

4747

**JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

For The Period from January 1, 2022 to June 30, 2022

And

For The Period from January 1, 2021 to June 30, 2021

Address: No.77 and No.79, Section 4, Sanhe Road, Sanchong Dist., New Taipei City, Taiwan, R.O.C
Telephone: 886-2-2989-4756

The reader is advised that these consolidated financial statements were prepared in Chinese originally. In the event of a conflict between these consolidated financial statements and the original Chinese version or a difference in interpretation between the two versions, the Chinese version of consolidated financial statements shall prevail.

**JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD.
AND SUBSIDIARY**

INDEX

Items	Pages
Cover	1
Index	2
Review Report of Independent Accountants	3-4
Consolidated Balance Sheets	5-6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Equity	8
Consolidated Statements of Cash Flows	9
Notes to Financial Statements	10-57
Attached Table	58-60

English Translation of a Report Originally Issued in Chinese

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To Johnson Chemical Pharmaceutical Works Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Johnson Chemical Pharmaceutical Works Co., Ltd. (the “Company”) and subsidiary as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the period from April 1, 2022 to June 30, 2022, period from April 1, 2021 to June 30, 2021, period from January 1, 2022 to June 30, 2022, and the period from January 1, 2021 to June 30, 2021, and the related consolidated statements of changes in equity and cash flows for the period from January 1, 2022 to June 30, 2022 and for the period from January 1, 2021 to June 30, 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as at June 30, 2022 and 2021, their consolidated financial performance for the period from April 1, 2022 to June 30, 2022, period from April 1, 2021 to June 30, 2021, period from January 1, 2022 to June 30, 2022, and the period from January 1, 2021 to June 30, 2021, and their cash flows for the period from January 1, 2022 to June 30, 2022, and the period from January 1, 2021 to June 30, 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

LIN, LI-HUANG
HSU, JUNG-HUANG
Ernst & Young, Taiwan
August 8, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants 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, Ernst & Young 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

June 30, 2022, December 31, 2021 and June 30, 2021

(June 30, 2022 and 2021 were unaudited)

(Expressed in thousands of New Taiwan Dollars)

	NOTES	As at		
		June 30, 2022	December 31, 2021	June 30, 2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4&6(1)	\$187,933	\$202,233	\$172,782
Notes receivable, net	4&6(3)	18,920	20,651	18,213
Accounts receivable, net	4&6(4)	81,035	70,984	71,174
Other receivables	4	880	970	885
Inventories, net	4&6(5)	135,005	146,476	143,792
Prepayments		5,322	4,555	4,908
Other current assets		1,054	624	238
Total current assets		430,149	446,493	411,992
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income, non-current	4&6(2)	16,105	15,411	20,091
Property, plant and equipment	4&6(6)&8	406,838	382,722	380,105
Investment property	4&6(7)	166,595	166,595	166,595
Intangible assets	4&6(8)	4,950	5,657	6,364
Deferred tax assets	4&6(17)	3,756	3,140	2,968
Refundable deposits		2,435	2,360	1,583
The net defined benefit asset	4&6(10)	4,999	4,769	6,636
Total non-current assets		605,678	580,654	584,342
TOTAL ASSETS		\$1,035,827	\$1,027,147	\$996,334

(The accompany notes are an integral part of consolidated financial statements)

(To be continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
June 30, 2022, December 31, 2021 and June 30, 2021
(June 30, 2022 and 2021 were unaudited)
(Expressed in thousands of New Taiwan Dollars)

	NOTES	As at		
		June 30, 2022	December 31, 2021	June 30, 2021
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	4&6(9)	60,000	80,000	80,000
Contract liabilities, current	4&6(12)	6,958	8,389	7,348
Notes payable	4	23	-	10
Accounts payable	4	42,367	34,991	27,269
Other payables	4	80,887	38,317	41,392
Current tax liabilities	4&6(17)	7,520	13,237	6,392
Other current liabilities		5,368	3,978	4,743
Total current liabilities		203,123	178,912	167,154
NON-CURRENT LIABILITIES				
Guarantee deposits received		240	-	-
Total non-current liabilities		240	-	-
TOTAL LIABILITIES		203,363	178,912	167,154
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY 6(11)				
Capital stock				
Common stock		300,188	300,188	300,188
Additional paid-in capital		400,856	400,856	400,856
Retained earnings				
Legal reserve		103,379	98,674	98,674
Special reserve		10,205	10,826	10,826
Unappropriated earnings		27,347	47,896	24,161
Total retained earnings		140,931	157,396	133,661
Other equity		(9,511)	(10,205)	(5,525)
TOTAL EQUITY		832,464	848,235	829,180
TOTAL LIABILITIES AND EQUITY		\$1,035,827	\$1,027,147	\$996,334

(The accompanying notes are an integral part of consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the three-month and six-month periods ended June 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars, except for earnings per share)
 (Unaudited)

