the director's own interests	Chairman Lee, Chien-Hung recused himself from the discussion and resolution of this motion.
November 10, 2023	1. Proposal to reappoint members of the Sustainable Development Committee.	Cheng, Chen Yu, Lu, Ta-Jung, Chaung, Tza-Zen	Involved the director's own interests	Chairman Cheng, Chen Yu Independent Director Lu, Ta-Jung, and Independent Director Chaung, Tza-Zen recused themselves from the discussion and voting on this proposal.
	2. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions	Chaung, Tza-Zen	Involved the director's own interests	Independent Director Chaung, Tza-Zen recused himself from the discussion and voting on this proposal.
	3. Proposal to participate in the subscription of new shares issued by AmMax Bio, Inc. for cash capital increase.	Shie, Hung-Min, Lee, Chien-Hung	Involved the director's own interests	Chairman Shie, Hung-Min and Lee, Chien-Hung recused himself from the discussion and resolution of this motion.
	4. Proposal to sign a pharmaceutical-related and resource sharing commissioned 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.

(II) Operation of Audit Committee

The Audit Committee held 4 meetings (A) in the most recent fiscal year (2023). The independent directors present were as follows:

Title	Name	Attendance in person (B)	By proxy	Rate of attendance in person (%) (B/A)(Note1 and 2)	Notes
Convener	Chen, Yi-Fen	4	0	100%	
Commissioner	Lu, Ta-Jung	4	0	100%	
Commissioner	Chaung, Tza-Zen	2	0	100%	Elected as an independent director on June 27, 2023
Commissioner	Chang, Ting-Jung	2	0	100%	

Other remarks:

1. 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.

(1) 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
March. 9, 2023 (3rd Meeting of the 1st Term.)	1. Proposed the 2022 Business Report and Financial Statement	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 March. 9, 2023.
	2. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 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 March. 9, 2023.
	3. A proposal is set forth to request authorization from the shareholders' meeting for the Board of Directors to manage affairs pertaining to the cash capital increase of Formosa Pharmaceuticals Inc.	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 March. 9, 2023.

	within the upcoming year.		
	4. Signed the revised the limited partnership agreement for the fund raising of Forward BioT Venture Capital.	The proposal is approved, and it is requested to be submitted to the Board of Directors for resolution; additionally, please have the company unit review the final revised version to ensure it does not compromise the company's interests, and authorize Independent Director Chen, Yi-Fen to sign on behalf of the company.	This motion was approved with the consent of all the directors present at the board meeting on March. 9, 2023.
	5. Proposed to issue the Statement of Internal Control System for 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 March. 9, 2023.
	6. Proposed to formulate the Risk Management Policies and Procedures.	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 March. 9, 2023.
	7. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions.	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 March. 9, 2023.
May. 12, 2023 (4th Meeting of the 1st Term.)	1. Adopted the consolidated financial report of the Company for Q3 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 May. 12, 2023.
	2. Proposal to amend the "Sustainable Development Committee Organizational Regulations".	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 May. 12, 2023.
	3. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions.	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 May. 12, 2023.
Aug. 10, 2023 (5th Meeting of the 1st Term.)	1. Adopted the consolidated financial report of the Company for Q2 2023.	After the chairman consulted all the members present, this motion was adopted without objection	This motion was approved with the consent of all the directors present at

		and submitted to the Board of Directors for resolution.	the board meeting on Aug. 10, 2023.
	2. Proposal to formulate the "Operating Standards for Financial Business Between Related Parties".	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 Aug. 10, 2023.
	3. Proposal to revise the "Procedures for Prevention of Insider Trading".	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 Aug. 10, 2023.
	4. Proposal to participate in the cash capital increase subscription of HCMED Innovations Co., Ltd..	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 Aug. 10, 2023.
Nov. 10, 2023 (6th Meeting of the 1st Term.)	1. Adopted the consolidated financial report of the Company for Q3 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 Aug. 10, 2023.
	2. Proposal to amend the "Sustainable Development Committee Organizational Regulations".	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 Nov. 10, 2023.
	3. Proposal to formulate the "Integrity Management Team Establishment and Operation Measures" and "Integrity Management Reporting Management Measures".	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 Nov. 10, 2023.
	4. Proposal to formulate the "Information Security Policy".	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 Nov. 10, 2023.
	5. Release the Company's Directors for the Board of Directors from Non-	After consultation with the Chairman, all attending members except Commissioner Chaung, Tza-Zen agreed to approve the	This motion was approved with the consent of all the directors present at

	Competition Restrictions.	proposal as is, and it will be submitted to the Board of Directors for resolution.	the board meeting on Nov. 10, 2023.
	6. Proposal to participate in the subscription of new shares issued by AmMax Bio, Inc. for cash capital increase.	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 Nov. 10, 2023.
	7. Proposal to revise the authorization table in the “Duties Authorization and Agent System”.	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 Nov. 10, 2023.
	8. Proposal for the evaluation of the independence and suitability of the certifying accountants and their appointment remuneration.	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 Nov. 10, 2023.

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

2. 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.

3. 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.):

(1) The independent directors reviewed the monthly internal audit reports and the quarterly audit follow-up reports.

(2) The audit supervisor attended 4 meetings of the Audit Committee in 2023and presented business reports to the independent directors. They also provided comprehensive updates on the implementation and effectiveness of the audit work.

(III) The State of the Company’s Implementation of Corporate Governance, Any Departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Such Departure

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
1. Has the Company established and disclosed a corporate governance best-practice principles in accordance with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”?	✓		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.
2. Company Equity Structure and Shareholders’ Equity (1) Has the Company established internal operating procedures to deal with shareholders’ suggestions, concerns, disputes and litigation matters, and implement them accordingly?	✓		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.
(2) Does the Company have a list of the names of the major shareholders who actually control the company and the ultimate controllers of the major shareholders?	✓		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.
(3) Does the Company establish and implement risk management and firewall mechanisms between related companies?	✓		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.

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
(4) Has the Company established internal rules prohibiting Company insiders from trading securities using information not disclosed to the market?	✓		The Company has formulated the Rules of Procedure for Preventing Insider Trading to prohibit insiders from trading securities by using undisclosed information.	No discrepancy.
3. The composition and responsibilities of the board of directors (1) Has the board of directors drawn up policies on diversity of its members and implemented them?	✓		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, and culture, etc. 2. Professional knowledge and skills:Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience. To achieve the ideal goal of corporate governance, the overall capabilities that the board of directors should possess are: (1) Operational judgment ability; (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 9 members currently serving on the Board of Directors during the 10th term, 5 (56%) possess a background in pharmaceuticals or chemistry, while 4 (44%) have expertise in finance or corporate management. The Board also includes 2	No discrepancy.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>female directors, comprising approximately 22% 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 will increase the number of independent director seats to 4, which can not only enhance the functions of the Board of Directors, but also strengthen the supervisory and management 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:</td><td></td></tr>
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<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td colspan="4">
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<tr><th rowspan="3">Core Diversity Items
Name</th><th colspan="5">Basic Composition</th><th colspan="8">Expertise and Skills Required of Directors</th></tr>
<tr><th rowspan="2">Nationality</th><th rowspan="2">Concurrently Serving as an Employee of the Company</th><th colspan="3">Age</th><th rowspan="2">The Ability to Make Judgments about Operations</th><th rowspan="2">Accounting and Financial Analysis Skills</th><th rowspan="2">Business Management Ability</th><th rowspan="2">Crisis Management Capability</th><th rowspan="2">Knowledge of the Industry</th><th rowspan="2">An International Market Perspective</th><th rowspan="2">Leadership</th><th rowspan="2">Decision-Making Ability</th></tr>
<tr><th><50</th><th>50-60</th><th>60-75</th></tr>
<tr><td>Cheng, Chen Yu</td><td rowspan="9">Republic of China</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Fang, Pei-Wei</td><td></td><td>✓</td><td></td><td></td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Shie, Hung-Min</td><td></td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Lee, Chien-Hung</td><td></td><td></td><td>✓</td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Hu, Yi-Kan</td><td></td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Chen, Yi-Fen</td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Lu, Ta-Jung</td><td></td><td></td><td></td><td>✓</td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Chaung, Tza-Zen</td><td></td><td></td><td></td><td>✓</td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Chang, Ting-Jung</td><td></td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr>
</table>
</td></tr>
<tr><td>(2) Other than the Remuneration Committee and the Audit Committee which are required by law, has the company voluntarily established other functional committees?</td><td>✓</td><td></td><td>The Company has established the Remuneration Committee, the Audit Committee, and the Sustainable Development Committee. In the future, the Company may establish additional functional committees based on operational requirements.</td><td>No discrepancy.</td></tr>
<tr><td>(3) Has the company established a performance evaluation method and its evaluation method for the Board of Directors, conducted performance evaluations annually and regularly, and reported the results of the performance evaluations to the Board of Directors, and applied them to reference the</td><td>✓</td><td></td><td>The Company has established the “Board Performance Evaluation Measures” and has completed the performance evaluation of the Board of Directors, board members, Audit Committee and Remuneration Committee for the year 2023. The evaluation results were reported to the Board of Directors meeting on March 12, 2024 and used as a reference for the remuneration of individual directors and their nomination for re-election. The performance evaluation results have also been</td><td>No discrepancy.</td></tr>
</table>

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
remuneration of individual directors and their nomination for re-election?			reported to the competent authority by March 15, 2024 in accordance with regulations.	
(4) Does the Company regularly evaluate the independence of its CPAs?	✓		1. On March 12, 2024, the certified public accountants of our company reported the annual audit quality indicators (AQIs) at the audit committee and board of directors meeting. They reported on the annual audit quality indicators for their firm across five dimensions: (1) Dimension One: Professionalism (audit experience, training hours, turnover rate, and professional support).(2) Dimension 2: Quality control (accountant workload and audit input). (3) Dimension 3: Independence (ratio of non-audit service fees). (4) Dimension 4: Supervision (deficiencies and penalties in external inspections). (5) Dimension 5: Innovation Capability (Risk Orientation, Standardization, Professionalization, Automation and Digitalization). Through the above report, it is expected that by providing quantitative indicators of audit quality, it can assist the company, Audit Committee and Board of Directors to objectively evaluate the ability and commitment of the accounting firm and audit team in improving audit quality. 2. Our company convened an Audit Committee and Board of Directors meeting on March 12, 2023, to discuss the independence and suitability of the certified public accountant. In addition to obtaining the “Statement of Independence of Certified Public Accountant” and evaluating based on the Statement of Professional Ethics No. 10 - “Integrity, Fairness, Objectivity and Independence”, the attending members and directors also referred to the Annual Audit Quality Indicators (AQIs) report provided by the certified public accountant, and	No discrepancy.

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
	✓		resolved to approve the appointment and remuneration of the certified public accountant. 3. The company has retained the same CPAs for seven consecutive years, and they have not faced any disciplinary action or compromised their independence during this time.	
4. Evaluation Item: Does the TWSE/TPEx listed company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to providing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings and shareholders meetings, etc.)?	✓		1. The Company appointed the Deputy General Manager of the Finance Department as the chief corporate governance officer by resolution of the Board of Directors on May 12, 2022. 2. The main responsibilities of the corporate governance officer are to handle matters related to the board of directors and shareholders’ meetings in accordance with the law, prepare minutes of the board of directors and shareholders’ meetings, assist directors in taking office and continuing education, provide directors with the information needed to carry out their duties, assist directors in complying with laws and regulations, report to the board of directors the results of reviewing whether the qualifications of independent directors meet the relevant laws and regulations during their nomination, election and tenure, handle matters related to changes of directors, and other matters stipulated in the company’s articles of incorporation or contracts.	No discrepancy.
5. Evaluation Item: Has the company established communication channels and a dedicated section for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) on its website to appropriately respond to important corporate social	✓		For shareholders and investors, the Company has set up a stakeholder section on its website (https://www.formosalab.com/tw), which includes contact windows for various stakeholders, including investor relations and media contact persons, customer section, supplier section, employee section, corporate social responsibility mailbox, and reporting mailbox for violations of professional ethics. If there	No discrepancy.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td>responsibility issues of concern to stakeholders?</td><td></td><td></td><td>are any changes, they are updated immediately to ensure smooth communication channels with stakeholders.
The Company conducts regular labor-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.</td><td></td></tr>
<tr><td>6. Does the company engage a professional shareholder services agency to handle shareholders meeting matters?</td><td>✓</td><td></td><td>The Company has delegated the Shareholder Services Department of KGI Securities to handle various shareholder services of the Company.</td><td>No discrepancy.</td></tr>
<tr><td>7. Information Disclosure
(1) Has the Company set up a website to disclose financial, business and corporate governance information?</td><td>✓</td><td></td><td>The Company has set up a website in Chinese and English (https://www.formosalab.com/tw) and regularly updates financial, business and corporate governance related information on the website for reference by shareholders and the general public.</td><td>No discrepancy.</td></tr>
<tr><td>(2) Does the Company adopt other information disclosure methods (such as setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing a spokesperson system, and placing the process of investor conferences on the company website)?</td><td>✓</td><td></td><td>The Company has set up a website in Chinese and English (https://www.formosalab.com/tw), and designated personnel are responsible for regularly updating the latest financial and business information, including material information, revenue information, annual reports and financial reports, and investor conference materials, for reference by 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.</td><td>No discrepancy.</td></tr>
</table>

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
			The Company has displayed all pertinent information from previous investor conferences on its website for the benefit of investors and the general public.	
(3) Has the Company announced and filed its annual financial statements within two months after the end of the year, and announced and filed its first, second, and third quarterly financial statements and monthly operating conditions before the prescribed 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.
8. Does the Company have any other important information that helps to understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relations, rights of stakeholders, training of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓		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.
9. Please describe the improvements made based on the latest Corporate Governance Evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange, and provide priority improvement measures and plans for items yet to be improved: (1) The Company's results in the latest (2023) "Corporate Governance Evaluation" were between 21% and 35%. The main items that did not score points were not holding the shareholders' meeting before the end of May and not announcing the annual financial report within two months after the end of the year. (2) In 2024, priority will be given to assessing the feasibility of implementing items that did not meet the standards.				

(IV) Remuneration and the Composition, Responsibilities and Operation Status of Nomination Committee:

1. Information about remuneration committee members

April 27, 2024

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 (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 (directors' information) of the Annual Report.		None
Independent Director	Chang, Ting-Jung	Please refer to Page 22 (directors' information) of the Annual Report.		None

2. The Operation of the Remuneration Committee

   (1) The Remuneration Committee consists of 3 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 (2023). The qualification and participation of the commissioners are listed below:

Title	Name	Attendance in Person (B)	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:

1. 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.

2. 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: None.

3. 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.

4. 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 27, 2023 (3rd Meeting of the 5th Term.)	1. Proposal Information Technology Department Manager Lin, Chien-Fei being promoted to Assistant Vice President.	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 10, 2023.
	2. Proposal for the appointment of Vice President Xu, Chuan-Bin of the Quality Control 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.	This motion was approved with the consent of all the directors present at the board meeting on August 10, 2023.
	3. Proposal for the distribution of quarterly performance bonuses for Managerial officers for 2022 Q4 and 2023 Q2.	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 10, 2023.
	4. Proposal for the distribution of business bonuses for Managerial officers for 2022 H2 CRAMS, 2022 Q4 and 2023 Q1 API Team.	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 10, 2023.
	5. Proposal for the distribution of meritorious bonuses for Managerial officers for the 2022 US FDA inspection.	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 10, 2023.
	6. Proposal for the distribution of production bonuses for Managerial officers for 2023 Q1.	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 10, 2023.
	7. Reviewed the 2022 performance evaluations of directors and	After deliberation by all members present, this motion was adopted without objection and	This motion was approved with the consent of all the directors present at the

	supervisors and proposed their 2022 remuneration payment plans.	submitted to the Board of Directors for resolution in the near future.	board meeting on August 10, 2023.
	8. Reviewed the proposed plan for the payment of remuneration to managers in 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 August 10, 2023.
Nov 3, 2023 (4th Meeting of the 5th Term.)	1. Proposal for the distribution of business bonuses for Managerial officer for 2023 H1 CDMO and 2023 Q2 API Team.	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 10, 2023.
	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 10, 2023.
	3. Proposed annual salary adjustment 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 10, 2023.
	4. Proposal to revise the "Salary Management Measures".	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 10, 2023.
	5. Proposal to revise the "Employee Performance Evaluation Measures".	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 10, 2023.
	6. Proposed Work Plan of the Remuneration Committee for 2024.	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 10, 2023.

3. Information on the Members and Operation of the Nomination Committee: Not applicable as the Company has not established a Nomination Committee.

(V) Departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure: None.

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

Promoting Item	Implementation Status			Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
1. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit to promote sustainable development, which is managed by senior executives as authorized by the board of directors, 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 Company has established a Sustainable Development Committee by resolution of the Board of Directors on May 12, 2022. By resolution of the Board of Directors on November 10, 2023, three directors, including two independent directors, were reappointed as members of the Sustainable Development Committee. 2. The functional teams of the Sustainable Development Committee: In line with the spirit of sustainable development, the Committee designates relevant personnel to form executive teams such as the ESG Team, Risk Management Team, and Integrity Management Team in accordance with the resolutions or instructions of the Sustainable Development Committee to serve as the main promotion units for sustainable development. Their scope of work covers the three major aspects of sustainable environment (E, Environmental), social welfare (S, Social) and corporate governance (G, Governance). 3. Supervision of the Board of Directors Reports on the implementation of the Company's sustainable development promotion (including greenhouse gas inventory and verification) were submitted to the Board of Directors on March 9, May 12, August 10, and November 10, 2023, respectively, and were supervised by the Board of Directors.	No discrepancy.

Promoting Item	Implementation Status			Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate 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.
3. Environmental Issues (1) Does the Company establish a suitable environmental management system based on the characteristics of its industry?	✓		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. 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 (latest valid period: 2026.07) 3. The establishment of an appropriate environmental management system by the Company based on the characteristics of the relevant industry. 4. The Company maintains the work environment and natural environment in accordance with relevant environmental, health and safety laws and regulations such as the Occupational Safety and Health Act, Building Act, Fire Services Act, and Toxic and Concerned Chemical Substances Control Act, and reports in accordance with the law.	No discrepancy.

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td>(2) Is the Company committed to improving resource utilization efficiency and using recycled materials with low environmental impact?</td><td>✓</td><td></td><td>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 blowers of the aeration tanks to save energy in the clean room, and installed solar panels to generate green electricity.</td><td>No discrepancy.</td></tr>
<tr><td>(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to address climate-related issues?</td><td>✓</td><td></td><td>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 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>No discrepancy.</td></tr>
<tr><td>(4) Does the Company collect data on greenhouse gas emissions, water consumption, and total weight of waste over the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use 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 (tCO$_2$e)</th><th>Carbon emission intensity (tCO2e/turnover of NT$1,000,000)</th></tr>
<tr><td rowspan="3">111</td><td>Scope 1</td><td>7,686.8509</td><td>2.0206</td></tr>
<tr><td>Scope 2</td><td>25,787.1240</td><td>6.7787</td></tr>
<tr><td>Total</td><td>33,473.975</td><td>8.7993</td></tr>
<tr><td rowspan="3">112</td><td>Scope 1</td><td>8,452.6643</td><td>1.9448</td></tr>
<tr><td>Scope 2</td><td>27,097.0920</td><td>6.2345</td></tr>
<tr><td>Total</td><td>35,549.7563</td><td>8.1793</td></tr>
</table>
</td><td>No discrepancy.</td></tr>
</table>

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<tr><td></td><td></td><td></td><td>
Note: For Scope 2 indirect emissions in 2022 and 2023 shown in the above table, the electricity emission factor for 2022 was used for calculation.
(2) Total water consumption
<table>
<tr><th>Year</th><th>Total water consumption (m^3)</th><th>Recovery rate(%)</th></tr>
<tr><td>111</td><td>442,254</td><td>26.01</td></tr>
<tr><td>112</td><td>427,424</td><td>29.11</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 from the production process after treatment. In 2022, the recycled and reused water volume was 115,014 cubic meters/year, accounting for 26.01% of the total annual water consumption. In 2023, the water recycling rate increased by 3.1% compared to 2022.
(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>111</td><td>61.035</td><td>1,093.62</td><td>1,154.655</td></tr>
<tr><td>112</td><td>508.17</td><td>1,107.99</td><td>1,616.16</td></tr>
</table>
In 2023, as the orders for the Company’s main products increased, the production line utilization rate rose significantly, resulting in a slight increase in waste generation. To enhance resource utilization, the Company implements waste reduction management measures to decrease hazardous industrial waste and increase the reuse of recyclable waste.
</td><td></td></tr>
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<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>2. The Company is committed to reducing the environmental impact of its operations and implements company-wide energy conservation and carbon reduction programs, linking them with the key performance indicators (KPIs) of each department and setting targets and implementing projects. Implementation plan and specific measures for energy conservation and carbon reduction:
• Rezone and optimize the factory lighting by gradually replacing conventional lamps with LED tubes.
Set the temperature of air conditioners at 26ºC 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.
• 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 control in the clean room to reduce energy consumption by fans and water chillers.
• 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.
• Regularly cleaning the flame arrester of the regenerative thermal oxidizer (RTO) can help to reduce pressure differences and lower fan energy consumption.</td><td></td></tr>
</table>

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<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>• The first phase of solar power generation facilities with a capacity of 574.875 KW was completed and put into operation in mid-2023. The second phase of construction with a power generation capacity of about 222 KW is expected to be completed in mid-2024.</td><td></td></tr>
<tr><td>4. Social Issues
(1) Does the Company formulate appropriate management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</td><td>✓</td><td></td><td>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 supports and respects the protection of internationally recognized human rights. In addition to strictly abiding by relevant government regulations, based on the understanding of international human rights norms, it refers to internationally recognized human rights norms, including the Universal Declaration of Human Rights, The United Nations Global Compact (UNGC), and the Declaration of Fundamental Principles and Rights at Work of the International Labour Organization, to formulate human rights policy guidelines and require supply chain partners to follow the same principles, treating and respecting all stakeholders fairly and with dignity.
The Company regularly holds labor-management coordination meetings every quarter, and ad hoc meetings can be held when necessary to conduct two-way communication and consultation on topics such as promoting labor-management cooperation, harmonious labor relations, and labor welfare planning. The results of the meeting communication</td><td>No discrepancy.</td></tr>
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<tr><td></td><td></td><td></td><td>apply to all employees. In 2023, a total of 4 regular labor-management meetings were held.
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.</td><td></td></tr>
<tr><td>(2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration?</td><td>✓</td><td></td><td>1. The Company places great importance on gender equality. Presently, female employees comprise 31% of the total workforce, and seven of the senior executives are women, representing 44%.
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 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</td><td>No discrepancy.</td></tr>
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<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>are held to assess performance, which serves as a reference for the distribution of annual performance bonuses.
(2) Relationship between Performance Bonus and Revenue Targets
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 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.</td><td></td></tr>
<tr><td>(3) Does the Company provide a safe and healthy work environment for employees and regularly implement employee safety and health education?</td><td>✓</td><td></td><td>1. In order to prevent occupational accidents, ensure the safety of all employees and all contractors and partners, and provide a safe and healthy work environment, the Company has passed</td><td>No discrepancy.</td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>ISO45001:2018, CNS45001:2018 and ISO14001:2015 certification in December 2023.
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 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</td><td></td></tr>
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Promoting Item	Implementation Status			Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
			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, 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. 3. Occupational accident situation and improvement measures in 2023 (1) Occupational accident situation In 2023, the Company had a total of 16 occupational accident incidents, with 16 injured persons (including work-related injuries with ≦1 day of leave), accounting for 1.79% of the average monthly total number of 892 people for the year. (2) Improvement measures A. Introduction of work safety culture.	

