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JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY

Consolidated Financial Statements

With Report Of Independent Accountants

For The Years Ended

December 31, 2022 And 2021

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

JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY

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Representation letter

The entities that are required to be included in the combined financial statements of Johnson Chemical Pharmaceutical Works CO., LTD. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 by the Financial Supervisory Commission, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Johnson Chemical Pharmaceutical Works CO., LTD. and Subsidiary do not prepare a separate set of combined financial statements.

Company name: Johnson Chemical Pharmaceutical Works CO., LTD.
Chairman: Huang, Pai-Hsiung
Date: March 1, 2023

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Independent Auditors' Report Translated from Chinese

To the Board of Directors and Stockholders of
Johnson Chemical Pharmaceutical Works CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of Johnson Chemical Pharmaceutical Works CO., LTD. (the "Company") and subsidiary as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiay as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and subsidiary in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements of Johnson Chemical Pharmaceutical Works CO., LTD. and subsidiary. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Trade receivable

Trade receivables and allowance for doubtful debts by the Company amounted to NT$97,775 thousand and NT$3,917 thousand as of December 31, 2022, respectively. The net amount of account receivables was approximately 9% of total assets and which is significant to the Company. Considering the assessment of allowance for doubtful debts reflected the credit risk of receivable, the appropriateness of provision policy required significant management judgement. We determined this as a key audit matter.

Our audit procedures include, but are not limited to, the following verification procedures: confirming the classification of the customers according to their different type of significant loss, reviewing the procedure of loss allowance assessment, evaluating the accuracy of aging intervals of receivables by verifying the aging schedule with the delivery notes selected in random sampling when we were performing the internal control testing procedure, testing the provision matrix including evaluating the appropriateness of aging intervals of receivables and the accuracy of the basic data by reviewing the original certificates, testing the related statistical information of loss rate based on the roll rate, considering the reasonableness of the forward looking information incorporating the loss rate, evaluating if the forward looking information has affected the loss rate. Additionally, reviewing the analytical procedure to assess if there is significant anomaly for account receivable turnover movements between the current and past periods. Review the collections of trade receivables during the subsequent period for customers with material trade receivable balances at the end of the period to evaluate the collectability of receivables.

We also assessed the adequacy of disclosures of the impairment of trade receivables. Please refer to Notes 5 and 6 to the consolidated financial statements.

Valuation of inventories

Net inventories by Johnson Chemical Pharmaceutical Works CO., LTD. and subsidiary amounted to NT$127,028 thousand, which was approximately 12% of total assets as of December 31, 2022 which is significant to the Group. Considering the shelf life of inventories dependent on the nature of product, and the assumption of allowance for inventories valuation losses for slow-moving inventories is complicated, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of the internal control of inventories which includes management of the material requisition and inventories aging, management method and assumption of slow-moving inventories, evaluating the appropriateness of allowance for slow-moving inventories and inspecting the record of stock movement on a random basis to evaluate the accuracy of inventories, evaluating the rationality of the allowance for inventories based on inventory aging, performing analytical procedure with respect to inventory balance, inventories turnover and gross margin by products.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 6 to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and subsidiary.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and subsidiary.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and subsidiary. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and subsidiary to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

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

/S/ LIN, LI-HUANG
/S/ HSU, JUNG-HUANG
Ernst & Young, Taiwan
March 1, 2023

<u>Notice to Readers</u>
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

December 31, 2022 and December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

		As at	
	NOTES	December 31, 2022	December 31, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4&6(1)	$168,471	$202,233
Notes receivable, net	4&6(3)	21,510	20,651
Accounts receivable, net	4&6(4)	93,858	70,984
Other receivables	4	919	970
Inventories, net	4&6(5)	127,028	146,476
Prepayments		2,176	4,555
Other current assets		565	624
Total current assets		414,527	446,493
NONCURRENT ASSETS			
Financial assets at fair value through other comprehensive income, non-current	4&6(2)	15,381	15,411
Property, plant and equipment	4&6(6)&8	592,171	382,722
Investment property	4&6(7)	-	166,595
Intangible assets	4&6(8)	4,243	5,657
Deferred tax assets	4&6(17)	2,958	3,140
Refundable deposits		2,574	2,360
The net defined benefit asset	6(10)	7,366	4,769
Total non-current assets		624,693	580,654
TOTAL ASSETS		$1,039,220	$1,027,147

(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

December 31, 2022 and December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