ITEM	NOTES	For the three-month periods		For the six-month periods	
		ended June 30,	ended June 30,	ended June 30,	ended June 30,
		2022	2021	2022	2021
NET SALES	4&6(12)	\$116,557	\$98,855	\$226,959	\$204,640
COST OF GOODS SOLD	6(5)&6(14)	(71,536)	(56,143)	(137,356)	(119,387)
GROSS PROFIT		45,021	42,712	89,603	85,253
OPERATING EXPENSES	6(14)				
Sales and marketing expense		(18,852)	(17,597)	(37,859)	(37,611)
General and administrative expense		(5,983)	(6,255)	(12,160)	(13,191)
Research and development expense		(2,109)	(2,653)	(5,129)	(5,117)
Total operating expense		(26,944)	(26,505)	(55,148)	(55,919)
OPERATING INCOME		18,077	16,207	34,455	29,334
NON-OPERATING INCOME AND EXPENSES	6(15)				
Interest income		152	208	188	391
Other income		54	53	109	535
Other gains and losses		5	(17)	(191)	(166)
Finance costs		(344)	(233)	(578)	(611)
Total non-operating income and expense		(133)	11	(472)	149
INCOME BEFORE INCOME TAX		17,944	16,218	33,983	29,483
INCOME TAX EXPENSE	4&6(17)	(3,592)	(3,351)	(6,921)	(6,167)
NET INCOME		14,352	12,867	27,062	23,316
OTHER COMPREHENSIVE INCOME					
Not to be reclassified to profit or loss in subsequent periods					
Unrealized gains (losses) from equity instruments					
investments measured at fair value through					
other comprehensive income	4&6(16)	4,475	1,867	694	5,301
TOTAL OTHER COMPREHENSIVE INCOME		4,475	1,867	694	5,301
TOTAL COMPREHENSIVE INCOME		\$18,827	\$14,734	\$27,756	\$28,617
NET INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$14,352	\$12,867	\$27,062	\$23,316
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of the parent		\$18,827	\$14,734	\$27,756	\$28,617
EARNINGS PER SHARE (NTD)					
Basic earnings per share	6(18)	\$0.48	\$0.43	\$0.90	\$0.78
Diluted earnings per share	6(18)	\$0.48	\$0.43	\$0.90	\$0.78

(The accompanying notes are an integral part of consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six-month periods ended June 30, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)
(Unaudited)

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

	Retained earnings				Other equity		Total equity
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	
Balance as at January 1, 2021	\$300,188	\$400,856	\$92,048	\$8,829	\$67,104	\$(10,826)	\$858,199
Appropriation and distribution of 2020 retained earnings:							
Legal reserve	-	-	6,626	-	(6,626)	-	-
Special reserve	-	-	-	1,997	(1,997)	-	-
Cash Dividends	-	-	-	-	(57,636)	-	(57,636)
Net income for the six-month ended June 30, 2021	-	-	-	-	23,316	-	23,316
Other comprehensive income for the six-month ended June 30, 2021	-	-	-	-	-	5,301	5,301
Total comprehensive income	-	-	-	-	23,316	5,301	28,617
Balance as at June 30, 2021	\$300,188	\$400,856	\$98,674	\$10,826	\$24,161	\$(5,525)	\$829,180
Balance as at January 1, 2022	\$300,188	\$400,856	\$98,674	\$10,826	\$47,896	\$(10,205)	\$848,235
Appropriation and distribution of 2021 retained earnings:							
Legal reserve	-	-	4,705	-	(4,705)	-	-
Cash Dividends	-	-	-	-	(43,527)	-	(43,527)
Special reserve reversal	-	-	-	(621)	621	-	-
Net income for the six-month ended June 30, 2022	-	-	-	-	27,062	-	27,062
Other comprehensive income for the six-month ended June 30, 2022	-	-	-	-	-	694	694
Total comprehensive income	-	-	-	-	27,062	694	27,756
Balance as at June 30, 2022	\$300,188	\$400,856	\$103,379	\$10,205	\$27,347	\$(9,511)	\$832,464

(The accompanying notes are an integral part of consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended June 30, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)
(June 30, 2022 and 2021 were unaudited)