Promoting Item	Implementation Status			Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
			B. Introduction of 6M analysis. C. Introduction of sharing sessions for the department where the incident occurred. D. Introduction of BBS safety observation system. E. Establishment of safety mechanism for corrosive processes. F. Inclusion of non-routine open operations with strong acids/alkalis in hazardous operation applications. G. Addition of emergency flushing liquid “Diphoterine” for chemical splashes. 4. Fire incidents and improvement measures in 2023 (1) Fire incidents There were a total of 4 fire incidents, of which 3 were triggered by smoke activating the fire alarm and were immediately handled by personnel, and 1 was an open flame triggering the automatic fire extinguisher to activate and extinguish it. None of the above 4 incidents resulted in personal injuries. (2) Improvement measures The focus of improvement measures is on building fire protection, personnel evacuation and refuge management. A. Comprehensive review of the handling and storage contents of public hazardous goods and the corresponding fire safety requirements. B. Equipment/electrical fire and explosion prevention: Promote process safety management (PSM), in addition to	

Promoting Item	Implementation Status			Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
			introducing reaction heat risk assessment, also review the explosion-proof zoning and process ventilation in the plant. C. Safe evacuation and refuge: For the scope of new construction, renovation or change of use, review in accordance with the "Standards for Installation of Fire Safety Equipment in Various Places" and list them, and gradually adjust to comply with regulatory requirements.	
(4) Does the Company establish an effective career development training program for employees?	✓		Summary: Formosa Labs is committed to cultivating talent and enhancing employee capabilities. To this end, it plans to develop an OJT (On the Job Training) learning map and a complete on-the-job training mechanism to improve the employability of new employees and enable employees to understand their personal development and growth direction. From new employee training, professional skills required for each position, to leadership training for middle and senior management, there are dedicated personnel to design empowerment projects. Through diverse learning channels such as physical teaching, online learning videos, and digital learning platforms, coupled with a teaching satisfaction feedback mechanism, the company's training programs are continuously improved. In 2023, a total of 253 internal training courses and external education and training courses applied by employees were held, with a total of 4,613 participants in internal education and training courses and 273 participants in external training courses subsidized by the company, totaling 4,886 participants in education and training courses. The average training hours per employee was 10.8 hours, with an average of 11.4 hours for male employees and 9.9 hours for female employees.	No discrepancy.
(5) Regarding issues such as customer health and safety for products and services, customer privacy, marketing and labeling, does the company follow relevant	✓		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	No discrepancy.

Promoting Item	Implementation Status			Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
regulations and international standards, and formulate relevant policies and complaint procedures to protect consumer or customer rights and interests?			designated personnel will respond to clients' inquiries, complaints, and suggestions to fully safeguard their rights and interests.	
(6) Does the Company formulate supplier management policies to require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor human rights, and what is the implementation status?	✓		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.	No discrepancy.
5. Does the Company refer to internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information such as sustainability reports? Has the aforementioned report obtained the assurance or verification opinion of a third-party verification unit?	✓		The Company has compiled and issued a 2022 sustainability report. This report is compiled in accordance with the 2021 version of the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards), and a GRI content index is provided in the appendix. The Company's 2022 sustainability report has obtained assurance from the verification company (SGS Taiwan Ltd.) based on the AA 1000 Assurance Standard, using Type 1 and Moderate Assurance level as the verification basis, ensuring that the contents of this report comply with the GRI Standards and the AA1000AP (2021) accountability principles.	
6. If the Company has established its own sustainable development code in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the differences between its operation and the established code: 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.				
7. Other important information that helps to understand the implementation of sustainable development: For the Company's sustainable development promotion, please refer to the Company's website - Implementation of Sustainable Development and Sustainability Report: https://www.formosalab.com/tw/sustainability				

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.	Risks and opportunities focus more on policy and regulatory requirements, including content on energy resources and carbon reduction requirements, and their impact on the Company's business, strategy and finance, as described below: 1. Business Pressure and requirements from customers, focusing on disclosure of carbon emissions and carbon footprint, the Company has successively established related operations and obtained third-party verification statements in 2023. Reduce customer impact. 2. Strategy (1) Initial introduction of carbon inventory to understand own carbon emissions. (2) Medium and long term goal - Set reduction targets, implement reduction strategies, and achieve carbon neutral operations. (3) Current operation, in order to achieve the goal of energy conservation and carbon reduction, the Company has evaluated the changes in electricity consumption and prices in the plant, and completed the first phase of renewable energy program by establishing renewable energy power generation equipment in June 2023. 3. Finance Due to the implementation of relevant energy conservation and carbon reduction countermeasures, it will directly or indirectly increase the Company's operating costs.
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

Item	Implementation status
	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 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

Item	Implementation status
	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) Goal: low-carbon transformation of energy resources. (2) Indicate: 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 Use new technology, completed the first phase of construction of a 574.875KW solar power generation system in June 2023, conduct energy efficiency management for energy reduction, and reduce impact. (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 competitiveness and improving its corporate image. Completed the 2022 greenhouse gas inventory and carbon footprint inventory, and obtained third-party verification statements.

Item	Implementation status
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. The current reduction target is an annual electricity saving rate of 1%. Renewable energy solar panels have been installed in June 2023, with a solar power generation capacity of 574.875kw, and 242 renewable energy certificates (RECs) have been obtained. 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 verification status, reduction targets, strategies and specific action plans	Please see the following table

3. The Company’s Greenhouse gas Inventory and Verification Status for the Most Recent two Years

(1) Greenhouse Gas Inventory Information

Basic Information of the Company	Pursuant to the requirements of the Sustainable Development Roadmap of TWSE/GTSM Listed Companies, the following shall be disclosed:
☐ Companies, steel business, and cement business with paid-in capital of more than NT$10 billion.	☐ Parent company individual inventory ☐ Consolidated financial report subsidiary inventory
☐ Companies with a paid-in capital of NT$5-10 billion.	☐ Parent company individual verification ☐ Consolidated financial report subsidiary verification
■ Companies with a paid-in capital of less than NT$5 billion	(The Company voluntarily discloses the inventory of parent company in advance)

Year	2022			
Scope 1	Total emissions (tCO_2e)	Density (tCO2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	7,686.8509	2.0206	SGS Taiwan Ltd.	Completed verification in July 2023
Total	7,686.8509	2.0206		
Scope 2	Total emissions (tCO_2e)	Density (tCO2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	25,787.1240	6.7787	SGS Taiwan Ltd.	Completed verification in July 2023
Total	25,787.1240	6.7787		
Year	2023			
Scope 1	Total emissions (tCO_2e)	Density (tCO2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	8,452.6643	1.9448	SGS Taiwan Ltd.	Validation is expected to take place in June 2024
Total	8,452.6643	1.9448		
Scope 2	Total emissions (tCO_2e)	Density (tCO2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	27,097.0920	6.2345	SGS Taiwan Ltd.	Validation is expected to take place in June 2024
Total	27,097.0920	6.2345		

Scope 3	Total emissions (tCO$_2$e)	Density (tCO2e/turnover of NT$1,000,000) (Note 2)	Assurance organization	Statement of assurance (Note 3)
Formosa Laboratories, Inc.	21,670.5524	4.9860	SGS Taiwan Ltd.	Validation is expected to take place in June 2024
Total	21,670.5524	4.9860		

Note1: The Scope 2 indirect emissions of CO2e in the above table are calculated using the 2021 electricity carbon emission coefficient.

Note 2: Direct emissions (Scope 1, i.e., direct emissions from emission sources owned or controlled by the Company), energy indirect emissions (Scope 2, i.e., indirect greenhouse gas emissions from imported electricity, heat or steam), and other indirect emissions (Scope 3, i.e., emissions generated by the Company's activities that are not energy indirect emissions but come from emission sources owned or controlled by other companies).

Note 3: The scope of data covered by direct emissions and energy indirect emissions shall be handled in accordance with the timeline stipulated in Article 10, Paragraph 2 of these Principles, and the other indirect emissions information can be disclosed voluntarily.

Note 4: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or International Organization for Standardization (ISO) issued ISO 14064-1.

Note5: 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).

(2) Greenhouse Gas Verification Information

Year Name	2022	2023
Scope of assurance (verification)	Luzhu Plant, Formosa Laboratories, Inc.	Luzhu Plant, Formosa Laboratories, Inc.
Assurance (verification) organization	SGS Taiwan Ltd.	SGS Taiwan Ltd.
Assurance (verification) criteria	ISO 14064-3:2019	Tentative: ISO-14064-3:2019
Assurance (verification) Opinion	None	To be compiled based on actual audit results

Note 1: It shall be handled in accordance with the timeline stipulated in Article 10, Paragraph 2 of these Principles. If the company has not obtained a complete greenhouse gas verification opinion before the date of printing the annual report, it should be noted that "complete verification information will be disclosed in the sustainability report". If the Company does not prepare a sustainability report, it should be noted that "complete verification information will be disclosed on the Market Observation Post System", and the complete verification information should be disclosed in the following year's annual report.

Note2: 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.

Note 3: The disclosed content can refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

4. Greenhouse Gas Reduction Targets, Strategies and Specific Action Plans

(1) Reduction Targets

Moving towards the goal of net zero emissions by 2050.

(2) Strategies

A. Initial stage: Introduce greenhouse gas inventory and environmental carbon footprint inventory to understand own carbon emissions.

B. Medium and long term goal - Set reduction targets, implement reduction strategies, and achieve carbon neutral operations.

(3) Specific Action Plans

A. Launch greenhouse gas and environmental carbon footprint inventory in 2024, adopt third-party verification, and analyze carbon emission hotspots to gradually propose countermeasures.

B. In line with medium and long-term goals, implement reduction strategies and move towards carbon neutrality.

(VI) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
1. Evaluation Item: Establishment of Ethical Corporate Management Policies and Programs (1) Has the Company established an ethical corporate management policy that has been approved by the board of directors, and clearly specified in its rules and external documents the ethical corporate management policies and practices, as well as the commitment of the board of directors and senior management to actively implement the management policies?	✓		The Company has established the "Code of Ethical Corporate Management," "Guidelines for Establishment and Operation of the Integrity Management Committee," and "Whistleblowing Procedures for Ethical Management," all of which have been approved by the Board of Directors. These documents explicitly state the Company's policies on ethical business practices and the Board and management's commitment to implementing these policies. Additionally, the Company actively promotes and advocates for integrity and ethical conduct, ensuring that all employees comply with the relevant regulations.	No discrepancy.
(2) Has the Company established a risk assessment mechanism for unethical conduct, regularly analyzed and assessed business activities within its business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly and covered at least the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		To ensure sound management of ethical corporate management, the Company has set up an Integrity Management Team under the Sustainable Development Committee to supervise the prevention of unethical conduct, review the effectiveness and make continuous improvements, and report to the Board of Directors at least once a year on the implementation of ethical corporate management.	No discrepancy.

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
(3) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and reviewed the prevention programs on a regular basis?	✓		The Company has established the “Ethical Corporate Management Best Practice Principles”, “Integrity Management Team Establishment and Operation Measures”, and “Integrity Management Reporting Management Measures”, and has set up an Integrity Management Team under the Sustainable Development Committee to implement ethical corporate management policies and regularly review and revise them.	No discrepancy.
2. Implementation of Ethical Corporate Management (1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		The Board of Directors has adopted the Code of Ethical Corporate Management, which prohibits directors, 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.
(2) Has the Company set up a dedicated unit under the board of directors to promote ethical corporate management and regularly (at least once a year) report to the board of directors on its ethical corporate management policies and prevention programs and their supervision and implementation?		✓	To ensure sound management of ethical corporate management, the Company has set up an Integrity Management Team under the Sustainable Development Committee to supervise the prevention of unethical conduct, review the effectiveness and make continuous improvements. The Company’s promotion of ethical corporate management policies and prevention programs for unethical conduct and their supervision and implementation in 2023 have been reported to the Board of Directors on November 10, 2023.	No discrepancy.
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication channels, and implemented them?	✓		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.

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
(4) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management, and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		The Company has established the "Ethical Corporate Management Best Practice Principles", "Integrity Management Team Establishment and Operation Measures", and "Integrity Management Reporting Management Measures", and has set up an Integrity Management Team under the Sustainable Development Committee to supervise the prevention of unethical conduct, review the effectiveness and make continuous improvements.	No discrepancy.
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		The Company's HR department conducts education and training related to ethical corporate management every year. In 2023, education and training courses related to ethical corporate management (including trade secrets, special health and safety education, transaction contract confidentiality agreements and order risk control) were held, with 252 trainees and 267 training hours.	No discrepancy.
3. Operation of the Company's Whistleblowing System (1) Has the Company established a specific whistleblowing and reward system, set up conveniently accessible whistleblowing channels, and appointed appropriate personnel dedicated to handling whistleblowing matters?	✓		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.
(2) Has the Company established standard operating procedures for investigating the reported matters, follow-up measures to be taken after the investigation is completed,	✓		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	No discrepancy.

Evaluation Item	Implementation Status			Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reason for Such Departure
	Yes	No	Abstract	
and related confidentiality mechanisms?			relevant competent authority will maintain the confidentiality of the whistleblower's identity and the contents of the report.	
(3) Does the Company adopt measures to protect whistleblowers from improper treatment due to whistleblowing?	✓		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.
4. Strengthening Information Disclosure (1) Does the Company disclose the content of its ethical corporate management best practice principles and the effectiveness of promotion on its website and the Market Observation Post System?	✓		The Company has established the "Ethical Corporate Management Best Practice Principles", "Integrity Management Team Establishment and Operation Measures", and "Integrity Management Reporting Management Measures", which have been approved by the Board of Directors and disclosed on the Market Observation Post System and the Company's website.	No discrepancy.
5. If the Company has established its own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: No Material discrepancy.				
6. To demonstrate its determination to implement ethical corporate management, in 2023, the Company issued a "Declaration of Ethical Corporate Management" for 2023 to directors and managers at the associate level (inclusive) and above, with a total of 32 copies issued and a 100% issuance rate. The content mainly declares "In order to comply with relevant laws and regulations of the Republic of China and meet the requirements of the Company's 'Ethical Corporate Management Best Practice Principles' and 'Code of Ethical Conduct', the signatory declares their willingness to strictly abide by them. In case of violation, the signatory is willing to bear relevant legal responsibilities and accept the Company's disciplinary actions."				

(VII) If the Company Has Adopted Corporate Governance Best-Practice Principles or Related Bylaws, Disclose how These Are to Be Searched

For the Company's regulations related to corporate governance, please refer to the Company's website Investor Relations/Corporate Governance/Important Regulations (https://www.formosalab.com/tw).

(VIII) Other Significant Information That Will Provide a Better Understanding of the State of the Company's Implementation of Corporate Governance May Also Be Disclosed

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 12, 2024

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2023:

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, 2023, 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 12, 2024, 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 27, 2023)

Agenda		The Company's Handling of Member's Opinions
Ratification Items	1. Proposed the 2022 Business Report and Financial Statement.	This motion was adopted as originally proposed.
	2. Proposed the 2022 earnings distribution.	In this motion, a cash dividend of NT$120,255,963 (NT$1 per share) was distributed to shareholders, and September 1, 2023 was set as the ex-dividend date. The dividend was fully distributed on September 22, 2022.
Matters proposed for discussion	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.	This motion was adopted as originally proposed.
Election	The election of the Company's independent directors.	The list of elected independent directors, Dr. Chaung, Tza-Zen and Mr. Chang, Ting-Jung, was announced on the Market Observation Post System on the date of their election and was approved for registration by the Ministry of Economic Affairs on July 19, 2023.
Other matters proposed for discussion	Release the Company's Directors for the Board of Directors from Non-Competition Restrictions	Material information was released on the Market Observation Post System on the same day (June 27, 2023).

3. Important Resolutions of the Board of Directors

Date/Session	Important Resolutions
March 9, 2023 (10th Session 5th Meeting)	1. Proposed the 2022 Business Report and Financial Statement. 2. Proposed the 2022 earnings distribution. 3. Proposed the compensation to employees and remuneration to directors and supervisors for 2022. 4. Subscribed for Formosa Pharmaceuticals' first issuance of common stock for cash in 2023. 5. A proposal is set forth to request authorization from the shareholders' meeting for the Board of Directors to manage affairs pertaining to the cash capital increase of Formosa Pharmaceuticals Inc. within the upcoming 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. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions 14. Proposed to convene the 2023 Annual Shareholders' Meeting.
May 12, 2023 (10th Session 6th Meeting)	1. Adopted the consolidated financial report of the Company for Q3 2023. 2. Proposal to amend the "Sustainable Development Committee Organizational Regulations". 3. Release the Company's Directors for the Board of Directors from Non-Competition Restrictions 4. The remuneration of the Company's directors in 2022. 5. Proposal to convene the 2023 Annual General Shareholders' Meeting (added proposal).
August 10, 2023 (10th Session 7th Meeting)	1. Proposal for the appointment of Vice President Xu, Chuan-Bin of the Quality Control Department. 2. Reviewed the proposed plan for the payment of remuneration to managers in 2022. 3. Proposal for the distribution of quarterly performance bonuses for Managerial officers for 2022 Q4 and 2023 Q2. 4. Proposal for the distribution of business bonuses for Managerial officers for 2022 H2 CRAMS, 2022 Q4 and 2023 Q1 API Team. 5. Proposal for the distribution of meritorious bonuses for Managerial officers for the 2022 US FDA inspection. 6. Proposal for the distribution of production bonuses for Managerial officers for 2023 Q1. 7. Reviewed the performance evaluations of directors and supervisors and proposed their 2022 remuneration payment plans. 8. Adopted the consolidated financial report of the Company for Q2 2023. 9. Proposal to formulate the "Operating Standards for Financial Business Between Related Parties". 10. Proposal to revise the "Procedures for Prevention of Insider Trading". 11. Proposal to establish a dedicated information security unit.

Date/Session	Important Resolutions
	12. Proposal to participate in the cash capital increase subscription of HCMED Innovations Co., Ltd..
November 10, 2023 (10th Session 8th Meeting)	1. Proposal for the distribution of business bonuses for Managerial officer for 2023 H1 CDMO and 2023 Q2 API Team. 2. Performance evaluation and year-end bonus plan for managers. 3. Proposed annual salary adjustment plan for managers. 4. Proposal to revise the “Salary Management Measures”. 5. Proposal to revise the “Employee Performance Evaluation Measures”. 6. Proposed Work Plan of the Remuneration Committee for 2024. 7. Adopted the consolidated financial report of the Company for Q3 2023. 8. Proposed Work Plan of the Remuneration Committee for 2024. 9. Proposal to amend the “Sustainable Development Committee Organizational Regulations”. 10. Proposal to reappoint members of the Sustainable Development Committee. 11. Proposal to establish a dedicated integrity management unit. 12. Proposal to formulate the “Integrity Management Team Establishment and Operation Measures” and “Integrity Management Reporting Management Measures”. 13. Proposal to formulate the “Information Security Policy”. 14. Release the Company’s Directors for the Board of Directors from Non-Competition Restrictions 15. Proposal to participate in the subscription of new shares issued by AmMax Bio, Inc. for cash capital increase. 16. Proposal to sign a pharmaceutical-related and resource sharing commissioned service contract with Formosa Pharmaceuticals. 17. Proposed to enter into a lease contract of office with Formosa Pharmaceuticals. 18. Proposal to revise the authorization table in the “Duties Authorization and Agent System”. 19. Proposed the 2024 Annual Audit Work Plan. 20. Proposed the 2024 Loan Limit of Bank Financing. 21. Proposal for the evaluation of the independence and suitability of the certifying accountants and their appointment remuneration.
March 12, 2024 (10th Session 9th Meeting)	1. Proposal for organizational adjustment and promotion of four deputy general managers to senior deputy general managers and the quality assurance department manager to associate manager. 2. Reviewed the proposed plan for the payment of remuneration to managers in 2023. 3. Proposal for the distribution of business bonuses for managers for 2023 Q2 and Q3 API Team. 4. Proposal for the review of directors’ performance evaluation and 2023 directors’ remuneration distribution plan. 5. Proposed the 2023 Annual Business Report and Financial Statement. 6. Proposed the distribution of earnings for 2023. 7. Proposed the compensation to employees and remuneration to directors and supervisors for 2023. 8. A proposal is set forth to request authorization from the shareholders’ meeting for the Board of Directors to manage affairs pertaining to the cash capital increase of Formosa Pharmaceuticals Inc. within the upcoming year. 9. Proposed to issue the Statement of Internal Control System for 2023. 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. Proposal to amend the “Seal Usage Management Measures” and “Duties Authorization and Agent System”.

Date/Session	Important Resolutions
	12.Proposal for the evaluation of the independence and suitability of the certifying accountants and their appointment remuneration. 13.Release the Company's Directors for the Board of Directors from Non-Competition Restrictions 14.The remuneration of the Company's directors in 2023. 15.Proposal for matters related to the Company's acceptance of shareholder proposals. 16.Proposed to convene the 2024 Annual Shareholders' Meeting. 17.Proposal to acquire equity in another company in the United States.