	NOTES	As at December 31, 2022	As at December 31, 2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	4&6(9)	$60,000	$80,000
Contract liabilities, current	4&6(12)	7,055	8,389
Accounts payable	4	33,319	34,991
Other payables	4	45,744	38,317
Current tax liabilities	4&6(17)	16,473	13,237
Other current liabilities		4,973	3,978
Total current liabilities		167,564	178,912
TOTAL LIABILITIES		167,564	178,912
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			
Capital stock	6(11)		
Common stock		300,188	300,188
Additional paid-in capital		400,856	400,856
Retained earnings			
Legal reserve		103,379	98,674
Special reserve		10,205	10,826
Unappropriated earnings		67,263	47,896
Total retained earnings		180,847	157,396
Other equity		(10,235)	(10,205)
TOTAL EQUITY		871,656	848,235
TOTAL LIABILITIES AND EQUITY		$1,039,220	$1,027,147

(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 years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, Except For Earnings Per Share)

ITEM	NOTES	For the years ended December 31, 2022	December 31, 2021
NET SALES	4&6(12)	$494,671	$411,491
COST OF GOODS SOLD	6(5)&6(14)	(290,294)	(239,567)
GROSS PROFIT		204,377	171,924
OPERATING EXPENSES	6(14)		
Sales and marketing expense		(83,668)	(74,469)
General and administrative expense		(24,778)	(26,248)
Research and development expense		(13,254)	(8,922)
Expected credit loses	6(13)	(883)	-
Total operating expense		(122,583)	(109,639)
OPERATING INCOME		81,794	62,285
NON-OPERATING INCOME AND EXPENSES	6(15)		
Interest income		489	570
Other income		339	1,016
Other gains and losses		(31)	(855)
Financial cost		(1,057)	(1,077)
Total non-operating income and expense		(260)	(346)
INCOME BEFORE INCOME TAX		81,534	61,939
INCOME TAX EXPENSE	4&6(17)	(16,683)	(12,840)
NET INCOME		64,851	49,099
OTHER COMPREHENSIVE INCOME	4&6(16)		
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit plans		2,127	(2,048)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		(30)	621
TOTAL OTHER COMPREHENSIVE INCOME		2,097	(1,427)
TOTAL COMPREHENSIVE INCOME		$66,948	$47,672
NET INCOME ATTRIBUTABLE TO :			
Shareholders of the parent		$64,851	$49,099
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		$66,948	$47,672
EARNINGS PER SHARE (NTD)	6(18)		
Basic earnings per share		$2.16	$1.64
Diluted earnings per share		$2.16	$1.63

(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 years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
			Retained earnings			Other 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	Total equity
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 year ended December 31, 2021	-	-	-	-	49,099	-	49,099
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(2,048)	621	(1,427)
Total comprehensive income	-	-	-	-	47,051	621	47,672
Balance as at December 31, 2021	$300,188	$400,856	$98,674	$10,826	$47,896	$(10,205)	$848,235
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 year ended December 31, 2022	-	-	-	-	64,851	-	64,851
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	2,127	(30)	2,097
Total comprehensive income	-	-	-	-	66,978	(30)	66,948
Balance as at December 31, 2022	$300,188	$400,856	$103,379	$10,205	$67,263	$(10,235)	$871,656

(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 years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

ITEM	For the years ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before tax	$81,534	$61,939
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation expense	16,852	13,873
Amortization expense	1,414	1,414
Expected credit losses	883	-
Interest expense	1,057	1,077
Interest income	(489)	(570)
Acquistion on disposal of property, plant and equipment	-	10
Changes in operating assets and labilities:		
Decrease (increase) in notes receivable	(859)	(2,280)
Decrease (increase) in accounts receivable	(23,757)	(2,488)
Decrease (increase) in other receivables	51	(14)
Decrease (increase) in inventories	19,448	11,443
Decrease (increase) in prepayments	2,379	(1,116)
Decrease (increase) in other current assets	59	(465)
Increase (decrease) in contract liabilities, current	(1,334)	3,510
Increase (decrease) in accounts payable	(1,672)	(17,029)
Increase (decrease) in other payables	7,427	(694)
Increase (decrease) in other current liabilities	995	(2,586)
Net defined benefit liabilities	(470)	(5,304)
Cash generated from operations	103,518	60,720
Interest received	489	570
Interest paid	(1,057)	(1,199)
Income tax paid	(13,265)	(7,744)
Net cash provided by operating activities	89,685	52,347
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(59,706)	(37,289)
Increase in refundable deposits	(214)	(857)
Net cash used in investing activities	(59,920)	(38,146)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term borrowings	(20,000)	(50,000)
Cash dividends paid	(43,527)	(57,636)
Net cash provided by (used in) financing activities	(63,527)	(107,636)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,762)	(93,435)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	202,233	295,668
CASH AND CASH EQUIVALENTS, END OF PERIOD	$168,471	$202,233

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

(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 of December 31, 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 year ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on March 1, 2023.