ITEM	For the six-month periods ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before tax	\$33,983	\$29,483
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation expense	7,804	6,487
Amortization expense	707	707
Interest expense	578	611
Interest income	(188)	(391)
Acquisition on disposal of property, plant and equipment	-	8
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	1,731	158
Decrease (increase) in accounts receivable	(10,051)	(2,678)
Decrease (increase) in other receivables	90	71
Decrease (increase) in inventories	11,471	14,127
Decrease (increase) in prepayments	(767)	(1,469)
Decrease (increase) in other current assets	(430)	(79)
Increase (decrease) in contract liabilities, current	(1,431)	2,469
Increase (decrease) in notes payable	23	10
Increase (decrease) in accounts payable	7,376	(24,751)
Increase (decrease) in other payables	(957)	2,381
Increase (decrease) in other current liabilities	1,390	(1,821)
Net defined benefit liabilities	(230)	(5,123)
Cash generated from operations	<u>51,099</u>	<u>20,200</u>
Interest received	188	391
Interest paid	(578)	(733)
Income tax paid	(13,254)	(7,744)
Net cash provided by operating activities	<u>37,455</u>	<u>12,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(31,920)	(27,284)
Increase in refundable deposits	(75)	(80)
Net cash used in investing activities	<u>(31,995)</u>	<u>(27,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term loans	(20,000)	(50,000)
Deposits received	240	-
Cash dividends paid	-	(57,636)
Net cash used in financing activities	<u>(19,760)</u>	<u>(107,636)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(14,300)</u>	<u>(122,886)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>202,233</u>	<u>295,668</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$187,933</u>	<u>\$172,782</u>

(The accompanying notes are an integral part of consolidated financial statements)

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For The Six-Month Periods Ended June 30, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

1. History and organization

Johnson Chemical Pharmaceutical Works Co., Ltd. (“the Company”) was incorporated in December 1966. On March 2, 2007, the Company changed its Chinese name upon approval by the stockholders. As at June 30, 2022, the capital of the Company was NT\$300,188 thousand. The main activities of the Company are manufacturing pharmaceutical ingredients, import and sell pharmaceutical materials and products.

The Company’s common shares were publicly listed on the Taipei Exchange (TPEX) on December 25, 2013. The Company’s registered office and the main business location are at No. 77 and No. 79, Section 4, Sanhe Road, Sanchong Dist., New Taipei City, Taiwan, R.O.C.

2. Date and procedures of authorization of consolidated financial statements for issue

The consolidated financial statements of the Company and its subsidiary (“the Group”) for the six-month periods ended June 30, 2022 and 2021 were authorized for issue by the Board of Directors on August 8, 2022.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Subsidiary is fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary is prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiary 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.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			June 30, 2022	December 31, 2021	June 30, 2021
The Company	Pei Jin International Co., Ltd.	Wholesale and retail of drugs and medicines	100%	100%	100%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for consolidated financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

Financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial liabilities or a group of financial assets and a financial liability is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition is accounted for as follows:

Raw materials - Purchase cost on a first in, first out basis.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3-50 years
Machinery and equipment	2-30 years
Transportation equipment	3-8 years
Office equipment	1-14 years
Other equipment	2-36 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(11) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(12) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the consolidated balance sheet and separately presents lease-related interest expense and depreciation charge in the consolidated statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The policy of intangible assets are described below :

Drug permit license was purchased and certificated from TFDA(Taiwan Food and Drug Administration) are stated at cost and amortised on a straight-line basis over their estimated useful lives of seven years.

(14) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or check of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is medical product and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts. Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected discounts.

The credit period of the Group's sale of goods is from 30 to 180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Post-employment benefits

All regular employees of the Company and its domestic subsidiary are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the the Company and its domestic subsidiary. Therefore fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Company and its domestic subsidiary will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company and its domestic subsidiary recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(17) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (b) In respect of taxable temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of deductible temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(18) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases, mortality rates and future pension increases.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are enough taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(4) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$55	\$55	\$55
Saving accounts	154,328	164,843	68,711
Checking accounts	1,650	935	1,616
Time deposits	31,900	36,400	102,400
Total	\$187,933	\$202,233	\$172,782

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

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

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Equity instrument investments measured at fair value through other comprehensive income – Non-current:			
Unlisted companies stocks	\$16,105	\$15,411	\$20,091

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income. The financial assets at fair value through other comprehensive income were not pledged.

(3) Notes receivables

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivables arising from operating activities	\$18,920	\$20,651	\$18,213
Less: loss allowance	-	-	-
Total	\$18,920	\$20,651	\$18,213

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(13) for more details on loss allowance and Note 12 for details on credit risk.

(4) Accounts receivables

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivables	\$84,090	\$74,039	\$74,229
Less: loss allowance	(3,055)	(3,055)	(3,055)
Total	\$81,035	\$70,984	\$71,174

Accounts receivables were not pledged.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Accounts receivables are generally on 30-180-day terms. The total carrying amount as at June 30, 2022, December 31, 2021 and June 30, 2021 were NT\$84,090 thousand, NT\$74,039 thousand and NT\$74,229 thousand, respectively. Please refer to Note 6(13) for more details on on loss allowance of accounts receivables for the six-month periods ended June 30, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

The net value of inventories as follows:

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Merchandise inventory	\$2,539	\$6,531	\$2,115
Raw materials	78,048	71,091	76,431
Supplies & parts	7,806	6,950	7,421
Work in progress	8,518	8,870	10,343
Finished goods	38,094	53,034	47,482
Total	<u>\$135,005</u>	<u>\$146,476</u>	<u>\$143,792</u>

The cost of inventories recognized in expenses as follows:

Items	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Cost of goods sold	\$68,108	\$56,095	\$133,755	\$118,305
Loss for market price decline and obsolete and slow-moving inventory	3,100	-	3,100	1,000
Gain on physical inventory	(47)	(42)	(74)	(103)
Loss on write-off inventory	375	90	575	185
Total	<u>\$71,536</u>	<u>\$56,143</u>	<u>\$137,356</u>	<u>\$119,387</u>

No inventories were pledged.