(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) A Summary of Resignations and Dismissals of the Company's Chairman, President, Accounting Officer, Financial Officer, Internal Audit Officer, Corporate Governance Officer and R&D Officer in the Most Recent Year up to the Publication Date of the Annual Report

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Chief executive officer	Yang, Chih-Ping	2018.12.04	2024.01.31	Retirement

V. Disclosure of CPA's Renumeration

Unit: NTD thousand

Name of the Accounting Firm	Name of the CPA	Audit Period of CPA	Audit Fee (Note1)	Non-Audit Fee (Note1)	Total	Notes
PricewaterhouseCoopers Taiwan	Yen, Yu-Fang, Teng, Sheng-Wei	2023.01.01-2023.12.31	5,155	1,005	6,160	

Note1: Regular audit fees for the financial attestation.
Note2: Mainly for the attestation of tax compliance.

(I) 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.

(II) 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

Date of replacement	Approved by the Board of Directors on Nov 11, 2022.		
Reason of replacement and explanation	In compliance with relevant regulatory requirements on rotation, the former engagement partner Yu, Shu-Fen was replaced by Teng, Sheng-Wei.		
Statement on whether the Company or the accountant terminate or not accept the appointment	Parties Contracting Condition	CPA	Commissioner
	Voluntarily terminated the appointment	Not applicable	Not applicable
	Not accept (continuing) the appointment	Not applicable	Not applicable
The opinions and reasons in audit reports other than unqualified opinion in the last two years	Not applicable		
Different opinions with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Scope or procedure of auditing
			Others
	None	✓	
	Statement: None.		
Other disclosures (Matters covered in Item 1-4, Item 7, Subparagraph 6, Article 10 of the Guidelines shall be disclosed)	None.		

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, Teng, 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 6, 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 Shareholder

Unit: shares

Title	Name	2023		The Current Year of Apr. 27 2024		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	–	–	–	–	
Director	Augusta Inc.	–	(150 ,000)	–	–	
	Representative: Fang, Pei-Wei	–	–	–	–	
Director	Yuan Qing Investment Inc.	–	–	–	–	
	Representative: Shie, Hung-Min	–	–	–	–	
Director	Hygica Biotech Ltd.	–	790,000	–	–	
	Representative: Lee, Chien-Hung	–	395,000	–	–	
Director	Heng Lang Limited Corporation.	–	–	–	–	
	Representative: Hu, Yi-Kan	–	–	–	–	
Independent Director	Chen, Yi-Fen	–	–	–	–	
Independent Director	Lu, Ta-Jung	–	–	–	–	
Independent Director	Chaung, Tza-Zen	–	–	–	–	

Title	Name	2023		The Current Year of Apr. 27 2024		Note
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	
Independent Director	Chang, Ting-Jung	—	—	—	—	
Senior Vice President of Business Division	Liou, Shan-Jan	(15,000)	—	(10,000)	—	
Senior Vice President of Corporate Support Division	Lo, Yu-Chen	—	—	—	—	
Senior Vice President of Production Division	Chen, Chai-Sung	—	—	—	—	
Senior Vice President of Quality & Regulatory Compliance Division	Huang, Hsien-Kuei	—	—	—	—	
Vice President of Injectable Department	Sung, Chi-Hua	—	—	—	—	
Vice President of L&SP	Lin, Chien-Hsing	—	—	—	—	
Vice President of OS	Yang, Ling-Fang	—	—	2,000	—	
Vice President of R&D	Hsieh, Yih-Huang	—	—	—	—	
Vice President of EN and SHE	Wang, Szu-Ching	—	—	—	—	
Vice President of QC	Xu, Chuan-Bin	—	—	—	—	
Assistant Vice President of P&PM	Tseng, Yu-Fang	—	—	—	—	
Assistant Vice President of RA	Hsu, Jen-Chuan	(3,000)	—	—	—	
Assistant Vice President of Procurement	Lee, Fung-Mei	—	—	—	—	
Assistant Vice President of IT	Lin, Chien-Fei	—	—	—	—	
Assistant Vice President of PD	Ng, Chze-Siong	—	—	—	—	

Title	Name	2023		The Current Year of Apr. 27 2024		Note
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	
Assistant Vice President of MSD	Juan,Yueh-Tse	—	—	—	—	
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 RD	Kuo, Lung-Huang	—	—	—	—	
Assistant Vice President of QC	Hung, Chih-Sheng	(1,000)	—	—	—	
Assistant Vice President of QA	Hsu, Chao-Hsien	—	—	—	—	

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. 27, 2024 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	Share Holding Ratio	Share Number	Shareholding Ratio	Share Number	Share Holding 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
							Augusta Inc. (Representative: Li, Hsiu-Hui)	Spouse	None
Taishin Life Insurance Co., Ltd.	5,500,000	4.57	—	—	—	—	None	None	None
(Representative :Tsai, Kang)	—	—	—	—	—	—			
Li, Hsiu-Hui	3,067,944	2.55	7,743,848	6.44	—	—	Cheng, Chen-Yu	Spouse	None
							Moraga Inc. (Representative: Li, Hsiu-Hui)	The person responsible	None
							Augusta Inc. (Representative: Li, Hsiu-Hui)	The person responsible	None
Cathay Life Insurance Company, Ltd.	3,000,000	2.49	—	—	—	—	None	None	None
(Representative : Huang, Tiao-Kuei)	—	—	—	—	—	—			
Moraga Inc. (Representative :Li, Hsiu-Hui)	2,674,043	2.22	—	—	—	—	Cheng, Chen-Yu	Spouse of the person responsible	None
	3,067,944	2.55	7,743,848	6.44	—	—	Augusta Inc. (Representative: Li, Hsiu-Hui)	The person responsible	None
Ding Li Development Limited.	2,373,329	1.97	—	—	—	—	None	None	None
(Representative : Hu Ting-Wu)	—	—	—	—	—	—			
Cathay Dragon Fund	2,317,000	1.93	—	—	—	—	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	Share Holding Ratio	Share Number	Shareholding Ratio	Share Number	Share Holding Ratio	Name	Relationship	
Augusta Inc. (Representative :Li, Hsiu-Hui)	2,269,000	1.89	—	—	—	—	Cheng, Chen-Yu	Spouse of the person responsible	None
	3,067,944	2.55	7,743,848	6.44	—	—	Moraga Inc. (Representative: Li, Hsiu-Hui)	The person responsible	None
Labor Pension Fund	2,139,600	1.78	—	—	—	—	None	None	None
Tsai, Chang-Jen	1,555,213	1.29	—	—	—	—	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

Mar. 25, 2024 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
Formosa Pharmaceuticals, Inc.	61,487,653	45.84%	2,627,025	1.96%	64,114,678	47.80%
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	619,000	100.00%	—	—	619,000	100.00%
Epione Investment HK Limited	—	—	544,500	100.00%	544,500	100.00%
Activus Pharma. Co., Ltd.	—	—	1,942	99.23%	1,942	99.23%
Shanghai Epione Enterprise Co., Ltd	—	—	—(Note2)	100.00%	—	100.00%
Formosa Labarotories Japan, Inc.	400	40.00%	—	—	400	40.00%

Note1: The investment made with Equity Method by the Company.
Note2: A Limited Company.

Chapter 4　　Capital Overview

I. Capital and Outstanding Shares

(I) Equity Capital Sources

1. Capital Formation

Apr. 27, 2024　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

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. 2007	16	25,000	250,000	14,079	140,787	Issuance of common stock for cash: NT$15,000,000	—	Note 9
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

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
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
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	—	Note 33
Jul. 2021	58.4	160,000	1,600,000	108,364	1,083,639	Convertible bond: NT$513,000	—	Note 34
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

Apr. 27, 2024 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 Shareholder

Apr 27, 2024; Unit: shares; %

Shareholder Structure Amount	Government Agency	Financial Institution	Other Corporations	Individual	Foreign Institution and Individual	Total
Number of shareholders	–	19	253	27,933	74	28,279
Shareholding	–	16,083,877	19,494,510	76,710,173	7,967,403	120,255,963
Shareholding ratio	–	13.38	16.21	63.79	6.62	100.00

(III) Distribution of Share

1. Common Stock

Apr 27, 2024; Unit: shares; %

Shareholder Ownership	Number of Shareholders	Shareholding	Shareholding Ratio
Shareholder ownership	19,302	411,791	0.34
1-999	7,186	13,070,757	10.87
1,000-5,000	814	6,540,358	5.44
5,001-10,000	272	3,493,064	2.90
10,001-15,000	165	3,037,268	2.53
15,001-20,000	174	4,368,358	3.63
20,001-30,000	75	2,632,329	2.19
30,001-40,000	40	1,833,797	1.52
40,001-50,000	127	9,252,958	7.69
50,001-100,000	56	8,232,393	6.85
100,001-200,000	27	7,919,176	6.59
200,001-400,000	9	4,443,285	3.69
400,001-600,000	5	3,519,044	2.93
600,001-800,000	7	6,387,716	5.31
800,001-1,000,000	20	45,113,669	37.52
Total	28,279	120,255,963	100.00

2. Preferred Stock: None.

(IV) Main Shareholders List

Apr 27, 2024　Unit: shares; %

Shares / Name of Major Shareholders	Shares	%
Cheng, Chen-Yu	7,743,848	6.44
Taishin Life Insurance Co., Ltd.	5,500,000	4.57
Li, Hsiu-Hui	3,067,944	2.55
Cathay Life Insurance Company, Ltd.	3,000,000	2.49
Moraga Inc.	2,674,043	2.22
Ding　Li Development　Limited.	2,373,329	1.97
Cathay Dragon Fund	2,317,000	1.93
Augusta Inc.	2,269,000	1.89
Labor Pension Fund	7,743,848	6.44
Tsai, Chang-Jen	5,500,000	4.57

(V) Information of Market Price per Share, Net Worth, Earnings and Dividends

Unit: thousand shares; NTD thousand

Item / Year			2022	2023	The current year of Mar 31, 2024 (Note 4)
Market Price per Share	Highest		81.60	121.00	121.00
	Lowest		44.20	62.60	96.80
	Average		55.34	85.75	106.7
Net Worth per Share (Note 5)	Before distribution		64.83	68.27	-
	After distribution		63.83	-	-
Earnings per Share	Weighted average outstanding shares		120,256	120,256	-
	Earnings per share		3.40	1.05	-
Dividends per Share (Note 5)	Cash dividend		1	2	-
	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		16.28	81.67	-
	P/D ratio		55.34	42.88	-
	Cash dividend yield		1.81	2.33	-

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 2023 is pending resolution by the Shareholders' Meeting, but it is expected to be a cash dividend of NT$ 2 per share.

(VI) The Company's Dividend Policy and 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 subsidiaries that 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. Proposed Distribution of Dividends at This Shareholders' Meeting: To distribute a cash dividend of NT$2 per share to shareholders.

(VII) The Effect of the Proposed Stock Dividend Distribution on the Company's Operating Performance and Earnings per Share: Not applicable as the company does not distribute stock dividends.

(VIII) Employee, Director and Supervisor Remuneration

1. The Percentage or Scope of Employee, Director and Supervisor Remuneration as set out in the Company's 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 subsidiaries that meet the conditions set by the Board of Directors.

2. The Basis for Estimating the Amount of Employee, Director and Supervisor Remuneration, the Basis for Calculating the Number of Shares to Be Distributed as Employee Remuneration, and the Accounting Treatment of any Discrepancy Between the Actual Distributed Amount and the Estimated Amount

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. Information on the Distribution of Remuneration Approved by the Board of Directors

   (1) Amount of employee remuneration and directors' and supervisors' remuneration distributed in cash or shares. If there is any discrepancy with the recognized amount for the year the expense is estimated, the discrepancy amount, reason and handling situation should be disclosed

      A. On March 12, 2024, the Board of Directors of the Company approved the proposed cash distribution of NT$15,944,000 to employees and NT$3,900,000 to directors and supervisors for 2023.

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

Unit: NT$

Distribution Item	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	15,944,000	15,944,000	0	No discrepancy
Directors' Remuneration	3,900,000	3,900,000	0	No discrepancy

   (2) The amount of employee remuneration distributed in shares, and its proportion to the sum of net profit after tax and total employee remuneration for the period: Not applicable as the Company did not distribute employee stock bonuses in 2023.

   (3) In 2023, earnings per share remained at NT$1.05, as expenses for employee and director 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$28,500,000 for employees and NT$7,998,000 for directors and supervisors in 2022. As per the Board of Directors' resolution on March 09, 2023, the actual remuneration for employees and directors/supervisors remained unchanged from the estimated figures, at NT$28,500,000 and NT$7,998,000, 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) Business Scope

1. The Main Content of the Company's 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 chemical raw materials and products, as well as acting as commission agents.

2. The Company's Main Products and Their Sales Ratios

Unit: NT$ thousand: %

Year / Product Item	2022		2023	
	Operating Revenue	Ratio (%)	Operating Revenue	Ratio (%)
Cholesterol Phosphate Binding Agent	1,292,494	34.32	1,575,432	36.13
Vit. D Derivatives	700,968	18.62	808,995	18.55
Contract Development and Manufacturing Organization (CDMO)	535,512	14.22	514,714	11.80
Respiratory Agents	357,355	9.49	478,286	10.97
Anticancer Active Ingredients	117,277	3.11	259,627	5.95
Anti-inflammatory and Analgesic Agents	225,977	6.00	208,368	4.78
Others	535,921	14.24	515,026	11.82
Total	3,765,504	100.00	4,360,448	100.00

3. The Company's Current Product Items

The main products of the Company are as follows:

Item No.	Main Products
1	Cholesterol Phosphate Binding Agent
2	Vit. D Derivatives
3	Contract Development and Manufacturing Organization (CDMO)
4	Respiratory Agents
5	Anticancer Active Ingredients
6	Anti-inflammatory and Analgesic Series

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. Subsidiary Formosa Laboratories, Inc. (Formosa Labs) has received approval from the U.S. Food and Drug Administration (FDA) in March 2024 for the new drug application of APP13007, a drug for the treatment of post-operative ocular inflammation and pain. Regarding out-licensing, Formosa Labs has completed exclusive licensing agreements for APP13007 with Faranda Pharmaceutical (China) in 2021 and Eyenovia, Inc. (USA) in 2023, with the total licensing agreement amount with Eyenovia reaching US$86 million. Formosa Labs will supply the products for future sales. In addition, APP13007 has also signed an exclusive licensing agreement with Cristália Produtos Químicos Farmacêuticos Ltda. for the Brazil market in January 2024. In 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 2024.

4. New Products (Services) Planned for Development

The Company is upgrading its APIs technology and services, expanding from the R&D and production of existing APIs to the downstream formulation development, venturing into injectable formulation R&D, production and manufacturing. Currently, there are general production lines (small molecules and large molecules) and cytotoxic production lines (anticancer drugs ADC) put into production. The Company also continues to pay attention to products with upcoming patent expirations, selecting items from them to expand the market for antibody drug conjugates and injectable formulations.

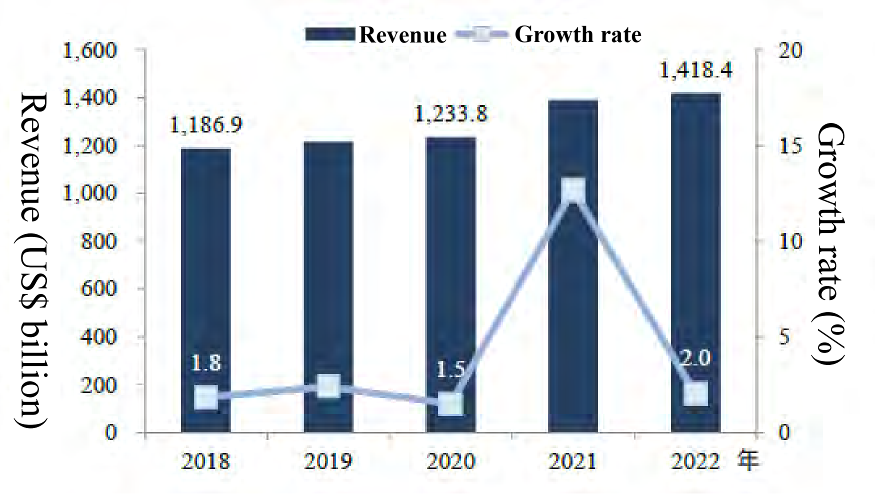
(II) Industry Overview

1. Current Status and Development of the Industry

(1) Current Status of the Global Pharmaceutical Market

According to statistics from Fitch Solutions, the global pharmaceutical market size in 2022 was approximately US$1.4 trillion, a 2% growth compared to 2021, with a compound annual growth rate (CAGR) of 4.6% from 2018 to 2022. The continued prevalence of COVID-19 and the active mutated virus strains maintained the revenue of COVID-19 vaccines in 2022 and increased the sales of COVID-19 treatment drugs. Combined with the demand for drugs related to aging diseases, it supported the pharmaceutical market sales in 2022, making slightly market change compared to the previous year, showing a balanced trend.

Global Pharmaceutical Market Size from 2018 to 2022



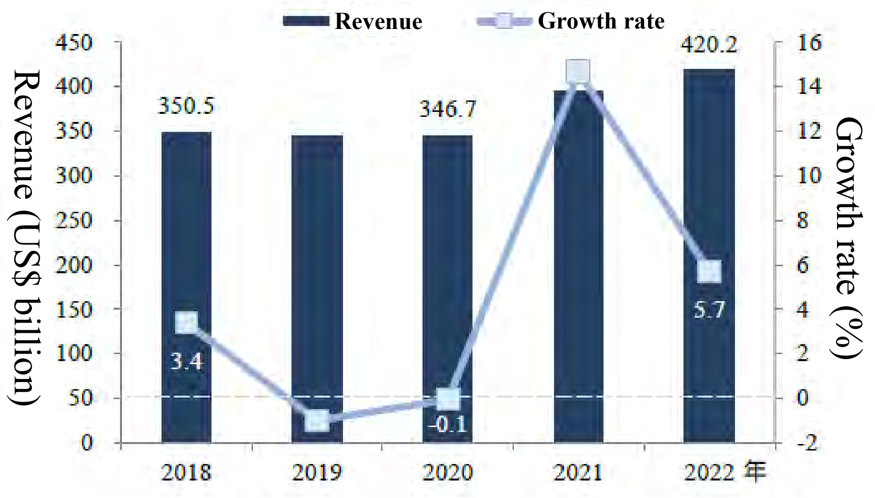
Source: DCB 2023 Pharmaceutical Industry Yearbook

With the growth of biologics, plural special drug delivery systems have been developed, leading to a significant increase in the demand for drug injection devices over the past few years. At the 2023 BioAsia Conference, Aurelio Arias, Director of Global Thought Leadership at IQVIA, shared the latest trends in the global pharmaceutical industry. He particularly mentioned that biologics and injectables are areas that have grown significantly over the past decade compared to small molecule drugs and oral drugs. From 2016 to 2021, the global market value of injectable drugs grew by 10%, while tablets only grew by 3% and capsules only grew by 2%, indicating the increasing demand for injectable products year by year.

(2) Current Status of the Generic Drug Market

Due to the COVID-19 (Coronavirus Disease 2019) pandemic in 2020, the social distancing measures adopted by many countries led to slowed economic growth. Governments, facing financial difficulties, further encouraged the use of generic drugs to save medical and pharmaceutical expenditures. The aging global population has also led to an increase in the number of patients with chronic diseases, which is one of the main driving forces for the generic drug market. According to data from Fitch Solutions, global generic drug market growth was 13.2% in 2021. In 2022, as the world gradually emerged from the impact of COVID-19, pharmaceutical market demand gradually returned to normal. Therefore, global generic drug sales reached US$420.16 billion in 2022, a 5.7% increase compared to 2021. During the period from 2018 to 2022, the compound annual growth rate (CAGR) of global generic drug sales was 4.3%.

Global Market Size of Generic Drugs from 2018 to 2022



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$145.9 billion in 2023. 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 4.9% in 2022, despite a decline in 2020 due to the impact of the COVID-19 pandemic. The compound annual growth rate (CAGR) of global APIs sales from 2018 to 2022 was 12.3%. Factors such as the advancement of APIs manufacturing technology, the increase in chronic disease prevalence, the growth of the biologics market, and the increase in demand for generic drugs have all contributed to the growth of the APIs market.

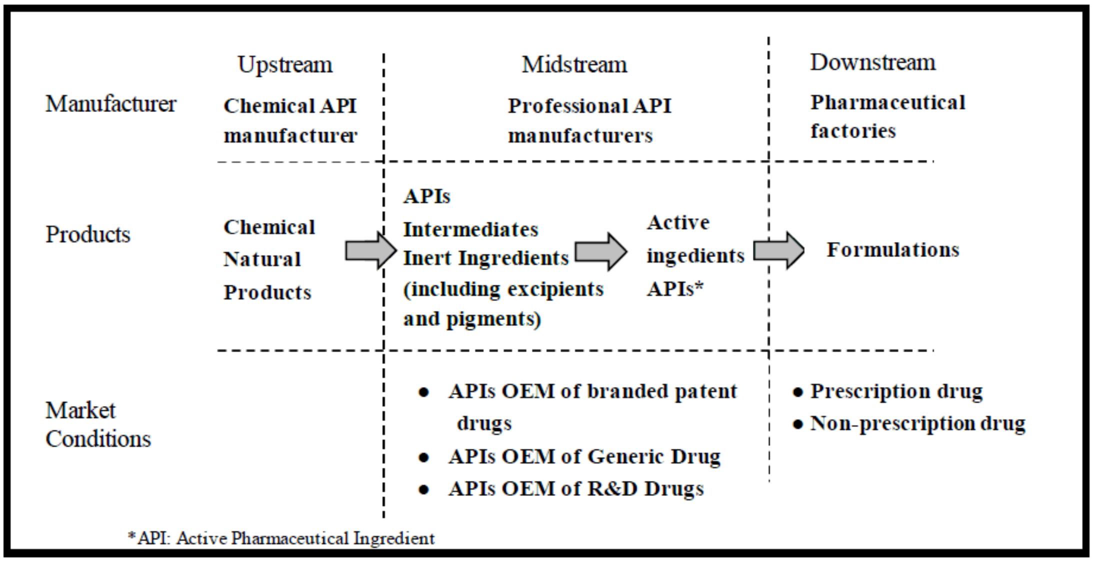
(4) Current Status of Contract Development and Manufacturing Organization (CDMO) Market

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.

2. Relationship Between Upstream, Midstream, and Downstream of the 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, and downstream industries are described as follows:



	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 ingredients** **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

(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. Various Development Trends of Products

For over 30 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 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)

The aging global population has increased the prevalence of chronic diseases such as cardiovascular diseases, cancer, and respiratory system diseases, leading to an increase in the demand for related treatment drugs and accelerating the growth in demand for APIs. As governments' health insurance demand for affordable healthcare increases, generic drugs are more cost-effective than patented drugs, making the importance of generic drugs increasing. The relatively low prices of generic drugs have also increased the population that can afford drug treatment and the overall usage of drugs, further driving the demand for APIs and promoting the growth of the APIs market. In addition, there are some other factors that directly or indirectly promote the growth of the APIs market, such as the support of government policies in various countries, the expiration of patents for major drugs, and the increase in the number of approved drugs in recent years. In the post-pandemic era, although the APIs market is undergoing significant changes, the global focus on the APIs supply chain is also increasing, which makes the prospect of the APIs market promising. According to data from MarketsandMarkets, the global APIs market is expected to continue expanding at a stable growth rate by 2030.

(2) Injectable Formulations

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.

(3) Contract Development and Manufacturing Organization

The Company has accumulated experience in customized R&D and contract manufacturing, with process development of APIs as its core advantage. At the same time, we continue to serve customers and develop new products such as peptide series products. 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. In the field of innovation, with years of experience specializing in synthesis, the Company has also developed our own ADC linker-payload platform, providing partners and potential clients with various combinations of linkers and drugs, further increasing the drug to antibody ratio (DAR) and expanding the scope of Formosa Labs' one-stop service for antibody drug conjugates. With its experienced ADC technology platform, the Company offers customized services and serves as the ideal partner for 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.

(III) Technology and R&D Overview

1. R&D Expenses (Company and Subsidiaries)

In the fiscal year 2023 and as of March 31 2024, the R&D expenses invested were NT$841,872 thousand and NT$219,115 thousand, respectively.

2. Successfully Developed Technologies or Products

The names of products successfully developed in 2023 and 2024 are as follows:
Product Names: Abemaciclib, Difelikefalin, etc.

(IV) Short-Term and Long-Term Business Development Plans

1. Short-Term Business Development Plans

(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 Business Development Plans

(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 Regions of Main Products

Unit: NT$ thousand

Sales Region	2022	2023
India	918,782	1,031,114
Netherlands	377,799	577,197
Japan	228,751	311,977
Germany	231,162	306,894
Taiwan	380,508	278,083
China	220,018	272,568
Switzerland	280,347	272,054
United States	190,339	269,315
Canada	208,519	138,024
Other Countries	729,279	903,222
Total	3,765,504	4,360,448

2. Market Share

(1) Active Pharmaceutical Ingredients (APIs)

A. Cholesterol Phosphate Binding Agent Series

The market share of cholesterol phosphate binding agent products maintains a leading position globally. The Company is one of the three major generic drug manufacturers' suppliers in the market and the main supplier for the US and European markets, with a market share as high as 70%. The demand for each product line is strong. This series of products obtained drug approval in China in 2023 and started shipping. In response to insufficient supply, new production lines started mass production in Q3 2023, increasing revenue contribution.

B. Vitamin D Derivative Series Products

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. This series of products has currently entered the original manufacturer's supply chain, with a year-on-year increase of 27% in 2023, of which three items are among the top three global suppliers.

C. Corticosteroid Series Products

This series of products has entered the original manufacturer's supply chain, with a year-on-year increase of 39% in 2023. This series of products is currently in stable production and shipment.

D. Respiratory System Products

This series of products has outstanding sales performance, with revenue doubling. Production capacity will double in the second half of 2024 to meet market demand.

E. Anticancer Drug Series Products

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) Injectable Formulations

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.

In addition to contract manufacturing, the Company's injectable formulation factory launched a new product, Eribulin, a novel type of chemotherapy treatment for advanced breast cancer that has been approved for marketing by the TFDA. It is scheduled to begin sales in 2024 and contribute to revenue. A drug approval application has also been submitted to the US FDA, with the final response period expected to be in July 2024. Eribulin Injectable has a global market of up to US$370 million, of which the US market is about US$130 million and the Taiwan market is about NT$450 million.

(3) 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 finished dosage forms, including cytotoxic production lines for anti-cancer drugs and ADCs (antibody-drug conjugates), peptides, fermentation, and general production lines for small and large molecules. The general production lines can support pre-clinical development for clients with capacities ranging from millions to over a hundred million doses, providing flexible and diverse product services. Currently, the Company is gradually expanding its collaborations 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.

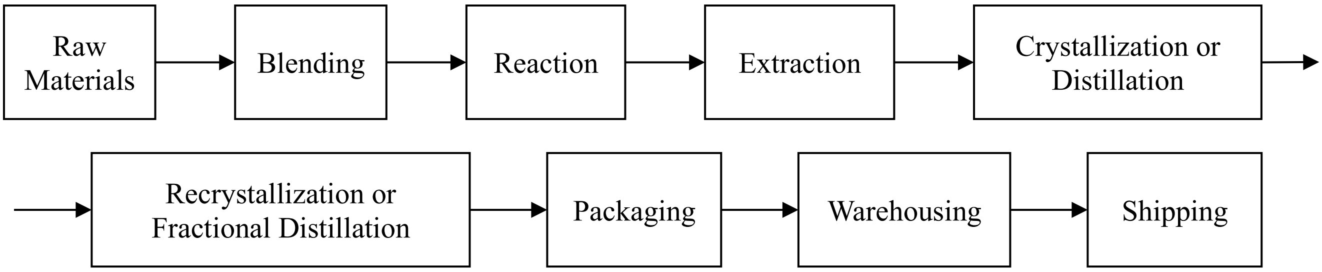
(II) Important Uses and Production Processes of Main Products

1. Important Uses of Main Products

The Company's current main products and their uses are as follows:

(1) Cholesterol Phosphate Binding Agent: Mainly used to treat hyperlipidemia and hypophosphatemia in patients with low renal function.
(2) Vitamin D derivatives: are primarily utilized to treat psoriasis, hyperparathyroidism, osteoporosis, and renal osteodystrophy resulting from uremia.
(3) Drugs for Respiratory System Diseases: 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) Central Nervous System Drugs (CNS Agents): Mainly used for anti-depression.

2. Production Processes of Main Products



(III) Supply Status of Main Raw Materials

Main Raw Materials	Main Suppliers	Supply Status
Chemical Raw Materials	Company E, Company F	Good

(IV) List of Major Importers and Sellers

1. The names and purchase amounts and ratios of suppliers accounting for more than 10% of total purchases in any year of the most recent two years, and explanation of the reasons for changes

Unit: NT$ thousand; %

Item	2022				2023			
	Name	Amount	Ratio of Total Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	Ratio of Total Annual Net Purchases (%)	Relationship with the Issuer
1	Company F	197,292	19.89	None	Company F	128,860	11.59	None
2	Company E	115,937	11.69	None	Company E	112,293	10.10	None
	Others	678,917	68.42	-	Others	870,414	78.31	-
	Net Purchases	992,146	100	-	Net Purchases	1,111,567	100	-

Note: Reasons for increases/decreases in suppliers:
There were no changes in suppliers accounting for more than 10% of total purchases in the most recent two years. The ratios of Company E and Company F in 2023 were lower than the previous year, but the ranking of the two companies remained unchanged.

2. The names and purchase amounts and ratios of customers accounting for more than 10% of total sales in any year of the most recent two years, and explanation of the reasons for changes

Unit: NT$ thousand; %

Item	2022				2023			
	Name	Amount	Ratio of Total Annual Net sale (%)	Relationship with the Issuer	Name	Amount	Ratio of Total Annual Net sale (%)	Relationship with the Issuer
1	AC Company:	377,505	10.03	None	AC Company:	563,315	12.92	None
	Others	3,387,999	89.97		Others	3,797,133	87.08	
	Net Sales	3,765,504	100	-	Net Sales	4,360,448	100	-

Note: Reasons for increases or decreases in clients:
AC Company: In 2023, due to the expansion of the market size, the sales ratio of AC Company increased to 12.92% in 2023.

(V) Production Volume and Value Table for the Most Recent two Years

Unit: NT$ thousand; KG

Year Production Volume and Value Main Products (Note)	2022			2023		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Cholesterol Phosphate Binding Agent	521,260	517,624.75	890,220	576,440	576,313.38	940,722
Vit. D Derivatives	17.59	17.40	318,957	145.19	144.66	346,147
Contract Development and Manufacturing Organization (CDMO)	78,976.39	78,263.99	300,177	33,243.73	33,121.24	227,740
Respiratory Agents	100,000	99,545.81	204,584	141,150	141,139.13	257,067
Anti-inflammatory and Analgesic Agents	50,910	49,948.77	177,839	26,375	26,340.30	96,829
CNS Agents	96,000	95,455.20	86,679	113,749.5	113,708.11	84,750
Others	47,427.03	43,055.33	261,712	70,334.69	69,423.48	512,393
Total	894,591.01	883,911.25	2,240,168	961,438.11	960,190.30	2,465,648

Note: The subsidiaries do not engage in production.
Reasons for increase or decrease:

1. In response to the market decrease, the production volume of anti-inflammatory and analgesic agents decreased compared to the same period last year in 2023.
2. In response to market demand, the production volume of cholesterol phosphate binding agent and respiratory system drugs increased compared to the same period last year in 2023.

(VI) Sales Volume and Value Table for the Most Recent Two Years

Unit: NT$ thousand; KG

Year Sales Volume and Value Main Products	2022				2023			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cholesterol Phosphate Binding Agent	21,756.30	48,354	470,371.05	1,244,140	658.00	4,252	583,241.78	1,571,180
Vit. D Derivatives	2.46	103,205	11.45	597,763	0.92	46,764	16.22	762,231
Contract Development and Manufacturing Organization (CDMO)	286.45	156,168	33,637.25	379,344	1,500.52	147,272	39,432.93	367,442
Respiratory Agents	2,422.56	12,847	108,108.81	344,508	4,773.76	14,842	137,066.93	463,444
Anticancer Active Ingredients	116.83	20,216	886.40	97,061	146.98	32,297	1,826.98	227,330
Anti-inflammatory and Analgesic Agents	0.03	62	63,965.99	225,915	0.00	0	26,957.28	208,368
Others	10,911.90	39,656	103,177.01	496,265	40,826.42	32,656	94,050.54	482,370
Total	35,496.53	380,508	780,157.96	3,384,996	47,906.60	278,083	882,592.66	4,082,365

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 2023, in comparison to 2022, was primarily attributable to the increased sales value of cholesterol and phosphate binders, as well as respiratory agents.

III. Information of Employees

Unit: person; year;%

Year		2022	2023	The current year as of Mar 31, 2024
Number of Employees	Administrative and Sales	123	114	108
	R&D	122	136	139
	Factory	606	652	652
	Total	851	902	896
Average age		36.7	35.8	36.7
Average Years of Service		5.5	5.5	5.5
Percentages Distribution of Education (%)	PhD	4.58%	4.77%	4.80%
	Master	26.32%	26.5%	26.45%
	University/College	55.11%	55.13%	55.13%
	High school	12.93%	12.64%	12.72%
	Below high school	1.06%	1.00%	0.89%

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) Losses suffered due to environmental pollution in the most recent year and up to the publication date of the annual report (including compensation and results of environmental protection inspections showing violations of environmental regulations, specifying the disposition dates, disposition reference numbers, articles of law violated, content of violations, and content of dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and the corresponding measures. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

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 was fined NT$60,000 in 2023 and up to the publication date of the annual report for violating the Water Pollution Control Act. The Company has completed the improvement by the end of 2023.

(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 95% 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)	Certificate No. H5698-02
(Luzhu No.2 Plant) Other Western Medicine Manufacturing Procedure (M01)	Certificate No. H5699-03
Boiler Steam Generation Procedure (M05)	Certificate 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:

Item	Description
(Luzhu Plant) Wastewater Treatment Specialist	Specialist in charge of Class A wastewater treatment, Certificate No. (110) Huan-Shu-Xun Certificate No. GA370448
(Luzhu Plant) Air Pollution Specialist	Specialist in charge of Class B air pollution prevention and control, Certificate No. (103) Huan-Shu-Xun Certificate No. FB040400
(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. (111) Huan-Shu-Xun Certificate No. HA080097
(Luzhu Plant) Toxic Chemical Treatment	Specialist in charge of Class A toxic chemical treatment, Certificate No. (112) Huan-Shu-Xun Certificate No. JA100251
(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) The Company’s and its subsidiaries’ employee welfare measures, continuing education, training, retirement system and implementation status, as well as the agreement between labor and management and the measures to safeguard employee rights and interests.

1. Welfare System

(1) Free group insurance for employees and their dependents (spouses and children) (including life insurance, medical insurance, accident insurance, and travel insurance for business trips), preferential group insurance for employees’ relatives, and occupational injury insurance.

(2) Performance bonuses, year-end bonuses and employee remuneration.

(3) Free annual health checkups, special operations health checkups, and executive health checkups.

(4) On-site nurses and monthly on-site physician health consultations.

(5) Breastfeeding room for female employees.

(6) Family Day and Year-end Party. Formosa Labs Family Day was held at Pushin Ranch on July 22, 2023.

(7) Fitness room, library, employee cafeteria, free employee car and motorcycle parking lot, and free employee dormitory for long-distance employees.

(8) Establishment of an Employee Welfare Committee, enjoying various employee benefits, including festival gift money/welfare funds, birthday gift money, birthday celebration activities, subsidies for employee gatherings (fellowship meetings), and subsidies for the establishment of clubs.

(9) Subsidies for employees' self-study degrees or language training, and scholarships for employees' children who are students.

(10) Employee Health Activities

   A. Seminars on smoking cessation, weight management, training courses on automated external defibrillators (AED) and cardiopulmonary resuscitation (CPR), and blood donation activities were held.

   B. Organized 2 blood donation activities and hiking activities.

   C. Organized health promotion activities such as group weight loss, individual fat loss competitions, chronic disease prevention, etc., with a total of 168 participants in 2023.

   D. Organized various health lectures such as aerobic exercise, nutrition, musculoskeletal injury prevention, hypertension and cardiovascular diseases, with a total of 364 participants.

   E. Family Day and Year-end Party. Formosa Labs Family Day was held at Pushin Ranch on July 22, 2023.

(11) Organized charity events, such as the Formosa Labs "2023 Love to Keep Warm in Winter - Good Meals for the Elderly" charity sale from December 11 to 22, 2023, with all proceeds donated to social welfare organizations; a movie screening of "Shaking the Mountains and the World" on December 9, 2023, to support domestic cultural enterprises with concrete actions, with a total of 149 participants.

(12) Held labor-management meetings every quarter to conduct two-way communication and negotiation with employees, with a total of 4 meetings held in 2023.

(13) Provided Employee Assistance Programs (EAPs) to assist employees in resolving work adaptation, organizational relationships and personal life emotional stress, and establish a work-life balance environment with physical

and mental care. A total of two EAP training sessions were held in 2023, with a total of 60 participants and 8 employees receiving counseling.

2. Employee Education and 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 2023 are as follows:

Item	Course Fee (NT$)	Course Hours	Attendance
Core	120,000	198	71
Professional	590,782	3,241	117
General knowledge	13,500	1,360	1,531
Labor safety and health	1,094,445	3,788	1,700
Administration	9,200	1,392	407
Total	1,827,927	9,979	3,826

3. Retirement System and Its Implementation

(1) New Retirement System

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, 2005. This applies to both new and existing employees who have opted for the new labor retirement system.

Starting from July 1, 2005, for those who choose the "Labor Pension Act", the pension payment and calculation methods are as follows:

A. Individual Retirement Pension Account

a. Monthly Pension:

- Employees aged 60 or above and with a seniority of 15 years or more under the "Labor Pension Act" may apply for a monthly pension.
- The principal and accumulated earnings in the employee's individual retirement pension account are used to calculate the amount of the monthly pension payment based on the annuity life table, average life expectancy, interest rates, etc.

b. Lump-Sum Pension:

- Employees aged 60 or above and with a seniority of 15 years or more under the "Labor Pension Act" may apply for a monthly pension.
- The principal and accumulated earnings in the employee's individual retirement pension account are received in a lump sum.

B. Annuity Insurance System: The payment amount is based on the provisions of the insurance contract.

C. For employees who choose to apply the retirement system under the "Labor Standards Act" and retain the seniority before the application of the "Labor Pension Act", the contribution rate of the labor retirement reserve is calculated based on factors such as the number of employees, wages, seniority, and turnover rate, and the labor retirement reserve is continued to be fully contributed within 5 years on a monthly basis in accordance with Article 56, Paragraph 1 of the "Labor Standards Act" to be used for the payment of retirement pensions.

(2) Old Retirement System

At the same time, the Company continues to calculate the seniority for the original employees who chose to apply the old retirement pension system in accordance with the provisions of the "Labor Standards Act", and retains the old seniority for the original employees who chose to apply the new retirement pension system. The Company has also established a Labor Retirement Reserve Supervisory Committee, contributing 2% of the total employee salaries each month as retirement pension, and depositing it in a special account at the Bank of Taiwan and handling employee retirement matters in the name of the Labor Retirement Reserve Supervisory Committee.

A. Employees of the Company who Meet one of the Following Conditions May Apply for Voluntary Retirement:

   a. Those who have served for 15 years or more and have reached the age of 55.

   b. Those who have served for 25 years or more.

   c. Those who have served for 10 years or more and have reached the age of 60.

B. The Provisions for the Payment of Employee Retirement Pensions Are as Follows:

   a. The standard for the base amount of retirement pension is the average salary for one month at the time of approved retirement.

   b. For each year of service, two base amounts are given; after 15 years, one base amount is given for each additional year, with a maximum total of 45 base amounts. Less than half a year is counted as half a year, and half a year or more is counted as one year.

c. For those who have lost their mental faculties or are physically disabled due to the performance of their duties, an additional 20% is given based on the previous provision.

d. The retirement pension for employees should be paid within 30 days from the date of the employee's retirement.

(3) Retirement Pension Contribution Status

A. For those who apply the new system under the "Labor Pension Act": The total contribution amount in 2023 was NT$23,145,671.

B. For those who apply the old system under the "Labor Standards Act": As of December 31, 2023, the recognized retirement pension expense was NT$35,326,017.

(4) In 2023, a total of 2 employees of the Company applied for retirement.

4. Agreement Between Labor and Management and Measures to Safeguard Employee Rights and Interests

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) Losses suffered as a result of labor disputes in the most recent year up to the publication date of the annual report (including the results of labor inspections showing violations of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, articles of law violated, content of violations, and content of dispositions) and disclosing an estimate of possible expenses that could be incurred currently and in the future and corresponding measures. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The Company was fined NT$50,000 on May 24, 2023 for violating Article 32, Paragraph 2 of the Labor Standards Act due to the results of a labor inspection.

(III) Measures to Protect the Work Environment and Personal Safety of Employees

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. Conduct regular fire drills and training sessions, which should include emergency response drills, advanced emergency response drills with equipment, and emergency evacuation drills. Additionally, ensure that fire alarm tests are conducted on a routine basis. The Company conducts occupational safety and health education and training programs in accordance with regulations to establish crisis awareness and ensure that employees pay attention to their personal safety while performing their duties.

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.

1. 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.

2. Specific Measures in 2023

(1) Two "Social Engineering Online Information Security Lectures" were held, with the participants being the Company's managers at the associate manager level (inclusive) and above and colleagues involved in business and cash flow related matters, with a total of 100 participants and a total of 100 class hours.

(2) Social engineering drills were conducted in January and December 2023. During the test period on working days, social engineering drill emails were sent to managers at the manager level (inclusive) and above, colleagues involved in business and cash flow related matters, and 2-3 randomly selected employees from each unit. In addition to strengthening employees' information security concepts, the results of the drills can be used to understand the effectiveness of information security measures and the areas that need to be strengthened.

(3) Completed regular review of the validation status of computer systems. Based on the annual review and evaluation items, it is determined whether re-validation is required. The evaluation conclusions are recorded in the computer system validation status review form. If re-validation is required, it is added to the main validation plan for the year for tracking and management to ensure that the computer systems comply with GAMP5 regulations.

(4) Conducted access rights review for the company's important systems.

(5) Conducted two disaster recovery drills for the company's important systems.

3. The Company has resolved by the Board of Directors to establish a dedicated information security unit (Information Security Section) and formulate the "Information Security Policy". The Information Security Section has one dedicated information security supervisor and one dedicated information security personnel. The supervisor of the Information Security Section has reported the implementation of information security management in 2023 to the Board of Directors on November 10, 2023.

(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.