(6) Property, plant and equipment

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Owner occupied property, plant and equipment	<u>\$406,838</u>	<u>\$382,722</u>	<u>\$380,105</u>

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Owner occupied property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at January 1, 2022	\$265,096	\$89,323	\$96,560	\$15,746	\$95	\$74,028	\$16,657	\$557,505
Additions	-	-	972	200	-	798	29,950	31,920
Disposals	-	-	(438)	-	-	-	-	(438)
Reclassification	-	-	11,619	488	-	-	(12,107)	-
As at June 30, 2022	<u>\$265,096</u>	<u>\$89,323</u>	<u>\$108,713</u>	<u>\$16,434</u>	<u>\$95</u>	<u>\$74,826</u>	<u>\$34,500</u>	<u>\$588,987</u>
As at January 1, 2021	\$265,096	\$84,150	\$76,126	\$14,353	\$95	\$69,286	\$13,539	\$522,645
Additions	-	1,092	76	1,952	-	-	24,164	27,284
Disposals	-	-	-	(1,357)	-	(526)	-	(1,883)
Reclassification	-	3,251	2,309	707	-	2,824	(9,091)	-
As at June 30, 2021	<u>\$265,096</u>	<u>\$88,493</u>	<u>\$78,511</u>	<u>\$15,655</u>	<u>\$95</u>	<u>\$71,584</u>	<u>\$28,612</u>	<u>\$548,046</u>
Depreciation and impairment:								
As at January 1, 2022	\$-	\$58,228	\$64,646	\$10,099	\$89	\$41,721	\$-	\$174,783
Depreciation	-	1,826	1,964	848	3	3,163	-	7,804
Disposals	-	-	(438)	-	-	-	-	(438)
As at June 30, 2022	<u>\$-</u>	<u>\$60,054</u>	<u>\$66,172</u>	<u>\$10,947</u>	<u>\$92</u>	<u>\$44,884</u>	<u>\$-</u>	<u>\$182,149</u>
As at January 1, 2021	\$-	\$54,756	\$61,826	\$10,265	\$83	\$36,399	\$-	\$163,329
Depreciation	-	1,654	1,255	715	4	2,859	-	6,487
Disposals	-	-	-	(1,349)	-	(526)	-	(1,875)
As at June 30, 2021	<u>\$-</u>	<u>\$56,410</u>	<u>\$63,081</u>	<u>\$9,631</u>	<u>\$87</u>	<u>\$38,732</u>	<u>\$-</u>	<u>\$167,941</u>
Net carrying amount as at:								
June 30, 2022	<u>\$265,096</u>	<u>\$29,269</u>	<u>\$42,541</u>	<u>\$5,487</u>	<u>\$3</u>	<u>\$29,942</u>	<u>\$34,500</u>	<u>\$406,838</u>
December 31, 2021	<u>\$265,096</u>	<u>\$31,095</u>	<u>\$31,914</u>	<u>\$5,647</u>	<u>\$6</u>	<u>\$32,307</u>	<u>\$16,657</u>	<u>\$382,722</u>
June 30, 2021	<u>\$265,096</u>	<u>\$32,083</u>	<u>\$15,430</u>	<u>\$6,024</u>	<u>\$8</u>	<u>\$32,852</u>	<u>\$28,612</u>	<u>\$380,105</u>

Please refer to Note 8 for detail of the property, plant and equipment pledged as collaterals.

Components of building that have different useful lives are the main building structure, maintenance units, air conditioning units and others, which are depreciated over 40 to 50 years, 12 to 50 years, 8 to 20 years and 3 to 36 years, respectively.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(7) Investment property

The Company's investment properties own by the Group.

	Land
Cost:	
As at January 1, 2022	\$166,595
Transfers from property, plant and equipment	-
As at June 30, 2022	\$166,595
As at January 1, 2021	\$166,595
Transfers from property, plant and equipment	-
As at June 30, 2021	\$166,595
Depreciation and impairment:	
As at January 1, 2022	\$-
Depreciation	-
As at June 30, 2022	\$-
As at January 1, 2021	\$-
Depreciation	-
As at June 30, 2021	\$-
Net carrying amount as at:	
June 30, 2022	\$166,595
December 31, 2021	\$166,595
June 30, 2021	\$166,595

No investment property was pledged.

The company is located at Land, No 175, Ligong Section, Wujie Township, Yilan County. According to the article 46-1 of the Statute for Industrial Innovation, the construction was completed within 2 years after the announcement of idle land on January 30, 2020. The competent authority may impose a fine of less than 10% of the total current value of the announcement for the company who has not completed the construction. The company builded a solar energy generation system which under construction upon approval by the Board of Directors in November, 2021. The Ministry of Economic Affairs has approved to put off the construction which will completed until August 10, 2022.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties were NT\$211,486 thousand, NT\$211,486 thousand and NT\$180,594 thousand as at June 30, 2022, December 31, 2021 and June 30, 2021, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation method used is the compare approach, is supported by the evidence from the market.

(8) Intangible assets

	Drug permit license
Cost:	
As at January 1, 2022	\$9,900
Acquisitions through business combinations	-
As at June 30, 2022	\$9,900
As at January 1, 2021	\$9,900
Acquisitions through business combinations	-
As at June 30, 2021	\$9,900
Amortization and impairment:	
As at January 1, 2022	\$4,243
Amortization	707
As at June 30, 2022	\$4,950
As at January 1, 2021	\$2,829
Amortization	707
As at June 30, 2021	\$3,536
Net carrying amount as at:	
June 30, 2022	\$4,950
December 31, 2021	\$5,657
June 30, 2021	\$6,364

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Amortization expense of intangible assets under the statement of comprehensive income:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Operating expenses	\$354	\$354	\$707	\$707

(9) Short-term borrowings

	Interest Rates (%)	As at		
		June 30, 2022	December 31, 2021	June 30, 2021
Secured bank loans	1.43%	\$60,000	\$80,000	\$80,000

The Group's unused short-term lines of credits amount to NT\$140,000 thousand, NT\$120,000 thousand, and NT\$120,000 thousand, as at June 30, 2022, December 31, 2021, and June 30, 2021, respectively.

Please refer to Note 8 for more details on property, plant and equipment pledged as security for short-term borrowings.

(10) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2022, and 2021 were NT\$971 thousand and NT\$1,066 thousand, respectively. Expenses under the defined contribution plan for the six-month periods ended June 30, 2022 and 2021 were NT\$2,020 thousand and NT\$2,124 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended June 30, 2022 and 2021 were NT\$92 thousand and NT\$146 thousand, respectively. Expenses under the defined benefits plan for the six-month periods ended June 30, 2022 and 2021 were NT\$184 thousand and NT\$273 thousand, respectively.

(11) Equities

(a) Common stock

The Company's authorized and issued capital were NT\$700,000 thousand and NT\$300,188 thousand as at June 30, 2022, December 31, 2021 and June 30, 2021, respectively, each at a par value of NT\$10. Both are 30,019 thousand shares. Each share has one voting right and a right to receive dividends.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(b) Additional paid-in capital

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Gain on sale of assets	\$114,045	\$114,045	\$114,045
Stock issuance premium	286,811	286,811	286,811
Total	\$400,856	\$400,856	\$400,856

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- A. Payment of all taxes and dues
- B. Offset prior years' operation losses
- C. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
- D. Set aside or reverse special reserve in accordance with applicable laws and regulations
- E. The distribution of the remaining portion will be proposed by the Board of Directors and resolved in the proposal to the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that 0%-80% of the dividends to shareholders must be made in the form of shares and 20%-100% of the dividends must be made in the form of cash.

According to the Company Act, the Company must set aside legal reserve until such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or in cash in proportion to the number of shares being held by each shareholder.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved by the board of shareholders’ meeting on May 26, 2022 and May 17, 2021, respectively, were as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	2021	2020	2021	2020
Legal reserve	\$4,705	\$6,626		
Special reserve(reversal)	(621)	1,997		
Common stock - cash dividend	43,527	57,636	\$1.45	\$1.92

Please refer to Note 6(14) for further details on employees’ compensation and remuneration to directors and supervisors.

(12) Operating revenue

	<u>For the three-month periods ended June 30,</u>		<u>For the six-month periods ended June 30,</u>	
	2022	2021	2022	2021
Revenue from contracts with customers				
Sale of goods	\$113,169	\$96,034	\$221,390	\$198,941
Other operating revenues	3,388	2,821	5,569	5,699
Total	<u>\$116,557</u>	<u>\$98,855</u>	<u>\$226,959</u>	<u>\$204,640</u>

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Analysis of revenue from contracts with customers during the six-month periods ended June 30, 2022 and 2021 are as follows:

(a) Disaggregation of revenue

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	Single Department 2022	Single Department 2021	Single Department 2022	Single Department 2021
Sales of goods	\$113,169	\$96,034	\$221,390	\$198,941
Manufacturer revenue	3,388	2,821	5,569	5,699
Total	<u>\$116,557</u>	<u>\$98,855</u>	<u>\$226,959</u>	<u>\$204,640</u>
Timing of revenue recognition:				
At a point in time	<u>\$116,557</u>	<u>\$98,855</u>	<u>\$226,959</u>	<u>\$204,640</u>