VII. Important Contracts

Contract Nature	Participants	Contract Start and end Dates	Main Contents	Restrictive Clauses
Sales Contract	Company AF	2009.09.04 - Automatic one-year extension upon expiration	Product supply	Non-disclosure agreement
Sales Contract	Company AG	2010.12.01 - 5 years after product launch	Product supply	Non-disclosure agreement
Sales Contract	Company AH	2011.04.11 - Annual automatic renewal	Product supply	Non-disclosure agreement
Sales Contract	Company AC	2010.12.31 - 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	2018.06.19-2023.06.19	Product supply	Non-disclosure agreement
Sales Contract	Company AJ	2019.01.21-2023.01.21 (Automatically extends every year by one year until someone terminates the contract.)	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

Contract Nature	Participants	Contract Start and end Dates	Main Contents	Restrictive Clauses
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 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
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

Contract Nature	Participants	Contract Start and end Dates	Main Contents	Restrictive Clauses
Sales Contract	Company AS	2023.05.04 - 5 years after product registration approval (automatically extended for an additional 2 years after expiration, until termination is requested by someone)	Product supply	Non-disclosure agreement
CDMO	Company BT	2020.04.01-2028.12.31	Product supply	Non-disclosure agreement
CDMO	Company BU	2020.04.01-2028.12.31	Development and product supply contract	Non-disclosure agreement
CDMO	Company BV	2023.07.20-	Development and product supply contract	Non-disclosure agreement
CDMO	Company BW	2024.01.01-2024.12.31	Development and product supply contract	Non-disclosure agreement
Medium-Term Loan	East Taoyuan Branch, Sunny Bank	2024.02.28-2025.05.20	Mortgage loan	Pledge of land and plant
Medium-Term Loan	East Taoyuan Branch, Sunny Bank	2024.02.28-2027.05.20	Mortgage loan	Pledge of machinery and equipment
Medium-Term Loan	Pateh Branch, Mega International Commercial Bank	2023.02.25-2026.02.24	Mortgage loan	Pledge of land and plant
Medium-Term Loan	Nankan Branch, E.SUN BANK	2024.02.06-2027.02.06	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	Business Department, O-Bank	2023.06.15-2025.06.14	Credit loan	None
Medium-Term Loan	Jianbei Branch, Taishin Bank	2023.07.31-2025.07.31	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	2023.08.30-2024.08.30	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

Item \ Year		Financial Data in the Most Recent 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,748,693	3,148,251	3,619,490	4,151,060	5,243,666
Property, plant and equipment		5,416,663	5,751,713	5,849,731	5,875,256	6,025,139
Intangible assets		276,586	268,264	247,600	222,929	204,431
Other assets		1,129,783	1,117,543	2,300,146	2,501,468	2,162,955
Total assets		9,571,725	10,285,771	12,016,967	12,750,713	13,636,191
Current liabilities	Before distribution	2,473,428	3,039,987	2,385,790	3,141,649	3,241,391
	After distribution	2,473,428	3,039,987	2,626,302	3,261,905	(Note 2)
Non-Current liabilities		2,641,009	1,960,067	2,029,012	1,812,791	2,184,599
Total liabilities	Before distribution	5,114,437	5,000,054	4,414,802	4,954,440	5,425,990
	After distribution	5,114,437	5,000,054	4,655,314	5,074,696	(Note 2)
Equity attributable to owners of the parent company		4,361,782	5,205,073	7,395,230	7,520,644	7,570,952
Capital stock		990,126	1,083,126	1,202,560	1,202,560	1,202,560
Capital surplus		2,383,852	2,732,630	3,503,382	3,514,488	3,552,070
Retained earnings	Before distribution	991,670	1,389,585	2,640,027	2,809,299	2,810,155
	After distribution	991,670	1,389,585	2,399,515	2,689,043	(Note 2)
Other equity		(3,866)	(268)	49,261	(5,703)	6,167
Treasury stock		-	-	-	-	-
Non-controlling interests		95,506	80,644	206,935	275,629	639,249
Total equity	Before distribution	4,457,288	5,285,717	7,602,165	7,796,273	8,210,201
	After distribution	4,457,288	5,285,717	7,361,653	7,676,017	(Note 2)

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

Note 2: 2023 earnings distribution has been approved by the board of directors on March 12 2024, pending approval by the shareholders' meeting of the year 2024.

2. Condensed Balance Sheet-Consolidated

Unit: NTD thousand

Year Item	Financial Data in the Most Recent 5 Years (Note)				
	2019	2020	2021	2022	2023
Operating revenue	2,759,591	3,075,457	3,142,406	3,765,504	4,360,448
Operating gross profit	825,264	945,170	971,444	1,390,192	1,923,329
Operating income	24,438	28,013	(168,017)	163,489	1,248,354
Non-operating revenue and expense	(64,644)	333,155	1,255,543	169,692	674,975
Net income before tax	(40,206)	361,168	1,087,526	333,181	(532,584)
Net income of going-concern operation unit	(41,062)	329,178	1,043,518	216,810	142,391
Loss from discontinued unit	-	-	-	-	-
Net income (loss)	(41,062)	329,178	1,043,518	216,810	(52,259)
Other comprehensive income (Net amount after tax)	(9,962)	1,455	44,256	(56,485)	345
Total comprehensive income	(51,024)	330,633	1,087,774	160,325	（51,914）
Net income attributable to owners of the parent company	11,631	400,034	1,249,096	409,359	126,243
Net income attributable to noncontrolling interests	(52,693)	(70,856)	(205,578)	(192,549)	(178,502)
Comprehensive income attributable to owners of the parent company	3,931	401,513	1,299,971	354,820	132,982
Comprehensive income attributable to non-controlling interests	(54,955)	(70,880)	(212,197)	(194,495)	(184,896)
EPS	0.12	3.78	10.92	3.40	1.05

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

(II) Condensed Balance Sheet and Comprehensive Income Statement Data- (Parent Company only)

1. Condensed Balance Sheet- Parent Company only

Unit: NTD thousand

Year Item		Financial Data in the Most Recent 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,648,850	3,084,611	3,383,636	3,704,202	3,947,649
Property, plant and equipment		5,409,795	5,743,770	5,844,675	5,871,964	6,020,386
Intangible assets		31,718	39,906	35,139	27,213	25,383
Other assets		1,271,078	1,237,267	2,480,679	2,752,171	2,693,211
Total assets		9,361,441	10,105,554	11,744,129	12,355,550	12,686,629
Current liabilities	Before distribution	2,461,570	2,996,461	2,382,939	3,126,588	3,000,900
	After distribution	2,461,570	2,996,461	2,623,451	3,246,844	(Note 2)
Non-Current liabilities		2,538,089	1,904,020	1,965,960	1,708,318	2,114,777
Total liabilities	Before distribution	4,999,659	4,900,481	4,348,899	4,834,906	5,115,677
	After distribution	4,999,659	4,900,481	4,589,411	4,955,162	(Note 2)
Equity attributable to owners of the parent company		4,361,782	5,205,073	7,395,230	7,520,644	7,570,952
Capital stock		990,126	1,083,126	1,202,560	1,202,560	1,202,560
Capital surplus		2,383,852	2,732,630	3,503,382	3,514,488	3,552,070
Retained earnings	Before distribution	991,670	1,389,585	2,640,027	2,809,299	2,810,155
	After distribution	991,670	1,389,585	2,399,515	2,689,043	(Note 2)
Other equity		(3,866)	(268)	49,261	(5,703)	6,167
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	4,361,782	5,205,073	7,395,230	7,520,644	7,570,952
	After distribution	4,361,782	5,205,073	7,154,718	7,400,388	(Note 2)

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

Note 2: 2023 earnings distribution has been approved by the board of directors on March 12 2024, pending approval by the shareholders' meeting of the year 2024.

2. Condensed Comprehensive Income Statement- Parent Company only

Unit: NTD thousand

Year / Item	Financial Data in the Most Recent 5 Years (Note)				
	2019	2020	2021	2022	2023
Operating revenue	2,787,690	3,108,083	3,169,023	3,804,145	4,346,290
Operating gross profit	829,494	953,145	979,438	1,417,409	1,908,531
Operating income	214,822	249,762	198,047	524,879	971,676
Non-operating revenue and expense	(173,179)	182,682	1,092,660	987	(672,645)
Net income before tax	41,643	432,444	1,290,707	526,866	299,031
Net income of going-concern operation unit	11,631	400,034	1,249,096	409,359	126,243
Loss from discontinued unit	-	-	-	-	-
Net income (loss)	11,631	400,034	1,249,096	409,359	126,243
Other comprehensive income (Net amount after tax)	(7,700)	1,479	50,875	(54,539)	6,739
Total comprehensive income	3,931	401,513	1,299,971	354,820	132,982
Net income attributable to owners of the parent company	11,631	400,034	1,249,096	409,359	126,243
Net income attributable to noncontrolling interests	-	-	-	-	-
Comprehensive income attributable to owners of the parent company	3,931	401,513	1,299,971	354,820	132,982
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
EPS	0.12	3.78	10.92	3.40	1.05

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
2019	PWC	Teng, 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
2023	PWC	Yen, Yu-Fang, Teng, Sheng-Wei	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				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt ratio	53.43	48.61	36.74	38.86	39.79
	Long term fund to property, plant and equipment ratio	131.05	125.98	164.64	163.55	172.52
Liquidity Analysis (%)	Current ratio	111.13	103.56	151.71	132.13	161.77
	Quick ratio	56.24	52.76	79.66	78.30	109.12
	Interest coverage ratio	(0.40)	13.66	39.77	18.25	5.10
Operating Performance Analysis	Account receivable turnover (times)	3.17	3.69	4.03	4.63	4.81
	Average collection days	115	99	91	79	76
	Inventory turnover (times)	1.12	1.21	1.14	1.13	1.24
	Average payables turnover (times)	7.77	8.95	10.53	12.13	12.48
	Average inventory turnover days	326	302	320	323	295
	Property, plant and equipment turnover (times)	0.59	0.55	0.54	0.64	0.73
	Total assets turnover(times)	0.30	0.31	0.29	0.30	0.33
Profitability	ROA (%)	(0.14)	3.58	9.76	1.85	(0.13)
	ROE (%)	(0.91)	6.76	16.19	2.82	(0.65)
	Net income before tax to paid-up capital ratio (%)	(4.06)	33.34	90.43	27.71	11.84
	Net margin (%)	(1.49)	10.70	33.21	5.76	(1.20)
	EPS (NTD)	0.12	3.78	10.92	3.40	1.05
Cash Flow	Cash flow ratio (%)	11.61	15.63	13.04	20.47	25.50
	Cash flow adequacy ratio (%)	42.48	41.34	23.95	29.13	51.85
	Cash reinvestment ratio (%)	3.24	4.92	0.57	4.07	5.62
Leverage	Operating leverage	42.45	41.48	(6.88)	9.65	3.37
	Financial leverage	(5.72)	(55.24)	0.86	1.13	1.05

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

1. Current ratio, quick ratio: Due to the cash capital increase of the subsidiary.
2. Interest coverage ratio, return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit margin and earnings per share: Due to the increase in non-operating income and expenses in 2022 due to financial asset valuation gains, and the decrease in net profit before tax and net profit after tax in 2023 compared to the same period, resulting in a decrease in various financial ratios.
3. Cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio: Due to the increase in net cash flow from operating activities in 2023.
4. Operating leverage: Caused by the increase in operating income and operating profit in 2023.

Note: Financial reports audited and certified by CPAs.

(II) Financial Analysis - Parent Company only Financial Statements

Analysis items / Year		Financial Analysis for the Most Recent 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt ratio	53.41	48.49	37.03	39.13	40.32
	Long term fund to property, plant and equipment ratio	127.54	123.77	160.17	157.17	160.88
Liquidity Analysis (%)	Current ratio	107.61	102.94	141.99	118.47	131.55
	Quick ratio	52.80	51.80	70.53	64.91	75.61
	Interest coverage ratio	2.59	16.22	50.94	29.69	10.73
Operating Performance Analysis	Account receivable turnover (times)	3.15	3.71	4.04	4.64	4.76
	Average collection days	116	98	90	79	77
	Inventory turnover (times)	1.12	1.21	1.14	1.14	1.24
	Average payables turnover (times)	7.86	9.05	10.62	12.19	12.48
	Average inventory turnover days	326	302	320	320	294
	Property, plant and equipment turnover (times)	0.60	0.56	0.55	0.65	0.73
	Total assets turnover(times)	0.32	0.32	0.29	0.32	0.35
Profitability	ROA (%)	0.21	4.38	11.66	3.52	1.11
	ROE (%)	0.27	8.36	19.83	5.49	1.67
	Net income before tax to paid-up capital ratio (%)	4.21	39.93	107.33	43.73	24.87
	Net margin (%)	0.42	12.87	39.42	10.76	2.9
	EPS (NTD)	0.12	3.78	10.92	3.40	1.05
Cash flow	Cash flow ratio (%)	19.19	22.33	27.91	30.51	33.82
	Cash flow adequacy ratio (%)	49.34	50.56	38.01	46.86	75.01
	Cash reinvestment ratio (%)	5.47	7.06	3.47	6.77	7.71
Leverage	Operating leverage	5.65	5.46	7.60	3.60	2.06
	Financial leverage	1.14	1.13	1.15	1.04	1.03

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

1. Interest coverage ratio, return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit margin and earnings per share: Due to the increase in non-operating income and expenses in 2022 due to financial asset valuation gains, and the decrease in net profit before tax and net profit after tax in 2023 compared to the same period, resulting in a decrease in various financial ratios.
2. Cash flow adequacy ratio: Due to the increase in net cash flow from operating activities in 2023.
3. Operating leverage: Caused by the increase in operating income and operating profit in 2023.

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. (1) Debt ratio= Total Liabilities / Total Assets
   2. (2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
2. Liquidity analysis
   1. (1) Current ratio = Current assets / Current liability
   2. (2) (Current Assets - Inventories - Prepaid expenses) / Current liability
   3. (3) Interest coverage ratio= net profit before interest and tax / interest expenses for the current period.
3. Operating Performance Analysis
   1. (1) Average collection turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
   2. (2) Average collection days = 365 / Receivable turnover ratio
   3. (3) Average inventory turnover = Cost of goods sold / Average inventory
   4. (4) Average payables turnover (times) (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
   5. (5) Average inventory turnover days= 365 / Average inventory turnover
   6. (6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net
   7. (7) Total assets turnover = Sales / Average total assets
4. Profitability
   1. (1) Rate of return on assets = [Profit + Interest expense x (1 - Tax rate)] / Average assets
   2. (2) Rate of return on equity = Profit / Average total Equity
   3. (3) Profit to sales = Profit / Sales
   4. (4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares
5. Cash flow
   1. (1) Cash flow ratio = Net cash provided by operating activities / Current liability
   2. (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
   3. (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. (1) Operating Leverage= (Net operating revenue – Variable cost and expense) / Operating income
   2. (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 158.

IV. Audited Financial Report of Last Fiscal Year

Please refer to this annual report pages 159 - 248.

V. Parent Company Only financial statements for the last fiscal year, audited and certified by CPAs

Please refer to this annual report pages 249 - 321.

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	2022	2023	Difference	
			Dollar amount	%
Current assets	4,151,060	5,243,666	1,092,606	26.32
Property, plant and equipment	5,875,256	6,025,139	149,883	2.55
Intangible assets	222,929	204,431	(18,498)	(8.30)
Other assets	2,501,468	2,162,955	(338,513)	(13.53)
Total assets	12,750,713	13,636,191	885,478	6.94
Current liabilities	3,141,649	3,241,391	99,742	3.17
Non-Current liabilities	1,812,791	2,184,599	371,808	20.51
Total liabilities	4,954,440	5,425,990	471,550	9.52
Equity attributable to owners of the parent company	7,520,644	7,570,952	50,308	0.67
Capital stock	1,202,560	1,202,560	0	0
Capital surplus	3,514,488	3,552,070	37,582	1.07
Retained earnings	2,809,299	2,810,155	856	0.03
Other equity	(5,703)	6,167	11,870	208.14
Non-controlling interests	275,629	639,249	363,620	131.92
Shareholders’ equity	7,796,273	8,210,201	413,928	5.31

Reasons for and impact of changes:
(The change before and after reaches 20% or more, and the amount of change reaches NT$10 million.)

1. Current ratio increase: Due to the capital increase in cash of the subsidiary.
2. The increase in the ratio of non-current liabilities: Due to the increase in long-term borrowings
3. The increase in the ratio of other equity: The primary reason for the increase in period-end gains of financial assets measured at fair value through other comprehensive gains and losses in 2023 was due to this factor.
4. The increase in the ratio of non-controlling interests: Due to the change in shareholding ratio resulting from the cash capital increase of subsidiaries.

II. Financial Performance

(I) Financial Performance for the Most Recent 2 Years

Unit: NTD thousand

Year / Items	2022	2023	Increase (Decrease) Dollar Amount	Variation (%)
Operating revenues	3,765,504	4,360,448	594,994	15.80
Operating cost	2,375,312	2,437,119	61,807	2.60
Operating gross profit	1,390,192	1,923,329	533,137	38.35
Operating expenses	1,226,703	1,248,354	21,651	1.76
Operating profit	163,489	674,975	511,486	312.86
Non-operating revenues and expenses	169,692	(532,584)	(702,276)	(413.85)
Earnings before tax	333,181	142,391	(190,790)	(57.26)
Income tax expense	116,371	194,650	78,279	67.27
Current period net profit	216,810	(52,259)	(269,069)	(124)
Other comprehensive income for the period (net)	(56,485)	345	56,830	100.61
Total comprehensive income for the period	160,325	(51,914)	(212,239)	(132.38)
Net income attributable to owners of the parent company	409,359	126,243	(283,116)	(69.16)
Net income attributable to non-controlling interests	(192,549)	(178,502)	14,047	7.30
Total comprehensive income attributable to owners of the parent company	354,820	132,982	(221,838)	(62.52)
Total comprehensive income attributable to non-controlling interests	(194,495)	(184,896)	9,599	4.94

Explanation of major 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 gross profit from operations and operating profit: The rise in operating income and gross profit margin in 2023 was the primary cause.
2. Decrease in non-operating income and expenses: Mainly due to the fact that in 2022, the stocks of the invested company EirGenix Inc. and other companies rose on the valuation date at the end of the year, resulting in an increase in the net loss from financial assets measured at fair value through profit or loss in 2023 compared to the same period.
3. Increase in income tax expense: The rise in operating profit in 2023 was the primary cause.
4. Increase in other comprehensive income (net): Mainly due to the increase in the gain from the evaluation of financial assets measured at fair value through other comprehensive income at the end of 2023.
5. Net profit after tax, net profit for the current period, total comprehensive income for the current period, net profit for the current period attributable to owners of the parent company, and total comprehensive income attributable to owners of the parent company: Mainly due to the fact that in 2022, non-operating

income and expenses increased due to the gain from the evaluation of financial assets, while the amount decreased in 2023 compared to the same period.

(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	2022	2023	Increase (Decrease) Dollar Amount	Variation (%)
Cash Flows from Operating Activities	643,086	826,600	183,514	29%
Cash Flows from Investing Activities	(540,721)	(1,257,426)	(716,705)	133%
Cash Flows from Financing Activities	447,945	700,144	252,199	56%
Major Change Project Description: (Changes of 50% or more between before and after, and the change amount reaches 5% of the actual paid-in capital) Investing activities: The cash outflow is generated from financial assets measured at amortized cost by subsidiaries. Financing activities: The main reason is due to an increase in the Company's long-term borrowings.				

(II) Plan to Improve Liquidity Deficiency: Not applicable.

(III) Analysis of Cash Flow Liquidity for the Next Year

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
1,526,013	404,580	(363,809)	1,566,784	-	-

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 capital expenditures of the Company and its subsidiaries for the year 2023 amounted to approximately NT$538,528 thousand, mainly for the payment of the remaining engineering fees for the construction of the Cholesterol Phosphate Binding Agent line and the injectable dosage form production line, the acquisition of related machinery and equipment for the CDMO business, as well as the replacement and maintenance of existing plant and equipment. 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) Reinvestment policy of the Company and its subsidiaries: The Company's reinvestment in other companies follows the "Investment Cycle" and "Procedures for Acquisition or Disposal of Assets" of the internal control system.

(II) Main Reasons for Profit or Loss and Improvement Plan

Unit: NT$ thousand

Investment Business Transfer	Profit or Loss of the Invested Company in 2023	Main Reasons for Profit or Loss	Improvement Plan
Formosa Pharmaceuticals Inc.	(347,734)	The Company is still in the stage of developing new drugs, and its products have not yet been launched for sale, resulting in continued losses.	1. The APP13007 R&D project has passed the new drug application review by the U.S. Food and Drug Administration (FDA) in March 2024, and was approved for marketing. For external licensing, APP13007 has successively completed the exclusive licensing with Grand Pharmaceutical Group Limited (China) in 2021 and Eyenovia, Inc. (USA) in 2023, and signed an exclusive licensing agreement with Cristália Produtos Químicos Farmacêuticos Ltda. for the Brazilian region in January 2024. 2. TSY-0110 R&D project 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

Investment Business Transfer	Profit or Loss of the Invested Company in 2023	Main Reasons for Profit or Loss	Improvement Plan
			from the R&D of TSY-0110. TSY0110 is currently in the late stage of preclinical development and is scheduled for clinical trials in 2024.
Epione Pharmaceuticals, Inc.	200	The Company is currently in the research and development phase of new drugs, which has led to ongoing financial losses.	Currently, the Company is focused on the application and development of biotechnology and new drugs, with an emphasis on discovering and exploring novel pharmaceuticals.
A.R.Z Taiwan Ltd.	(988)	Decline in commission business.	-
Epione Investment Cayman Limited	(5,246)	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	(5,078)	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	(5,046)	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.	3,902	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.	15,017	Increase in sales.	-

(III) Investment Plan for the Coming Year

The Company's reinvestment policy maintains a prudent attitude. If there are investment targets that can enhance the overall operational value of the Company, the feasibility and risks of such investments will be evaluated in accordance with the "Procedures for Acquisition or Disposal of Assets" and relevant regulations, and will be carried out after necessary resolution procedures.

VI. Risk Management and Assessment

(I) Impact of Changes in Interest Rates, Exchange Rates, and Inflation on the Company's Profits and Future Countermeasures

1. Changes in Interest Rates

In 2022 and 2023, the Company and its subsidiaries generated NT$2,144 thousand and NT$23,708 thousand in interest revenues, respectively, representing 0.06% and 0.54% of net operating income. Meanwhile, interest expenses for the same periods amounted to NT$19,319 thousand and NT$34,735 thousand, respectively, accounting for 0.51% and 0.8% 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. Effects of Changes in Foreign Exchange

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 foreign exchange gain in 2022 was NT$10,382 thousand, while the foreign exchange loss in 2023 was NT$65,776 thousand, mainly due to fluctuations in the US dollar to New Taiwan dollar exchange rate.

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 for Engaging in High-Risk, Highly Leveraged Investments, Lending Funds to Others, Endorsement Guarantees, and Derivative Product Transactions, as Well as the Main Reasons for Profits or Losses and Future Response Measures

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. The Company and its subsidiaries engage in lending funds to others in accordance with the policies and countermeasures established by the "Operational Procedures for Lending Funds to Others." All relevant operations have taken into consideration the risk situations and relevant regulations, and have been carried out prudently.

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 2023.

(III) Future Research and Development Plans and Projected R&D Expenditures

To enhance industrial competitiveness, the Company and its subsidiaries continue to engage in innovative research and development. The ratio of R&D expenditures to revenue in 2022 and 2023 is expected to be 20.64% and 19.31%, respectively. The Company expects that the R&D expenses invested in the future will remain above a certain amount. Among them, the Company has upgraded its API technology and services, extending the R&D and production of existing APIs to downstream formulations, and entering the R&D and manufacturing of injectable formulations. Currently, the Company has put into production general production lines and cytotoxic production lines. The Company also continues to pay attention to new drugs that will soon be launched, selecting items from them to expand the market of ADCs and injectable formulations. In addition, the Company's custom R&D and contract manufacturing business not only provides custom synthesis services for small molecule APIs for clinical use but also offers custom synthesis services for APIs of ADCs. Formosa Pharmaceuticals Inc., a subsidiary company, has successfully completed the new drug application review with the U.S. Food and Drug Administration (FDA) for its ophthalmic drug APP13007, which is currently under development, and has received approval for market launch in March 2024. In 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 2024. The estimated R&D expenses for 2024 are estimated to be approximately NT$1.18 billion.

(IV) The Impact of Important Domestic and Foreign Policy and Legal Changes on the Company's Financial Operations, and Corresponding 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) The Impact of Technological Changes (Including Information Security Risks) and Industrial Changes on the Company's Financial Operations, and Corresponding Measures

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. To promote information and communication security-related policies, implement incident reporting and related response handling, the Company and its subsidiaries regularly assess information and communication risks, conduct information and communication security education and training, and formulate auditing systems for information and communication security plans to implement information and communication security risk management.

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) The Impact of Corporate Image Changes on Corporate Crisis Management and Countermeasures

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, Potential Risks, and Countermeasures for Mergers and Acquisitions

The Company's merger and acquisition plans are prudently evaluated and the specific benefits are carefully considered in accordance with the Company's "Procedures for Acquisition or Disposal of Assets" and relevant laws and regulations, to effectively protect the interests of the Company and shareholders.

(VIII) Expected Benefits, Potential Risks, and Countermeasures for Plant Expansion

1. Expected Benefits

The Company's new production capacity for cholesterol phosphate binders is expected to come online by the end of 2023 to meet market demand, driving revenue growth in 2024. Additionally, the strong demand for antibody-drug conjugate (ADC) contract manufacturing, along with the ongoing development of injectable fill-finish services, will benefit from international regulatory inspections of the general and cytotoxic product lines in 2024, facilitating the development of injectable fill-finish business.

2. Potential Risks and Countermeasures

The Company's plant expansion aims to increase production capacity and product quality, while the injectable facility can also provide one-stop services to customers. To uphold the Company's commitment to quality, continuous efforts will be made to improve and enhance quality, thereby contributing to the reduction of operational risks.

(IX) Risks and Countermeasures for Concentrated Procurement or Sales

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 2022 and 2023, the Company's largest client accounted for 10.03% and 12.92% of annual sales, respectively, without exceeding 30%. As a result, there was no sales concentration risk.

(X) Directors, Supervisors, or Major Shareholders Holding More Than 10% of Shares, the Impact, Risks, and Countermeasures of Significant Transfers or Replacements of Their Shareholdings: None.

(XI) The Impact, Risks, and Countermeasures for the Company due to Changes in Management Control

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) Litigation or Non-litigation Matters

1. If there has been any material impact on shareholders' equity or the Company securities 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

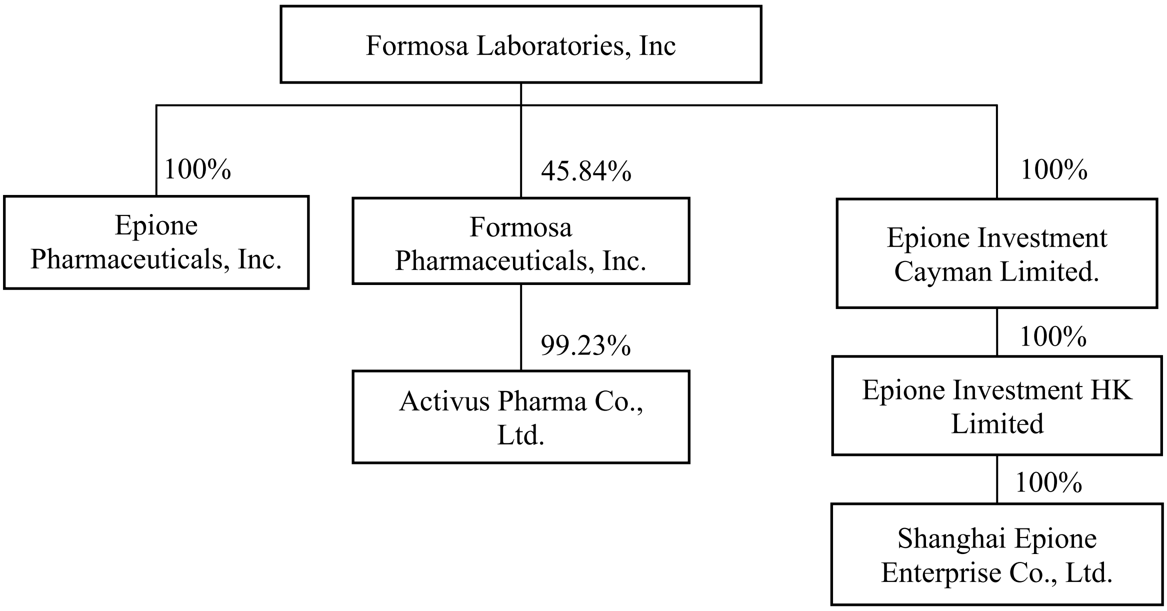
None.

Chspter 8 Special Disclosures

I. Summary of Affiliated Companies

(I) Affiliates' Organizational Chart

1. Affiliates' Organizational Chart



2. Information of Related Companies

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	1,341,421	Research and development of New drug
Epione Pharmaceuticals, Inc.	Dec. 02, 2015	36 Hoping Street, Luzhu, Taoyuan 338002, 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	18,482	Purpose of reinvestment
Epione Investment HK Limited	May. 17, 2011	21/F., Central 88, No.88 Des Voeus Road Central, Hong Kong	16,287	Purpose of reinvestment
Shanghai Epione Enterprise Co., Ltd	Aug. 24, 2011	Room 1009, Caobao Road, Minhang District Shanghai.	15,353	Wholesale, import and export agency of chemical raw materials and products.
Activus Pharma Co., Ltd.	Oct. 24, 2006	1-17-25 Kitamoto-cho, Funabashi City, Chiba Pref., 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 Overall Group's Business Operations and the Division of Labor

   The business operations of the overall affiliated companies mainly cover the research and development of new biotechnology drugs. Currently, the subsidiaries Epione Pharmaceuticals, Inc. and Activus Pharma Co., Ltd. are still in the new drug R&D stage. Although there are benefits from the division of labor among Epione Investment Cayman Limited, Epione Investment HK Limited, and Shanghai Epione Enterprise Co., Ltd., they are still in the process of applying for drug certificates, and their products have not yet been launched on the market, resulting in no revenue generated. Formosa Pharmaceuticals Inc. a subsidiary of the Company, is a biotechnology pharmaceutical company focused on developing new drugs in clinical stages for therapeutic areas such as ophthalmology and oncology. Formosa Pharmaceuticals Inc. has adopted a unique R&D strategy to build a diversified portfolio of R&D projects to mitigate the risks of new drug development, including the 505(b)(2) pathway, biosimilars, and new molecular entities.

5. Information of Directors, Supervisors and General Manager of the Company's Affiliates

Name of Business	Title	Name or Representative	Shareholding	
			Share Number (Shares)	Share Number (Shares)
Formosa Pharmaceuticals, Inc.	Chairman	Formosa Laboratories, Inc. (Representative: Cheng, Chen-Yu)	61,487,653	45.84
	Director	Formosa Laboratories, Inc. (Representative: Huang, Weng-Foung)	61,487,653	45.84
	Director	Jo Shen	543,268	0.40
	Director	Chang, Hong-Jen	0	0
	Director	CDIB Capital Healthcare Ventures II Limited Partnership	6,003,653	4.48
	Independent Director	Kang, Jaw-Jou	0	–
	Independent Director	Su, Yu-Hui	0	–
	Independent Director	Lo, Leah	1,000	0.00

Name of Business	Title	Name or Representative	Shareholding	
			Share Number (Shares)	Share Number (Shares)
	President	Erick Co	300,000	0.22
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	－
Epione Investment Cayman Limited	Director	Formosa Laboratories, Inc. (Representative: Cheng, Chen-Yu)	619,000	100
Epione Investment HK Limited	Director	Cheng, Chen-Yu	0	－
Shanghai Epione Enterprise Co., Ltd.	Executive Director	Lee, Chung-Hur	0	－
	Supervisor	Yu, Wen-Ying	0	－
	President	Cheng, I-Shih	0	－
Activus Pharma Co., Ltd.	Chairman	Cheng, Chen-Yu	0	－
	Director	Lee, Chien-Hung	0	－
	Director	Lin, Jinn-Yuan	0	－
	Director	Erick Co	0	－
	Supervisor	Lo, Yu-Chen	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)
Formosa Pharmaceuticals, Inc.	1,341,421	1,830,995	690,967	1,140,028	31,172	(279,880)	(347,734)	(2.40)
Epione Pharmaceuticals, Inc.	40,000	13,190	70	13,120	0	(216)	200	0.05
Epione Investment Cayman Limited	18,482	9,334	0	9,334	0	(164)	(5,246)	(8.47)
Epione Investment HK Limited	16,287	8,605	90	8,515	0	(29)	(5,078)	(9.33)
Shanghai Epione Enterprise Co., Ltd.	15,353	9,162	1,060	8,102	0	(5,351)	(5,046)	(Note)
Activus Pharma Co., Ltd.	24,795	104,781	3,016	101,765	0	(3,072)	3,902	1.57

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’s Review Report

2023 Business Report, Financial Statement (consolidated and parent company only financial statements) and Earnings Distribution of the Company submitted by the Board of the Directors, have been audited by CPA Yen, Yu-Fang, Teng, Sheng-Wei 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

2024 Annual Shareholders’ Meeting of Formosa Laboratories, Inc.

Audit Committee Convener: Chen, Yi-Fen

March 12, 2024

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter - inventory valuation

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

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

Other matter – Parent company only financial reports

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

internal control.

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

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

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

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

Yen, Yu-Fang	Teng, Sheng-wei

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

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

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

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

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

(Continued)

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

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

			Year ended December 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(22) and 7	$ 4,360,448	100	$ 3,765,504	100
5000	Operating costs	6(6)(26)(27) and 7	(2,437,119)	(56)	(2,375,312)	(63)
5900	Net operating margin		1,923,329	44	1,390,192	37
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(187,772)	(4)	(187,120)	(5)
6200	General and administrative expenses		(245,173)	(6)	(234,219)	(6)
6300	Research and development expenses		(841,872)	(19)	(777,016)	(21)
6450	Impairment gain (impairment loss)	12(2)	26,463	-	(28,348)	(1)
6000	Total operating expenses		(1,248,354)	(29)	(1,226,703)	(33)
6900	Operating profit		674,975	15	163,489	4
	Non-operating income and expenses					
7100	Interest income	6(23)	23,708	1	2,144	-
7010	Other income		6,881	-	2,551	-
7020	Other gains and losses	6(2)(24)	(534,000)	(12)	176,729	5
7050	Finance costs	6(25)	(34,735)	(1)	(19,319)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	5,562	-	7,587	-
7000	Total non-operating income and expenses		(532,584)	(12)	169,692	5
7900	**Profit before income tax**		142,391	3	333,181	9
7950	Income tax expense	6(28)	(194,650)	(4)	(116,371)	(3)
8200	**(Loss) profit for the year**		($ 52,259)	(1)	$ 216,810	6

(Continued)

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

			Year ended December 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss) for the year					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plans	6(17)	($ 6,414)	-	$ 531	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	12,995	-	(53,483)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	1,283	-	(106)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		7,864	-	(53,058)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(8,428)	-	(3,797)	-
8399	Income tax relating to the components of other comprehensive income	6(28)	909	-	370	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(7,519)	-	(3,427)	-
8300	**Total other comprehensive income (loss) for the year**		$ 345	-	($ 56,485)	(2)
8500	**Total comprehensive income for the year**		($ 51,914)	(1)	$ 160,325	4
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 126,243	3	$ 409,359	11
8620	Non-controlling interest		(178,502)	(4)	(192,549)	(5)
			($ 52,259)	(1)	$ 216,810	6
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 132,982	3	$ 354,820	9
8720	Non-controlling interest		(184,896)	(4)	(194,495)	(5)
			($ 51,914)	(1)	$ 160,325	4
	Earnings per share (in dollars)	6(29)				
9750	Basic earnings per share		$ 1.05		$ 3.40	
9850	Diluted earnings per share		$ 1.05		$ 3.39	

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

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

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

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

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

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

(Continued)

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

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

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

FORMOSA LABORATORIES, INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

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

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

After the merger, the Company is primarily engaged in the manufacturing and sales of active pharmaceutical ingredients, including medical active pharmaceutical ingredients and ultraviolet absorbers. The Company's shares were listed in the Taiwan Stock Exchange starting from March 1, 2011. As of December 31, 2023, the Company's authorised capital and paid-in capital were $1,600,000 and $1,202,560, respectively, with a par value of $10 (in dollars) per share.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

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

Note 1: In the second half of 2023, because Formosa Pharmaceuticals Inc.'s employees gradually exercised share options, the Group's shareholding ratio in Formosa Pharmaceuticals Inc. decreased to 45.84%. Refer to Note 6(30).

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

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

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

E. Significant restrictions: None.

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

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

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

Summarised financial information of the subsidiaries:

Balance sheets

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

Statements of comprehensive income

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

Statements of cash flows

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

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

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

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

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

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

(9) Financial liabilities at amortised cost

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

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

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

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

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

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

(15) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) Intangible assets

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

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

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

(18) Impairment of non-financial assets

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

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

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

(19) Borrowings

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

(20) Accounts and notes payable

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

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

(21) Financial liabilities at fair value through loss

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

(a) Hybrid (combined) contracts; or

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

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

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

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(25) Employee share-based payment

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

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

(26) Income tax

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

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

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

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

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

(27) Share capital

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

(28) Dividends

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

(29) Revenue recognition

A. Sales of goods

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

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

B. Research and development revenue

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

C. Revenue from licencing intellectual property

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

(30) Operating segments

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

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

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

Critical accounting estimates and assumptions

(1) Evaluation of inventories

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

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

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

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

(3) Revenue recognition

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $121,269 and $61,479 as at December 31, 2023 and 2022, respectively.

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

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

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $121,269 and $61,479, respectively.

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

(4) Financial assets at amortised cost

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

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

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

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company were $831,410 and $153,550, respectively.

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

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable, net

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

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

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

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $761,441.

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

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was $0 and $0, $948,175 and $798,849, respectively.

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

(6) Inventories

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

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

Current expenses related to inventories are as follows:

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

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

(7) Investments accounted for using equity method

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

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

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

(8) Property, plant and equipment

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2023												
Cost	$ 655,950	$ 1,598,236	$ 2,985,520	$ 97,668	$ 402,763	$ 217,964	$ 110,861	$ 16,782	$ 300,818	$ 2,526,641	$ 8,913,203	$ 59,705
Accumulated depreciation	-	(510,962)	(1,804,112)	(80,181)	(224,497)	(129,545)	(81,544)	(12,702)	(194,404)	-	(3,037,947)	-
	$ 655,950	$ 1,087,274	$ 1,181,408	$ 17,487	$ 178,266	$ 88,419	$ 29,317	$ 4,080	$ 106,414	$ 2,526,641	$ 5,875,256	$ 59,705
Year ended December 31, 2023												
Opening net book amount as at January 1	$ 655,950	$ 1,087,274	$ 1,181,408	$ 17,487	$ 178,266	$ 88,419	$ 29,317	$ 4,080	$ 106,414	$ 2,526,641	$ 5,875,256	$ 59,705
Additions (Note 2)	-	30,705	32,983	-	22,975	2,931	3,189	453	12,014	395,931	501,181	61,586
Transfers (Note 4)	-	749,066	235,076	-	30,443	4,672	5,082	-	25,015	(965,750)	83,604	(94,421)
Reclassifications	-	-	(279)	-	279	-	-	-	-	-	-	-
Depreciation charge	-	(73,923)	(259,332)	(1,998)	(43,925)	(15,560)	(9,509)	(770)	(29,885)	-	(434,902)	-
Closing net book amount as at December 31	$ 655,950	$ 1,793,122	$ 1,189,856	$ 15,489	$ 188,038	$ 80,462	$ 28,079	$ 3,763	$ 113,558	$ 1,956,822	$ 6,025,139	$ 26,870
At December 31, 2023												
Cost	$ 655,950	$ 2,377,114	$ 3,248,782	$ 97,668	$ 450,144	$ 225,567	$ 118,906	$ 15,696	$ 337,484	$ 1,956,822	$ 9,484,133	$ 26,870
Accumulated depreciation	-	(583,992)	(2,058,926)	(82,179)	(262,106)	(145,105)	(90,827)	(11,933)	(223,926)	-	(3,458,994)	-
	$ 655,950	$ 1,793,122	$ 1,189,856	$ 15,489	$ 188,038	$ 80,462	$ 28,079	$ 3,763	$ 113,558	$ 1,956,822	$ 6,025,139	$ 26,870

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

Note 2: Including capitalised interests.

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

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

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

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

Note 2: Including capitalised interests.

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

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

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

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

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

(9) Intangible assets

	2023				
		Professional expertise			
	Goodwill	APP13007 Ophthalmic anti-inflammatory agents	APP13002 Antibiotic medicament for eyes	Computer software	Total
At January 1					
Cost	$ 82,166	$ 231,912	$ 1,408	$ 94,091	$ 409,577
Accumulated amortisation and impairment	(51,622)	(68,209)	(484)	(66,333)	(186,648)
	$ 30,544	$ 163,703	$ 924	$ 27,758	$ 222,929
Opening net book amount as at January 1	$ 30,544	$ 163,703	$ 924	$ 27,758	$ 222,929
Additions	-	-	-	1,978	1,978
Reclassifications (Note)	-	-	-	4,409	4,409
Amortisation charge	-	(16,370)	(84)	(8,374)	(24,828)
Net exchange differences	-	-	(57)	-	(57)
Closing net book amount as at December 31	$ 30,544	$ 147,333	$ 783	$ 25,771	$ 204,431
At December 31					
Cost	$ 82,166	$ 231,912	$ 1,303	$ 100,282	$ 415,663
Accumulated amortisation and impairment	(51,622)	(84,579)	(520)	(74,511)	(211,232)
	$ 30,544	$ 147,333	$ 783	$ 25,771	$ 204,431

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

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

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

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

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

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

C. Goodwill is allocated to the Group’s cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on the value in use which was calculated from the expected economic income of related research and development projects. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are operating profit margin, growth rate and discount rate. Management determined budgeted net operating profit margin based on its expectations of market development. The assumptions used for growth rates are based on expectations of industry; the assumption used for discount rate is the weighted average capital cost of the same industry. For the years ended December 31, 2023 and 2022, the discounts rates were 18.51% and 17.90%, respectively.

(10) Other non-current assets

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

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

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

(11) Financial liabilities at amortised cost

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

On April 18, 2022, the Group and EirGenix Inc. entered into a new medicine development revenue share agreement for TSY-0110 (EG12043) (the ‘product’) to replace the previous signed development and manufacturing related collaboration contract. During the development stage, the raw material of the product shall be provided at a reasonable market price by EirGenix Inc. The Group shall be responsible for the research and development of the product and the implementation of production and manufacturing after the development of the product has been completed. Both parties can launch the product in the global market and shall be entitled to a 50% authorisation income on any revenue or income generated from the development and commercialization of the product. Under the agreement, the Group will share the future authorization income with EirGenix Inc. and is entitled to a consideration of US$30,000 thousand, which will be received in accordance with the schedule as specified in the contract. As of December 31, 2023, the Group has received US$2,000 thousand.