(b) Contract balances

Contract liabilities, current

	As at			
	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Sales of goods	<u>\$6,958</u>	<u>\$8,389</u>	<u>\$7,348</u>	<u>\$4,879</u>

The significant changes in the Group's balances of contract liabilities for the six-month periods ended June 30, 2022 and 2021 are as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
The opening balance transferred to revenue	\$(346)	\$(2,393)	\$(3,220)	\$(5,549)
Increase in receipt in advance during the period (excluding the amount incurred and transferred to revenue during the period)	-	1,044	1,789	8,018

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(13) Expected credit losses

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Operating expenses – Expected credit losses				
Accounts receivable	\$-	\$-	\$-	\$-

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at June 30, 2022 and 2021 are as follow:

The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

June 30, 2022

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$101,636	\$981	\$-	\$124	\$85	\$184	\$103,010
Loss ratio	0~3%	5%	10%	50%	100%	100%	
Lifetime expected credit losses	(2,675)	(49)	-	(62)	(85)	(184)	(3,055)
Carrying amount of accounts receivable	\$98,961	\$932	\$-	\$62	\$-	\$-	\$99,955

December 31, 2021

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$92,865	\$-	\$1,303	\$254	\$251	\$17	\$94,690
Loss ratio	0~3%	5%	10%	50%	100%	100%	
Lifetime expected credit losses	(2,530)	-	(130)	(127)	(251)	(17)	(3,055)
Carrying amount of accounts receivable	\$90,335	\$-	\$1,173	\$127	\$-	\$-	\$91,635

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

June 30, 2021

	Not yet due		Overdue				Total
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$90,058	\$1,737	\$-	\$286	\$361	\$-	\$92,442
Loss ratio	0~3%	5%	10%	50%	100%	100%	
Lifetime expected credit losses	(2,464)	(87)	-	(143)	(361)	-	(3,055)
Carrying amount of accounts receivable	\$87,594	\$1,650	\$-	\$143	\$-	\$-	\$89,387

Note: The Group's notes receivable are not overdue.

The movement in the provision for impairment of notes and accounts receivable during the six-month periods ended June 30, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
Balance as at January 1, 2022	\$-	\$3,055
Addition/(reversal) for the current period	-	-
Write off	-	-
Balance as at June 30, 2022	<u>\$-</u>	<u>\$3,055</u>
Balance as at January 1, 2021	\$-	\$3,055
Addition/(reversal) for the current period	-	-
Write off	-	-
Balance as at June 30, 2021	<u>\$-</u>	<u>\$3,055</u>

(14) Summary statement of employee benefits, depreciation and amortization expenses by function during the three-month periods ended June 30, 2022 and 2021:

Items	For the three-month periods ended June 30,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$10,130	\$13,193	\$23,323	\$10,843	\$14,366	\$25,209
Labor and health insurance	1,175	1,106	2,281	1,228	1,264	2,492
Pension	549	514	1,063	637	575	1,212
Remuneration to directors	-	822	822	-	822	822
Other employee benefits expense	476	191	667	487	209	696
Depreciation	3,210	708	3,918	2,606	699	3,305
Amortization	-	354	354	-	354	354

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Items	For the six-month periods ended June 30,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$20,830	\$26,381	\$47,211	\$21,589	\$29,856	\$51,445
Labor and health insurance	2,569	2,233	4,802	2,576	2,488	5,064
Pension	1,181	1,023	2,204	1,225	1,172	2,397
Remuneration to directors	-	1,640	1,640	-	1,640	1,640
Other employee benefits expense	972	386	1,358	967	419	1,386
Depreciation	6,348	1,456	7,804	5,114	1,373	6,487
Amortization	-	707	707	-	707	707

- (a) According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be no less than 3% of profit of current year and no higher than 5% of profit of current year, respectively, recognized as the employees' compensation and remuneration to directors and supervisors for the three-month period ended June 30, 2022 amount to NT\$585 thousand and NT\$975 thousand, respectively. The estimation of the employees' compensation and remuneration to directors and supervisors for the six-month period ended June 30, 2022 were NT\$1,108 thousand and NT\$1,847 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the three-month period ended June 30, 2021 amount to NT\$528 thousand and NT\$881 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the six-month period ended June 30, 2021 amount to NT\$961 thousand and NT\$1,602 thousand, respectively. All the above estimation was based on profit of current year and under salary expenditure.

If the Board of Directors decides to distribute shares as employees' compensation, the number of shares distributed as share dividends will be calculated based on the closing price on day earlier than the date of the Board of Directors. The difference between the estimates and the figures decided at the Board of Directors will be recognized in profit or loss of the subsequent year.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

A resolution was passed at a Board of Directors meeting held on March 2, 2022 to distribute NT\$2,450 thousand and NT\$3,250 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2021, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021.