(12) Short-term borrowings

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

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

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

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

(13) Short-term notes and bills payable

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

(14) Other payables

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

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2023
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2023.2.25 ~ 2026.2.24 The principal will be repaid upon maturity.	2.08%	Note 2	$ 350,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2022.	2.20%	〃	34,415
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	2.00%	〃	15,500
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.25%	〃	36,750
	2022.7.28 ~ 2025.7.28 Quarterly and average repayment starting from April 2023.	2.25%	〃	28,700
	2023.8.4 ~ 2026.8.4 Quarterly and average repayment starting from May 2024.	2.25%	None	100,000
O-Bank Co., Ltd. (Note 1)	2023.6.15 ~ 2025.6.14 The principal will be repaid upon maturity.	2.15%	〃	200,000
DBS Bank Limited (Note 1)	2023.6.30 ~ 2025.6.30 The principal will be repaid upon maturity.	1.90%	〃	100,000
Taishin International Bank. (Note 1)	2023.7.31 ~ 2025.7.31 The principal will be repaid upon maturity.	2.20%	〃	200,000
CTBC Bank Co., Ltd. Tao-Yuan Branch (Note 1)	2023.2.28 ~ 2025.2.28 The principal will be repaid upon maturity.	2.18%	〃	100,000
TAICHUNG COMMERCIAL BANK Co., Ltd. LINKOU BRANCH (Note 1)	2023.11.30 ~ 2026.11.30 Quarterly and average repayment starting from February 2024.	2.20%	〃	100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	2.03%	〃	37,500
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from June 2023.	2.03%	〃	62,500
SUNNY BANK.	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	2.08%	Note 2	500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	2.08%	None	233,516
	2023.3.10 ~ 2026.3.10 (Note 1) The principal will be repaid upon maturity.	2.08%	〃	297,800
Bank of Panhsin	2023.9.1 ~ 2025.9.1 Starting from December 2023, $10 million will be repaid every quarter. The remaining balance shall be paid off in lump sum upon maturity.	2.24%	〃	90,000
				2,486,681
Less: Current portion (shown as other current liabilities)				(448,784)
				$ 2,037,897

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral		December 31, 2022
Mid-term and long-term bank borrowings					
Mega International Commercial Bank (Note 1)	2022.11.3 ~ 2025.2.24 The principal will be repaid upon maturity.	1.90%	Note 2	$	110,000
	2022.11.15 ~ 2025.2.24 The principal will be repaid upon maturity.	1.90%	〃		110,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2021.	1.95%	〃		48,182
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2019.12.19 ~ 2023.12.19 Quarterly and average repayment starting from March 2021.	1.75%	〃		32,667
	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	1.75%	〃		36,166
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.13%	〃		55,125
	2021.7.28 ~ 2025.7.28 Quarterly and average repayment starting from April 2023.	2.13%	〃		41,000
CTBC Bank Co., Ltd. Tao-Yuan Branch. (Note 1)	2022.2.28 ~ 2024.2.28 The principal will be repaid upon maturity.	2.15%	None		100,000
O-Bank Co., Ltd. (Note 1)	2022.7.4 ~ 2024.7.3 The principal will be repaid upon maturity.	1.98%	〃		100,000
Taishin International Bank. (Note 1)	2022.7.31 ~ 2025.1.31 The principal will be repaid upon maturity.	2.16%	〃		200,000
TAICHUNG COMMERCIAL BANK Co., Ltd.	2021.9.17 ~ 2024.9.17 Quarterly and average repayment starting from December 2021.	1.95%	〃		58,333
JihSun International Commercial Bank Co., Ltd.(Note 1)	2021.8.20 ~ 2024.8.12 The principal will be repaid upon maturity.	1.84%	〃		100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.91%	〃		87,500
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from June 2023.	1.91%	〃		100,000
SUNNY BANK.	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	1.83%	Note 2		500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	1.83%	None		280,000
	2021.12.28 ~ 2023.12.28 (Note 1) The principal will be repaid upon maturity.	1.83%	〃		297,800
					2,256,773
Less: Current portion (shown as other current liabilities)				(	619,017)
				$	1,637,756

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

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

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

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

(16) Pensions

A. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Defined contribution plans

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

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

(17) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Formosa Pharmaceuticals Inc.- Employee stock options	2022.03.09	6 hundred thousand shares	5 years	2~4 years' service

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

	2023		2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	540,000	$ 40.80	-	$ -
Options granted	-	-	600,000	40.80
Options expired	(50,000)	40.80	(60,000)	40.80
Options outstanding at December 31	490,000	$ 39.70	540,000	$ 40.80
Options exercisable at December 31	-	$ -	-	$ -

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

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

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

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

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

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

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

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

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

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

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

(18) Share capital

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

(19) Capital surplus

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

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

(20) Retained earnings

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

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

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

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

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

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

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

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

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

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

(21) Other equity items

	Year ended December 31, 2023		
	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Currency translation differences	Total
At January 1	$ 4,344	($ 10,047)	($ 5,703)
Valuation adjustment	15,508	-	15,508
Currency translation differences:			
–Subsidiaries and associates	-	(4,547)	(4,547)
–Tax on subsidiaries and associates	-	909	909
At December 31	$ 19,852	($ 13,685)	$ 6,167

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

(22) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

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

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

B. Contract assets and liabilities

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

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

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

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

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

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

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

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

(23) Interest income

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

(24) Other gains and losses

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

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

(25) Finance costs

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

(26) Expenses by nature

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

(27) Employee benefit expense

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

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

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $15,944 and $28,500, respectively; while directors' and supervisors' remuneration was accrued at $3,900 and $7,998, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2023, the Group has accrued the compensation and remuneration according to the profit of current year and the percentage range as regulated in the Company's Articles of Incorporation.

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

C. On March 9, 2023, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $28,500 and $7,998, respectively and the employees' compensation will be distributed in the form of cash.

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

(28) Income tax

A. Income tax expense

(a) Components of income tax:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

	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	〃
	2022	78,228	78,228	〃
		$ 234,625	$ 234,625	

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

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

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

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

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

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

December 31, 2023

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

December 31, 2022

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

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

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

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

(29) Earnings per share

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

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

(30) Transactions with non-controlling interest

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

A. On May 4, 2023, the Board of Directors of the subsidiary, Formosa Pharmaceuticals. Inc., approved the cash capital increase by issuing 20,500 thousand new shares. As the Group did not subscribe to the capital increase in proportion to its ownership percentage and the employees continuously exercised its stock options, the Group's shareholding ratio in this subsidiary decreased from 46.55% to 45.84%. The transaction increased non-controlling interest by $547,205 and increased the equity attributable to owners of parent by $36,470. For the year ended

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

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

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

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

(31) Supplemental cash flow information

Investing activities with partial cash payments

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

(32) Changes in liabilities from financing activities

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

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

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

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

(3) Significant related party transactions

A. Operating revenue

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

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

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

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

B. Purchases

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

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

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

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

D. Accounts receivable

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

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

E. Other receivables

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

F. Other payables

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

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

F. Financial liabilities at amortised cost

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

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

(4) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

12. OTHERS

(1) Capital management

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

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

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

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

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

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

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

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

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

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

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

Price risk

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

ii. The Group's investments in equity securities comprise equity instruments issued by domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $19,618 and $23,751, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased by $1,213 and $615, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arose from short-term notes and bills payable, short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which was partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

ii. For the years ended December 31, 2023 and 2022, if the borrowing interest rate increased by 0.1% (such as 1% increased to 1.1%) with all other variables held constant, the profit, net of tax for the years ended December 31, 2023 and 2022 would have decreased by $1,989 and $1,805, respectively. The main factor is that increases in interest expense result from floating rate borrowings.

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 76,455	Latest transaction prices in inactive market	Not applicable	-	Not applicable

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Refer to table 1.

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

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

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

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

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

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

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 4.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

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

(4) Major shareholders information

Major shareholders information: Refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

Year ended December 31, 2023

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

Year ended December 31, 2022

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

(4) Reconciliation for segment income (loss)

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

(5) Information on products and services

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

(6) Geographical information

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

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

(7) Major customer information

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals, Inc.	Other receivables due from related parties	Y	$ 50,000	$ -	$ -	-	2	$ -	Revolving funds	$ -	None	$ -	$ 757,095	$ 1,514,190	Note 2
1	Formosa Pharmaceuticals, Inc.	Activus Pharma Co., Ltd.	Other receivables-related parties	Y	5,000	5,000	2,984	3.119%	2	-	Revolving funds	-	None	-	342,009	399,010	Note 3

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

Note 2: The Company loans to others:

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

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

Note 2: Formosa Laboratories Japan loans to others:

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

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

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

December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note)	Turnover rate	Overdue receivables		Amount 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	$ 104,731	0.00	$ -	-	$ -	$ -

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai Epione Enterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	$ 15,353	Note 1	$ 6,939	$ 8,414	$ -	$ 15,353	($ 5,046)	100%	($ 5,046)	$ 8,102	$ -	Note 2

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
Note 2: The investment loss for the year ended December 31, 2023 is calculated based on the Company's financial statements which were audited by independent accountants.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Formosa Laboratories, Inc.	$ 56,291	$ 147,642	$ 4,542,571

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,808 thousand at the exchange rate of 30.705 and translated into $147,642.
Note 4: Ceiling on investments in Mainland China was calculated by the higher of the Company's net assets and 60% of consolidated net assets.
Note 5: The Company's accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was $40,938, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 8

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

FORMOSA LABORATORIES, INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

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

INDEPENDENT AUDITORS’ 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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 2023 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 2023 parent company only financial statements are stated as follows:

Key audit matter - inventory valuation

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 6(5) 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 in loss on decline in market value of expired or obsolete inventories. As the determination of impairment of inventories involves subjective judgement and estimation uncertainty and considering that the amount of inventories is significant to the financial statements, we identified the inventory valuation as a key audit matter.

How our audit addressed the matter

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

A. Obtained an understanding of the 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 matter - Impairment assessment of investments accounted for using equity method

Description

As of December 31, 2023, the amount of the Company’s reinvestment in Formosa Pharmaceuticals, Inc. was significant and the reinvestment generated goodwill. Refer to Notes 4(12) and (16) for details of related accounting policies, and Notes 5(2) and 6(6) 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, 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	Teng, Sheng-Wei

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

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023			December 31, 2022		
				AMOUNT	%		AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$	1,119,867	9	$	994,993	8
1110	Current financial assets at fair value through profit or loss	6(2) and 8		151,767	1		195,592	2
1170	Accounts receivable, net	6(4)		948,175	7		798,849	6
1180	Accounts receivable - related parties	7		15,260	-		22,808	-
1200	Other receivables			31,187	-		14,590	-
1210	Other receivables - related parties	7		997	-		598	-
130X	Inventory	6(5)		1,597,467	13		1,601,672	13
1410	Prepayments			81,330	1		72,967	1
1470	Other current assets			1,599	-		2,133	-
11XX	**Total current assets**			3,947,649	31		3,704,202	30
	Non-current assets							
1510	Financial assets at fair value through profit or loss - non-current	6(2)		1,808,766	14		2,177,551	18
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		94,009	1		61,479	-
1550	Investments accounted for under equity method	6(6)		582,853	5		273,688	2
1600	Property, plant and equipment	6(7) and 8		6,020,386	47		5,871,964	48
1755	Right-of-use assets			37,661	-		36,438	-
1780	Intangible assets			25,383	-		27,213	-
1840	Deferred income tax assets	6(25)		85,154	1		97,189	1
1900	Other non-current assets	6(7)(8) and 8		84,768	1		105,826	1
15XX	**Total non-current assets**			8,738,980	69		8,651,348	70
1XXX	**Total assets**		$	12,686,629	100	$	12,355,550	100

(Continued)

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

			December 31, 2023		December 31, 2022	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9) and 8	$ 1,434,000	11	$ 1,449,666	12
2110	Short-term notes and bills payable	6(10)	99,959	1	49,909	-
2130	Current contract liabilities	6(18) and 7	115,110	1	75,440	1
2150	Notes payable		1,017	-	1,017	-
2170	Accounts payable		202,109	2	186,473	2
2200	Other payables	6(11)	547,758	4	552,535	4
2220	Other payables to related parties	7	63	-	-	-
2230	Current income tax liabilities		98,702	1	141,374	1
2280	Current lease liabilities		20,749	-	19,597	-
2320	Long-term liabilities, current portion	8	448,784	3	619,017	5
2399	Other current liabilities		32,649	-	31,560	-
21XX	**Total current liabilities**		3,000,900	23	3,126,588	25
	Non-current liabilities					
2527	Non-current contract liabilities	6(18) and 7	16,565	-	16,989	-
2540	Long-term borrowings	6(12) and 8	2,037,897	16	1,637,756	14
2570	Deferred income tax liabilities	6(25)	19,858	-	19,695	-
2580	Non-current lease liabilities		17,086	-	17,030	-
2600	Other non-current liabilities	6(13)	23,371	1	16,848	-
25XX	**Total non-current liabilities**		2,114,777	17	1,708,318	14
2XXX	**Total liabilities**		5,115,677	40	4,834,906	39
	Share capital	1 and 6(14)				
3110	Common stock		1,202,560	10	1,202,560	10
	Capital surplus	6(15)				
3200	Capital surplus		3,552,070	28	3,514,488	28
	Retained earnings	6(16)				
3310	Legal reserve		485,958	4	444,979	4
3320	Special reserve		54,984	-	20	-
3350	Unappropriated retained earnings		2,269,213	18	2,364,300	19
	Other equity interest	6(17)				
3400	Other equity interest		6,167	-	(5,703)	-
3XXX	**Total equity**		7,570,952	60	7,520,644	61
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
	Significant Events after the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 12,686,629	100	$ 12,355,550	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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	$ 4,346,290	100	$ 3,804,145	100
5000	Operating costs	6(5)(23)(24)	(2,437,759)	(56)	(2,386,736)	(63)
5900	Gross profit		1,908,531	44	1,417,409	37
5920	Realized profit from sales		3,103	-	3,102	-
5950	Net operating margin		1,911,634	44	1,420,511	37
	Operating expenses	6(23)(24)				
6100	Selling expenses		(187,772)	(4)	(187,120)	(5)
6200	General and administrative expenses		(200,875)	(5)	(208,970)	(5)
6300	Research and development expenses		(577,774)	(13)	(471,194)	(12)
6450	Impairment gain (impairment loss) determined in accordance with IFRS 9	12(2)	26,463	-	(28,348)	(1)
6000	Total operating expenses		(939,958)	(22)	(895,632)	(23)
6900	Operating income		971,676	22	524,879	14
	Non-operating income and expenses					
7100	Interest income	6(19) and 7	11,223	-	1,654	-
7010	Other income	6(20) and 7	10,745	-	3,747	-
7020	Other gains and losses	6(2)(21)	(509,348)	(12)	178,199	5
7050	Finance costs	6(22)	(30,743)	-	(18,327)	(1)
7070	Share of loss of associates and joint ventures accounted for using equity method, net	6(6)	(154,522)	(3)	(164,286)	(4)
7000	Total non-operating income and expenses		(672,645)	(15)	987	-
7900	**Profit before income tax**		299,031	7	525,866	14
7950	Income tax expense	6(25)	(172,788)	(4)	(116,507)	(3)
8200	**Profit for the year**		$ 126,243	3	$ 409,359	11
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plan	6(13)	($ 6,414)	-	$ 531	-
8316	Unrealised gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	15,508	-	(53,483)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	1,283	-	(106)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		10,377	-	(53,058)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(4,547)	-	(1,851)	-
8399	Income tax relating to the components of other comprehensive loss	6(25)	909	-	370	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(3,638)	-	(1,481)	-
8300	**Total other comprehensive income (loss) for the year**		$ 6,739	-	($ 54,539)	(2)
8500	**Total comprehensive income for the year**		$ 132,982	3	$ 354,820	9
	Earnings per share (in dollars)	6(26)				
9750	Basic earnings per share		$	1.05	$	3.40
9850	Diluted earnings per share		$	1.05	$	3.39

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

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

			Capital Reserves		Retained Earnings			Other Equity Interest		
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Capital Surplus, changes in ownership interests in subsidiaries	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
2022										
Balance at January 1, 2022		$ 1,202,560	$ 3,083,576	$ 419,806	$ 319,935	$ 20	$ 2,320,072	($ 8,566)	$ 57,827	$ 7,395,230
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(16)									
Legal reserve		-	-	-	125,044	-	(125,044)	-	-	-
Cash dividends		-	-	-	-	-	(240,512)	-	-	(240,512)
Changes in ownership interests in subsidiaries	6(27)	-	-	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
2023										
Balance at January 1, 2023		$ 1,202,560	$ 3,083,576	$ 430,912	$ 444,979	$ 20	$ 2,364,300	($ 10,047)	$ 4,344	$ 7,520,644
Profit (loss) for the year		-	-	-	-	-	126,243	-	-	126,243
Other comprehensive income (loss)		-	-	-	-	-	(5,131)	(3,638)	15,508	6,739
Total comprehensive income (loss)		-	-	-	-	-	121,112	(3,638)	15,508	132,982
Appropriations and distribution of retained earnings:	6(16)									
Legal reserve		-	-	-	40,979	-	(40,979)	-	-	-
Special reserve		-	-	-	-	54,964	(54,964)	-	-	-
Cash dividends		-	-	-	-	-	(120,256)	-	-	(120,256)
Changes in ownership interests in subsidiaries	6(27)	-	-	37,582	-	-	-	-	-	37,582
Balance at December 31, 2023		$ 1,202,560	$ 3,083,576	$ 468,494	$ 485,958	$ 54,984	$ 2,269,213	($ 13,685)	$ 19,852	$ 7,570,952

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 299,031	$ 525,866
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	458,296	437,651
Amortisation	6(23)	9,158	11,753
Expected credit impairment (gain) loss	12(2)	(26,463)	28,348
Net losses (gains) on financial assets at fair value through profit or loss	6(21)	429,278	(178,832)
Interest expense	6(22)	30,743	18,327
Interest income	6(19)	(11,223)	(1,654)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	154,522	164,286
Unrealised (realised) gain on inter-affiliate accounts		(3,103)	(3,102)
Gain on disposal of property, plant and equipment	6(21)	(88)	(51)
Gain from lease modification	6(21)	(21)	(24)
Expenses transferred from prepayments for equipment (shown as other non-current assets)		5,049	12,801
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	2,586
Accounts receivable		(122,864)	(68,342)
Accounts receivable - related parties		7,548	(3,822)
Other receivables		(16,597)	14,311
Other receivables - related parties		(399)	77
Inventory		4,205	37,525
Prepayments		(8,363)	(9,202)
Other current assets		534	1,659
Other non-current assets		(1,251)	(231)
Changes in operating liabilities			
Current contract liabilities		39,670	(44,780)
Non-current contract liabilities		(424)	16,989
Notes payable		-	(619)
Accounts payable		15,636	(15,945)
Other payables		(28,833)	33,863
Other payables to related parties		63	-
Other current liabilities		1,089	11,327
Cash inflow generated from operations		1,235,193	990,765
Interest received		11,223	1,654
Interest paid		(30,352)	(16,742)
Income taxes paid		(201,064)	(21,728)
Net cash flows from operating activities		1,015,000	953,949

(Continued)

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

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		$ -	($ 14,976)
Proceeds from disposal of financial assets at fair value through profit or loss		7,333	142,756
Acquisition of investments accounted for using equity method		(429,740)	(233,229)
Received cash dividends from investments accounted for using equity method		65	45
Acquisition of property, plant and equipment (including capitalised interests)	6(28)	(474,772)	(380,940)
Proceeds from disposal of property, plant and equipment		88	51
Acquisition of intangible assets		(1,896)	(1,553)
Decrease (increase) in guarantee deposits paid		1,581	(1,078)
Increase in prepayments for business facilities (shown as other non-current assets)	6(7)	(60,227)	(57,488)
Prepayments for investments (shown as other non-current assets)		(52,025)	(38,895)
Net cash flows used in investing activities		(1,009,593)	(585,307)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term loans	6(29)	(15,666)	432,278
Increase (decrease) in short-term notes and bills payable	6(29)	50,050	(110,030)
Proceeds from long-term debt	6(29)	4,037,800	3,396,000
Repayments of long-term debt (including current portion)	6(29)	(3,807,892)	(3,331,080)
Payments of lease liabilities	6(29)	(24,569)	(25,743)
Cash dividends paid	6(16)	(120,256)	(240,512)
Net cash flows from financing activities		119,467	120,913
Net increase in cash and cash equivalents		124,874	489,555
Cash and cash equivalents at beginning of year		994,993	505,438
Cash and cash equivalents at end of year		$ 1,119,867	$ 994,993

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, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

Formosa Laboratories, Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in December 1995 and started its operations in the same year. The Company 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, 2023, the Company's authorised capital and paid-in capital were $1,600,000 and $1,202,560, respectively, with a par value of $10 (in dollars) per share.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. SUMMARY OF MATERIAL 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) Derecognition of financial liabilities

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

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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, 2023, the carrying amount of inventories was $1,597,467.

(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, 2023, the amount of commissioned service revenue recognised was $181,821.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash and cash on hand	$ 326	$ 534
Demand deposits	497,875	428,785
Foreign currency demand deposits	396,731	504,254
Time deposits	224,935	61,420
	$ 1,119,867	$ 994,993

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, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 28,285	$ 29,158
TOT Biopharm International Company Limited	51,262	52,940
Emerging stocks		
TaiRx, Inc.	15,085	16,484
	94,632	98,582
Valuation adjustment	57,135	97,010
	$ 151,767	$ 195,592
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks		
EirGenix, Inc.	$ 588,756	$ 588,756
Unlisted stocks		
HCmed Innovations Co., Ltd.	14,976	14,976
Forward BioT Venture Capital	24,000	-
AG Global Inc.	35,340	35,340
	663,072	639,072
Valuation adjustment	1,145,694	1,538,479
	$ 1,808,766	$ 2,177,551

A. The Company recognised net (loss) gain amounting to ($429,278) and $178,832 on financial assets at fair value through profit or loss for the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Unlisted stocks		
Oncomatryx Biopharma, S.L.	$ 57,135	$ 57,135
PHARMASTAR INC.	14,895	-
Valuation adjustment	21,979	4,344
	$ 94,009	$ 61,479

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 $94,009 and $61,479 as at December 31, 2023 and 2022, respectively.

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

	Year ended December 31,	
	2023	2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 15,508	($ 53,483)

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was $94,009 and $61,479, 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, 2023	December 31, 2022
Accounts receivable	$ 955,487	$ 832,623
Less: Allowance for uncollectible accounts	(7,312)	(33,774)
	$ 948,175	$ 798,849

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

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

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $761,441.

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

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was $948,175 and $798,849, respectively.

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

(5) Inventories

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

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

Current expenses related to inventories are as follows:

	Year ended December 31,	
	2023	2022
Cost of goods sold	$ 2,372,232	$ 2,236,114
(Gain on price recovery of inventory) loss on valuation decline and serapped inventory	(31,598)	74,772
Cost of services	98,341	76,907
Others	(1,216)	(1,057)
	$ 2,437,759	$ 2,386,736

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

(6) Investments accounted for using equity method

Accounted as assets (shown as "investments accounted for using equity method")	December 31, 2023	December 31, 2022
Formosa Pharmaceuticals, Inc.	$ 540,591	$ 239,553
Epione Investment Cayman Limited	9,334	5,790
A. R. Z Taiwan Limited	169	614
Epione Pharmaceuticals, Inc.	13,120	12,920
Formosa Laboratories Japan, Inc.	19,639	14,811
	$ 582,853	$ 273,688

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 for the information regarding the Company's subsidiaries.

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

(7) Property, plant and equipment

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2023												
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)	-
	$ 655,950	$ 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
Year ended December 31, 2023												
Opening net book amount as at January 1	$ 655,950	$ 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
Additions (Note 2)	-	30,705	32,983	-	20,805	2,931	3,189	-	12,014	395,931	498,558	60,227
Transfers (Note 4)	-	749,066	235,076	-	30,443	4,672	5,082	-	25,015	(965,750)	83,604	(93,062)
Reclassifications	-	-	(279)	-	279	-	-	-	-	-	-	-
Depreciation charge	-	(73,922)	(258,776)	(1,998)	(43,339)	(15,560)	(9,510)	(751)	(29,884)	-	(433,740)	-
Closing net book amount as at December 31	$ 655,950	$ 1,793,122	$ 1,187,907	$ 15,489	$ 185,667	$ 80,462	$ 28,079	$ 3,329	$ 113,558	$ 1,956,823	$ 6,020,386	$ 26,870
At December 31, 2023												
Cost	$ 655,950	$ 2,377,114	$ 3,244,885	$ 97,668	$ 446,659	$ 225,567	$ 118,906	$ 15,244	$ 337,484	$ 1,956,823	$ 9,476,300	$ 26,870
Accumulated depreciation	-	(583,992)	(2,056,978)	(82,179)	(260,992)	(145,105)	(90,827)	(11,915)	(223,926)	-	(3,455,914)	-
	$ 655,950	$ 1,793,122	$ 1,187,907	$ 15,489	$ 185,667	$ 80,462	$ 28,079	$ 3,329	$ 113,558	$ 1,956,823	$ 6,020,386	$ 26,870

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

Note 2: Including capitalised interests.

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

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

	Land	Buildings and structures (Note 3)	Machinery and equipment	Utilities equipment	Testing equipment	Pollution-prevention equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
At January 1, 2022												
Cost	$ 655,950	$ 1,575,057	$ 2,885,370	$ 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	-	(58,537)	(257,618)	(2,009)	(40,074)	(17,124)	(9,186)	(762)	(26,622)	-	(411,932)	-
Closing net book amount as at December 31	$ 655,950	$ 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
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)	-
	$ 655,950	$ 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.

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

	Year ended December 31,	
	2023	2022
Amount capitalised	$ 43,002	$ 33,498
Range of the interest rates for capitalisation	1.815%~1.8435%	1.159%~1.531%

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

(8) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for business facilities	$ 26,870	$ 59,705
Guarantee deposits paid (Note 1)	4,130	5,711
Prepayments for investment (Note 2)	52,025	38,895
Others	1,743	1,515
	$ 84,768	$ 105,826

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

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

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

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

(10) Short-term notes and bills payable

	December 31, 2023	December 31, 2022
Commercial paper payable	$ 100,000	$ 50,000
Less: Unamortized commercial paper payable	(41)	(91)
	$ 99,959	$ 49,909
Range of the interest rates	1.83%	2.1%

(11) Other payables

	December 31, 2023	December 31, 2022
Salaries and bonus payable	$ 210,706	$ 209,696
Payable on machinery and equipment	78,446	54,660
Accrued commission	42,785	36,160
Consumables payable	41,462	56,303
Repairs and maintenance expense payable	31,719	37,067
Utilities expense payable	20,970	17,401
Employees' compensation and directors' and supervisors' remuneration payable	19,844	36,498
Import and export charges payable	14,222	15,570
Pension payable	10,290	9,270
Service expenses payable	4,425	27,192
Others	72,889	52,718
	$ 547,758	$ 552,535

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2023
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2023.2.25 ~ 2026.2.24 The principal will be repaid upon maturity.	2.08%	Note 2	$ 350,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2022.	2.20%	〃	34,415
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	2.00%	〃	15,500
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.25%	〃	36,750
	2022.7.28 ~ 2025.7.28 Quarterly and average repayment starting from April 2023.	2.25%	〃	28,700
	2023.8.4 ~ 2026.8.4 Quarterly and average repayment starting from May 2024.	2.25%	None	100,000
O-Bank Co., Ltd. (Note 1)	2023.6.15 ~ 2025.6.14 The principal will be repaid upon maturity.	2.15%	〃	200,000
DBS (Note 1)	2023.6.30 ~ 2025.6.30 The principal will be repaid upon maturity.	1.90%	〃	100,000
Taishin International Bank. (Note 1)	2023.7.31 ~ 2025.7.31 The principal will be repaid upon maturity.	2.20%	〃	200,000
CTBC Bank Co., Ltd. Tao-Yuan Branch. (Note 1)	2023.2.28 ~ 2025.2.28 The principal will be repaid upon maturity.	2.18%	〃	100,000
TAICHUNG COMMERCIAL BANK Co., Ltd. (Note 1)	2023.11.30 ~ 2026.11.30 Quarterly and average repayment starting from February 2024.	2.20%	〃	100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	2.03%	〃	37,500
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from June 2023.	2.03%	〃	62,500
SUNNY BANK	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	2.08%	Note 2	500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	2.08%	None	233,516
	2023.3.10 ~ 2026.3.10 (Note 1) The principal will be repaid upon maturity.	2.08%	〃	297,800
BANK OF PANHSIN	2023.9.1 ~ 2025.9.1 Starting from December 2023, $10 million will be repaid every quarter. The remaining balance shall be paid off in lump sum upon maturity.	2.24%	〃	90,000
				2,486,681
Less: Current portion (shown as other current liabilities)				(448,784)
				$ 2,037,897

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Mid-term and long-term bank borrowings				
Mega International Commercial Bank (Note 1)	2022.11.3 ~ 2025.2.24 The principal will be repaid upon maturity.	1.90%	Note 2	$ 110,000
	2022.11.15 ~ 2025.2.24 The principal will be repaid upon maturity.	1.90%	〃	110,000
	2021.5.3 ~ 2026.5.3 Quarterly and average repayment starting from August 2021.	1.95%	〃	48,182
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	2019.12.19 ~ 2023.12.19 Quarterly and average repayment starting from March 2021.	1.75%	〃	32,667
	2020.9.15 ~ 2024.9.15 Quarterly and average repayment starting from December 2021.	1.75%	〃	36,166
	2021.3.30 ~ 2025.3.30 Quarterly and average repayment starting from June 2021.	2.13%	〃	55,125
	2021.7.28 ~ 2025.7.28 Quarterly and average repayment starting from April 2023.	2.13%	〃	41,000
CTBC Bank Co., Ltd. Tao-Yuan Branch. (Note 1)	2022.2.28 ~ 2024.2.28 The principal will be repaid upon maturity.	2.15%	None	100,000
O-Bank Co., Ltd. (Note 1)	2022.7.4 ~ 2024.7.3 The principal will be repaid upon maturity.	1.98%	〃	100,000
Taishin International Bank. (Note 1)	2022.7.31 ~ 2025.1.31 The principal will be repaid upon maturity.	2.16%	〃	200,000
TAICHUNG COMMERCIAL BANK Co., Ltd.	2021.9.17 ~ 2024.9.17 Quarterly and average repayment starting from December 2021.	1.95%	〃	58,333
JihSun International Commercial Bank Co., Ltd.(Note 1)	2021.8.20 ~ 2024.8.12 The principal will be repaid upon maturity.	1.84%	〃	100,000
CHANG HWA COMMERCIAL BANK, LTD.	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from December 2022.	1.91%	〃	87,500
	2021.7.9 ~ 2024.7.9 Quarterly and average repayment starting from June 2023.	1.91%	〃	100,000
SUNNY BANK	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2024.	1.83%	Note 2	500,000
	2022.5.24 ~ 2027.5.24 Quarterly and average repayment starting from May 2023.	1.83%	None	280,000
	2021.12.28 ~ 2023.12.28 (Note 1) The principal will be repaid upon maturity.	1.83%	〃	297,800
				2,256,773
Less: Current portion (shown as other current liabilities)				(619,017)
				$ 1,637,756

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

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

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

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

(13) 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, 2023	December 31, 2022
Present value of defined benefit obligations	$ 46,778	$ 41,148
Fair value of plan assets	(23,407)	(24,300)
Net defined benefit liability (shown as "other non-current liabilities")	$ 23,371	$ 16,848

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

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

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's 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 has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

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

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

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

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

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

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

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

B. Defined contribution 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 defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were $35,326 and $33,182, respectively.

(14) Share capital

As of December 31, 2023, 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.

(15) 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.

(16) 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 27, 2023 and June 23, 2022, the Company's shareholders resolved the appropriations of earnings for the years ended December 31, 2022 and 2021, as follows:

	Year ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 40,979		$ 125,044	
Special reserve	54,964		-	
Cash dividends	120,256	$ 1.00	240,512	$ 2.00
	$ 216,199		$ 365,556	

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

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 12,111	
Special reserve	(54,964)	
Cash dividends	240,512	$ 2.0
	$ 197,659	

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

(17) Other equity items

	Year ended December 31, 2023		
	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Currency translation differences	Total
At January 1	$ 4,344	($ 10,047)	($ 5,703)
Valuation adjustment	15,508	-	15,508
Currency translation differences:			
–Subsidiaries and associates	-	(4,547)	(4,547)
–Tax on subsidiaries and associates	-	909	909
At December 31	$ 19,852	($ 13,685)	$ 6,167

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

(18) Operating revenue

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers		
Sales revenue	$ 4,164,469	$ 3,589,016
Service revenue	181,821	215,129
	$ 4,346,290	$ 3,804,145

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, 2023		
	At a point in time	Over time	Total
India	$ 1,031,114	$ -	$ 1,031,114
Netherlands	577,197	-	577,197
Japan	310,006	1,971	311,977
Germany	306,894	-	306,894
Taiwan	182,114	112,983	295,097
Switzerland	284,488	(12,434)	272,054
United States	237,549	31,766	269,315
China	240,588	808	241,396
Canada	137,226	798	138,024
Others	857,293	45,929	903,222
	$ 4,164,469	$ 181,821	$ 4,346,290

	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

B. Contract assets and liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities	$ 131,675	$ 92,429	$ 120,220

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,	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 27,238	$ 101,291

(19) Interest income

	Year ended December 31,	
	2023	2022
Interest income from bank deposits	$ 11,223	$ 1,654

(20) Other income

	Year ended December 31,	
	2023	2022
Indemnities	$ 86	$ 58
Grant revenues	268	326
Income from managerial services	7,257	1,945
Others	3,134	1,418
	$ 10,745	$ 3,747

(21) Other gains and losses

	Year ended December 31,	
	2023	2022
Net currency exchange (losses) gains	($ 75,323)	$ 12,093
Net (losses) gains on financial assets at fair value through profit or loss	(429,278)	178,832
Gains on disposal of property, plant and equipment	88	51
Gains arising from lease modifications	21	24
Miscellaneous disbursements	(4,856)	(12,801)
	($ 509,348)	$ 178,199

(22) Finance costs

	Year ended December 31,	
	2023	2022
Interest expense:		
Bank borrowings	$ 73,185	$ 51,235
Others	560	590
	73,745	51,825
Less: Capitalisation of qualifying assets	(43,002)	(33,498)
Finance costs	$ 30,743	$ 18,327

(23) Expenses by nature

	Year ended December 31,	
	2023	2022
Employee benefit expense	$ 980,398	$ 944,605
Depreciation charges on right-of-use assets, property, plant and equipment	$ 458,296	$ 437,651
Amortisation charges on intangible assets and other non-current assets	$ 9,158	$ 11,753

(24) Employee benefit expense

	Year ended December 31,	
	2023	2022
Wages and salaries	$ 836,623	$ 813,425
Labour and health insurance fees	74,074	66,868
Pension costs	36,255	33,883
Directors' remuneration	6,670	8,886
Other personnel expenses	26,776	21,543
	$ 980,398	$ 944,605

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

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

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

C. On March 9, 2023, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $28,500 and $7,998, respectively and the employees' compensation will be distributed in the form of cash.

D. Information about employees' compensation and directors' and supervisors' remuneration of the 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.

(25) Income tax

A. Income tax expense

(a) Components of income tax:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	$ 168,622	$ 127,278
Tax on undistributed surplus earnings	-	14,244
Prior year income tax overestimation	(10,224)	(1,575)
Total current tax	158,398	139,947
Deferred tax:		
Origination and reversal of temporary differences	14,390	(23,440)
Income tax expense	$ 172,788	$ 116,507

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

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

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	$ 59,806	$ 105,173
Expenses disallowed by tax regulation	123,971	18,192
Tax exempt income by tax regulation	(759)	(19,519)
Prior year income tax overestimation	(10,224)	(1,574)
Tax on undistributed surplus earnings	-	14,244
Foreign withholding tax on dividends	(6)	(9)
Income tax expense	$ 172,788	$ 116,507

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

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised inventory valuation loss	$ 76,451	($ 13,679)	$ -	$ 62,772
Unrealised exchange loss	3,218	5,491	-	8,709
Amount of allowance for bad debts that exceed the limit for tax purpose	6,241	(6,241)	-	-
Pensions	3,689	-	1,283	4,972
Unrealised expenses	5,078	202	-	5,280
Cumulative translation adjustments	2,512	-	909	3,421
	97,189	(14,227)	2,192	85,154
—Deferred tax liabilities:				
Land revaluation increment	(17,529)	-	-	(17,529)
Foreign investment income	(2,166)	(163)	-	(2,329)
	(19,695)	(163)	-	(19,858)
	$ 77,494	($ 14,390)	$ 2,192	$ 65,296

	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

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(26) Earnings per share

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

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

(27) Transactions with non-controlling interest

A. On March 4, 2023, the Board of Directors of the subsidiary, Formosa Pharmaceuticals. Inc., approved the cash capital increase by issuing 20,500 thousand new shares. As the Group did not subscribe to the capital increase in proportion to its ownership percentage and the employees continuously exercised its stock options, the Group's shareholding ratio in this subsidiary decreased from 46.55% to 45.84%. The transaction increased non-controlling interest by

$547,205 and increased the equity attributable to owners of parent by $36,470. For the year ended December 31, 2023, the effects from changes in owner's equity of Formosa Pharmaceuticals. Inc. to owner's equity attributable to parent company were as follows:

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

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

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

(28) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	$ 498,558	$ 369,653
Add: Opening balance of payable on equipment	54,660	65,947
Less: Ending balance of payable on equipment	(78,446)	(54,660)
Cash paid during the year	$ 474,772	$ 380,940

(29) Changes in liabilities from financing activities

	2023				
	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	$ 1,449,666	$ 49,909	$ 2,256,773	$ 36,627	$ 3,792,975
Changes in cash flow from financing activities	(15,666)	50,050	229,908	(24,569)	239,723
Changes in other non-cash items	-	-	-	25,778	25,778
At December 31	$ 1,434,000	$ 99,959	$ 2,486,681	$ 37,836	$ 4,058,476

	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

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

(3) Significant related party transactions

A. Operating revenue

	Year ended December 31,	
	2023	2022
Sales of goods:		
Subsidiaries	$ 6,559	$ 24,393
Associates	73,301	63,628
Other related parties	21	-
	$ 79,881	$ 88,021

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

	Year ended December 31,	
	2023	2022
Sales of services:		
Subsidiaries	$ 10,456	$ 15,563
Other related parties	16,302	20,105
	$ 26,758	$ 35,668

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,	
	2023	2022
Purchases of goods:		
Other related parties	$ -	$ 11,190

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

C. Accounts receivable

	December 31, 2023	December 31, 2022
Subsidiaries	$ 3,426	$ 9,180
Associates	7,701	12,086
Other related parties	4,136	1,546
Loss allowance	(3)	(4)
	$ 15,260	$ 22,808

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, 2023	December 31, 2022
Current contract liabilities		
Formosa Pharmaceuticals. Inc.	$ 11,570	$ 19,665

C. Other income and other receivables

	December 31, 2023	December 31, 2022
Other receivables (Note)		
Subsidiaries	$ 969	$ 571
Associates	28	27
	$ 997	$ 598

Note: Other receivables arose from providing administrative resource management service provided, and the collection terms were based on the mutual agreement and collected according to the contract period. For the years ended December 31, 2023 and 2022, the Company recognised other income from subsidiaries and associates in the amounts of $1,894, $151 and $1,060, $98, respectively.

D. Other payables

	December 31, 2023	December 31, 2022
Other related parties	$ 63	$ -

(4) Key management compensation

	Year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	$ 65,542	$ 67,017
Post-employment benefits	1,287	1,243
	$ 66,829	$ 68,260

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Information about the appropriations of 2023 earnings of the Group is provided in Note 6(16)F.

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

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

12. OTHERS

(1) Capital management

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

	December 31, 2023	December 31, 2022
Total borrowings	$ 4,020,640	$ 3,756,348
Less: Cash and cash equivalents	(1,119,867)	(994,993)
Net debt	2,900,773	2,761,355
Total equity	7,570,952	7,520,644
Total capital	$ 10,471,725	$ 10,281,999
Gearing ratio	27.70%	26.86%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 1,960,533	$ 2,373,143
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 94,009	$ 61,479

	December 31, 2023	December 31, 2022
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,119,867	$ 994,993
Notes and accounts receivable (including related parties)	963,435	821,657
Other receivables due from related parties	32,184	15,188
Guarantee deposits paid (shown as "other non-current assets")	4,130	5,711
	$ 2,119,616	$ 1,837,549
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 1,434,000	$ 1,449,666
Short-term notes and bills payable	99,959	49,909
Notes and accounts payable	203,126	187,490
Other payables	547,821	552,535
Long-term borrowings (including current portion)	2,486,681	2,256,773
	$ 4,771,587	$ 4,496,373
Lease liability (including current portion)	$ 37,835	$ 36,627

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, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 48,852	30.705	$ 1,500,001
Non-monetary items			
USD:NTD	804	30.705	24,687
EUR:NTD	2,315	33.98	78,656
HKD:NTD	10,108	3.929	39,715
Financial liabilities			
Monetary items			
USD:NTD	1,645	30.705	50,510

	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

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, 2023 and 2022, amounted to ($75,323) and $12,093, respectively.

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

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 15,000	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	505	-

	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	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	893	-

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, 2023 and 2022 would have increased/decreased by $19,605 and $23,731, 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 $940 and $615, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The 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 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

ii. For the years ended December 31, 2023 and 2022, if the borrowing interest rate increased by 0.1% (such as 1% increased to 1.1%) with all other variables held constant, the profit, net of tax for the years ended December 31, 2023 and 2022 would have decreased by $1,989 and $1,805, respectively. The main factor is that increases in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the 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, the 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, 2023 and 2022, the balances of loss allowance were $195 and $174, respectively.

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

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

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

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

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

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

For provisioned loss on December 31, 2023 and 2022, the impairment (reversal) losses arising from customers' contracts are ($26,463) and $28,348, 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, 2023	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	$ 1,436,188	$ -	$ -	$ -
Short-term notes and bills payable	99,959	-	-	-
Notes payable	1,017	-	-	-
Accounts payable	202,109	-	-	-
Other payables (related parties)	547,821	-	-	-
Lease liability (including current portion)	21,217	9,377	5,858	2,161
Long-term borrowings (including current portion)	497,079	1,019,545	945,651	112,238
	$ 2,805,390	$ 1,028,922	$ 951,509	$ 114,399

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

(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, 2023 and 2022 are as follows:

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,918,749	$ -	$ 17,784	$ 1,936,533
Venture Fund	-	-	24,000	24,000
Financial assets at fair value through other comprehensive income - equity securities	-	-	94,009	94,009
Total	$ 1,918,749	$ -	$ 135,793	$ 2,054,542

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

(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 years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

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

	Equity securities and derivative instruments	
	2023	2022
At January 1	$ 76,455	$ 114,962
Recognised in profit or loss	2,808	-
Gains and losses recognised in other comprehensive income	17,635	(53,483)
Acquired during the year	38,895	14,976
At December 31	$ 135,793	$ 76,455

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, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 111,793	Latest transaction prices in inactive market	Not applicable	-	Not applicable
Venture Fund	$ 24,000	Net asset value	Not applicable	-	Not applicable

	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

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: Refer to table 3.

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

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

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 4.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

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

(4) Major shareholders information

Major shareholders information: Refer to table 8.

14. SEGMENT INFORMATION

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

FORMOSA LABORATORIES, INC.

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Formosa Laboratories, Inc.	Formosa Pharmaceuticals, Inc.	Other receivables due from related parties	Y	$ 50,000	$ -	$ -	-	2	$ -	Revolving funds	$ -	None	$ -	$ 757,095	$ 1,514,190	Note 2
1	Formosa Pharmaceuticals, Inc.	Activus Pharma Co., Ltd.	Other receivables-related parties	Y	5,000	5,000	2,984	3.119%	2	-	Revolving funds	-	None	-	342,009	399,010	Note 3

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

Note 2: The Company loans to others:

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

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

Note 2: Formosa Laboratories Japan loans to others:

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

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

FORMOSA LABORATORIES, INC.

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

December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC.

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

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC.

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

December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note)	Turnover rate	Overdue receivables		Amount 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	$ 104,731	0.00	$ -	-	$ -	$ -

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

FORMOSA LABORATORIES, INC.

Significant inter-company transactions during the reporting period

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

FORMOSA LABORATORIES, INC.

Information on investments in Mainland China

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai Epione Enterprise Co., Ltd.	Wholesale and import and export of chemical raw materials and products and commission agency	$ 15,353	Note 1	$ 6,939	$ 8,414	$ -	$ 15,353	($ 5,046)	100%	($ 5,046)	$ 8,102	$ -	Note 2

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

Note 2: The investment loss for the year ended December 31, 2023 is calculated based on the Company’s financial statements which were audited by independent accountants.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Formosa Laboratories, Inc.	$ 56,291	$ 147,642	$ 4,542,571

Note 3: The total investment amount approved by the Investment Commission, MOEA, was USD 4,808 thousand at the exchange rate of 30.705 and translated into $147,642.

Note 4: Ceiling on investments in Mainland China was calculated by the higher of the Company’s net assets and 60% of consolidated net assets.

Note 5: The Company’s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was $40,938, including investment in TOT Biopharm International Company Limited.

FORMOSA LABORATORIES, INC.

Major shareholders information

December 31, 2023

Table 8

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

FORMOSA LABORATORIES, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Function	Year ended December 31, 2023			Year ended December 31, 2022		
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	$ 519,184	$ 317,439	$ 836,623	$ 497,790	$ 315,635	$ 813,425
Labour and health insurance fees	45,812	28,262	74,074	41,759	25,109	66,868
Pension costs	21,587	14,668	36,255	20,722	13,161	33,883
Directors' remuneration	-	6,670	6,670	-	8,886	8,886
Other personnel expenses	14,790	11,987	26,777	13,151	8,392	21,543
	$ 601,373	$ 379,026	$ 980,399	$ 573,422	$ 371,183	$ 944,605
Depreciation	$ 369,312	$ 88,984	$ 458,296	$ 367,253	$ 70,398	$ 437,651
Amortisation	$ 5,602	$ 3,556	$ 9,158	$ 6,798	$ 4,955	$ 11,753

Note:

A. As at December 31, 2023 and 2022, the Company has an average of 874 and 837 employees, respectively, including 8 and 7 non-employee directors for both years.

B. (1) Average employee benefit expense in current year was $1,124 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 $1,127 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 $966 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 $980 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 (1%) ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).

(4) On June 23, 2022, the shareholders during their meeting set up an audit committee to replace the supervisor, and the annual remuneration of the supervisor in 2022 was $1.56 million.

(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.

Chairman: Cheng, Chen-Yu