- (b) For the six-month period ended June 30, 2022 and 2021, the Group had average 159 and 163 employees, which included 8 and 6 non-employee directors, respectively.

(15) Non-operating income and expenses

- (a) Interest income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Interest income	\$152	\$208	\$188	\$391

- (b) Other income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Other gains	\$54	\$53	\$109	\$535

- (c) Other gains and losses

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Gain (losses) on disposal of property, plan and equipment	\$-	\$-	\$-	\$(8)
Foreign exchange (loss) gains, net	5	(17)	(62)	23
Other losses	-	-	(129)	(181)
Total	\$5	\$(17)	\$(191)	\$(166)

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(d) Finance costs

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Interest expense	\$(344)	\$(233)	\$(578)	\$(611)

(16) Components of other comprehensive income

For the three-month period ended June 30, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$4,475	\$-	\$4,475	\$-	\$4,475

For the six-month periods ended June 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$694	\$-	\$694	\$-	\$694

For the three-month period ended June 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$1,867	\$-	\$1,867	\$-	\$1,867

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

For the six-month periods ended June 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$5,301	\$-	\$5,301	\$-	\$5,301

(17) Income tax

The major components of income tax expense for the six-months ended June 30, 2022 and 2021 are as follows:

Income tax expense recognized in profit or loss

	<u>For the three-month periods ended June 30,</u>		<u>For the six-month periods ended June 30,</u>	
	2022	2021	2022	2021
Current income tax expense:				
Current income tax charge	\$4,254	\$3,355	\$7,528	\$6,396
Adjustment in respect of current income-tax of prior periods	9	10	9	10
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(671)	(14)	(616)	(239)
Total income tax expense	<u>\$3,592</u>	<u>\$3,351</u>	<u>\$6,921</u>	<u>\$6,167</u>

The assessments of income tax returns

As at June 30, 2022, the assessments of the income tax returns of the Company and its subsidiary are as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020.
Pei Jin International Co., Ltd.	Assessed and approved up to 2020.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(18) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	\$14,352	\$12,867	\$27,062	\$23,316
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	30,019	30,019	30,019	30,019
Basic earnings per share (NT\$)	\$0.48	\$0.43	\$0.90	\$0.78
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	\$14,352	\$12,867	\$27,062	\$23,316
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT\$)	\$14,352	\$12,867	\$27,062	\$23,316
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	30,019	30,019	30,019	30,019
Effect of dilution:				
Employee compensation - stock (in thousands)	31	7	83	52
Weighted average number of ordinary shares outstanding after dilution (in thousands)	30,050	30,026	30,102	30,071
Diluted earnings per share (NT\$)	\$0.48	\$0.43	\$0.90	\$0.78

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the consolidated financial statements.

7. Related party transactions

Significant transactions with the related parties

Key management personnel compensation

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$2,064	\$2,690	\$4,193	\$6,682
Post-employment benefits	75	102	150	204
Total	<u>\$2,139</u>	<u>\$2,792</u>	<u>\$4,343</u>	<u>\$6,886</u>

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount			Secured liabilities
	June 30, 2022	December 31, 2021	June 30, 2021	
Property, plant and equipment				
- land and buildings	<u>\$155,842</u>	<u>\$157,668</u>	<u>\$158,658</u>	Short-term secured loan

9. Significant contingencies and unrecognized contractual commitments

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

12. Others

(1) Categories of financial instruments

Financial assets

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through other comprehensive income	\$16,105	\$15,411	\$20,091
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	187,878	202,178	172,727
Notes receivables	18,920	20,651	18,213
Accounts receivables	81,035	70,984	71,174
Other receivables	880	970	885
Subtotal	288,713	294,783	262,999
Total	\$304,818	\$310,194	\$283,090

Financial liabilities

	As at		
	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$60,000	\$80,000	\$80,000
Accounts and other payables	123,277	73,308	68,671
Total	\$183,277	\$153,308	\$148,671

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the abovementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

The Group also uses certain credit enhancement tools (such as advance payment and insurance, etc.) when appropriate to reduce the credit risk of specific counterparties. No significant concentration of credit risk as assessed by the Group.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at June 30, 2022					
Borrowings	\$60,000	\$-	\$-	\$-	\$60,000
Accounts and other payables	123,277	-	-	-	123,277
As at December 31, 2021					
Borrowings	\$80,000	\$-	\$-	\$-	\$80,000
Accounts and other payables	73,308	-	-	-	73,308
As at June 30, 2021					
Borrowings	\$80,000	\$-	\$-	\$-	\$80,000
Accounts and other payables	68,671	-	-	-	68,671

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended June 30, 2022 and 2021:

	Short-term borrowings	Total liabilities from financing activities
As at January 1, 2022	\$80,000	\$80,000
Cash flows	(20,000)	(20,000)
As at June 30, 2022	<u>\$60,000</u>	<u>\$60,000</u>
As at January 1, 2021	\$130,000	\$130,000
Cash flows	(50,000)	(50,000)
As at June 30, 2021	<u>\$80,000</u>	<u>\$80,000</u>

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, trade receivables, accounts and other payables and other current liabilities approximate their fair value due to their short maturities.
- B. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- C. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement. Level 1, 2 and 3 inputs are described as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- 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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$16,105	\$16,105
	\$-	\$-	\$16,105	\$16,105

As at December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$15,411	\$15,411
	\$-	\$-	\$15,411	\$15,411

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

As at June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$20,091	\$20,091
	\$-	\$-	\$20,091	\$20,091

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2022	\$15,411
Total gains and losses recognized for the six-month period ended June 30, 2022:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	694
Ending balances as at June 30, 2022	\$16,105
Beginning balances as at January 1, 2021	\$14,790
Total gains and losses recognized for the six-month period ended June 30, 2021:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	5,301
Ending balances as at June 30, 2021	\$20,091

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

As at June 30, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's other comprehensive income NT\$2,309 thousand.
Stocks					

As at December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's other comprehensive income NT\$2,200 thousand.
Stocks					

As at June 30, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's other comprehensive income NT\$2,867 thousand.
Stocks					

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

As at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investment property (please refer to Note 6(7))	\$-	\$-	\$166,595	\$166,595

As at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investment property (please refer to Note 6(7))	\$-	\$-	\$166,595	\$166,595

As at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investment property (please refer to Note 6(7))	\$-	\$-	\$166,595	\$166,595

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

Financial provided: None.

Endorsement/guarantee provided: None.

Marketable securities held: Table 1 (attached).

Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.

Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.

Disposal of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Sales from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

Derivative transactions: None.

Intercompany relationships and significant intercompany transaction: No significant transaction.

(2) Information on investees: Table 2 (attached).

(3) Information on investments in mainland China: None.

(4) Information on major shareholders: Table 3 (attached).

14. Segment information

The Group's revenue mainly comes from medical product sales. The management monitors the operating results of its business units separately to make decisions about resource allocation and performance assessment. The accounting policy follows the same accounting policy referred to in Note 4.

Regional information

The Group has no foreign operating units. In addition, the Group's export sales accounts for less than 1% of its net sales, additional export sales information is not disclosed herein.

Important customer information

Because none of the Group's sales to a single customer accounts for more than 10% of its net sales, it is not required to disclose important customer information.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY

(Except for those mentioned particularly, the following amounts are expressed in NT\$ thousand dollar)

Attached Table 1: Securities held as at June 30, 2022 Unit: NT\$ thousand

Categories and names of securities	Relationship with securities' issuer	Accounts	Period end				Notes
			Number of shares (in thousand shares)	Carrying amount	Shareholding ratio (%)	Fair value (in dollars)	
Everhealth Pharma Biotech Iotech Co., Ltd.	The Company's Chairman of the Board is among this company's directors	Financial assets at fair value through other comprehensive income, non-current	474	\$696	2.95	1.47	
Johnpro Biotech Inc.	The Company is this company's directors of the juristic person	Financial assets at fair value through other comprehensive income, non-current Total	1,991	\$15,409 \$16,105	12.44	7.74	

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY

(Except for those mentioned particularly, the following amounts are expressed in NT\$ thousand dollar)

Investor company		Investee company	Address	Main businesses and products	Initial Investment		Investment as at June 30, 2022		Net income (loss) of investee company	Investment income (loss) recognized	Note
					Ending balance	Beginning balance	Percentage of ownership	Carrying amount			
Johnson Chemical Pharmaceutical Works Co., Ltd.	Pei Jin International Co., Ltd.	New Taipei City	Wholesale and retail of drugs and medicines	\$19,900	\$19,900	100.00%	\$12,160	\$130	\$(577)		

Unit: NT\$ thousand

Note 1 : If a public company has holding company in other country and had issued consolidated financial statement under local regulations,

about these investee could disclosed their holding company's relevant information.

Note 2 : If not belong to Note 1, filled in by the following rules:

- (1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.
- (2) In "Investees company net income" column should filled in each investee net income.
- (3) In "Share of Profits/Losses" column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss. Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY

(Except for those mentioned particularly, the following amounts are expressed in NT\$ thousand dollar)

Attached Table 3: Information on major shareholders

Major shareholders' name	Share				Shareholding ratio(%)
	Number of common shares	Number of preferred shares	Number of total shares	Share	
HUANG, BOR-HSUN	2,528,185	-	2,528,185		8.42
LIAO, KUO-AN	1,934,812	-	1,934,812		6.44
LIAO,JIING-CHYUAN	1,853,016	-	1,853,016		6.17
HUANG, MING-NO	1,548,978	-	1,548,978		5.16