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. Apart from the nature and impact of the new standard and amendment is described below, the remaining 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

(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 Company 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 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

(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

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.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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 years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

(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

A. 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.

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:

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

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded 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.

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.

(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.

<u>Financial assets measured at amortized cost</u>

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.

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.

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.

The loss allowance is measures as follow:

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.

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 financial assets and financial liabilities 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.

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

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.

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.

(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.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces 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 balance sheet and separately presents lease-related interest expense and depreciation charge in the 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.

The 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.

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 , rendering of services and electricity generating income. The accounting policies are explained as follow:

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 to 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.

Processing revenue

The Group provides pharmaceutical drugs manufacturing services, in which the production is based on the terms of the agreements. Sales are recognized at the amount of contractual price when control of the goods is transferred to the customer and the goods are delivered to the customers.

Electricity generating income

Revenue from the sale of electricity is recognized after the electricity transmission is completed through the grid, and the revenue is calculated according to the fee agreed with Taiwan Power Company.

(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:

(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.

(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.

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.

(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.

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.

(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 sufficient 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	
	December 31, 2022	December 31, 2021
Cash on hand	$55	$55
Saving accounts	135,624	164,843
Checking accounts	892	935
Time deposits	31,900	36,400
Total	$168,471	$202,233

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

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

	As at	
	December 31, 2022	December 31, 2021
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	$15,381	$15,411

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	
	December 31, 2022	December 31, 2021
Notes receivables arising from operating activities	$21,510	$20,651
Less: loss allowance	-	-
Total	$21,510	$20,651

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. 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	
	December 31, 2022	December 31, 2021
Accounts receivables	$97,775	$74,039
Less: loss allowance	(3,917)	(3,055)
Total	$93,858	$70,984

Accounts receivables were not pledged.

Accounts receivables are generally on 30-180 day terms. The total carrying amount as of December 31, 2022 and 2021 are NT$97,775 thousand and NT$74,039 thousand, respectively. Please refer to Note 6(13) for more details on loss allowance of accounts receivables for the year ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(5) Inventories

(a) The net value of inventories as follows:

	As at	
	December 31, 2022	December 31, 2021
Merchandise inventory	$6,128	$6,531
Raw materials	70,297	71,091
Supplies & parts	8,267	6,950
Work in progress	9,148	8,870
Finished goods	33,188	53,034
Total	$127,028	$146,476

(b) The cost of inventories recognized in expenses as follows:

	For the years ended	
Items	December 31, 2022	December 31, 2021
Cost of goods sold	$289,379	$236,791
Gain or loss for market price decline and obsolete and slow-moving inventory	(400)	1,900
Gain on physical inventory	(197)	(192)
Loss on write-off inventory	1,512	1,068
Total	$290,294	$239,567

The Group's had gain from price recovery of inventory in 2022, the inventory were previously provisioned for loss from decline in market value, were subsequently inputted in production.

(c) No inventories were pledged.

(6) Property, plant and equipment

	As at	
	December 31, 2022	December 31, 2021
Owner occupied property, plant and equipment	$592,171	$382,722

(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	-	909	2,639	807	-	802	54,549	59,706
Disposals	-	-	(6,015)	(67)	-	-	-	(6,082)
Reclassification	166,595	-	29,686	488	-	36,580	(66,754)	166,595
As at December 31, 2022	$431,691	$90,232	$122,870	$16,974	$95	$111,410	$4,452	$777,724
As at January 1, 2021	$265,096	$84,150	$76,126	$14,353	$95	$69,286	$13,539	$522,645
Additions	-	1,922	132	2,453	-	-	32,782	37,289
Disposals	-	-	-	(1,767)	-	(662)	-	(2,429)
Reclassification	-	3,251	20,302	707	-	5,404	(29,664)	-
As at December 31, 2021	$265,096	$89,323	$96,560	$15,746	$95	$74,028	$16,657	$557,505
Depreciation and impairment:								
As at January 1, 2022	$-	$58,228	$64,646	$10,099	$89	$41,721	$-	$174,783
Depreciation	-	3,651	4,695	1,675	6	6,825	-	16,852
Disposals	-	-	(6,015)	(67)	-	-	-	(6,082)
As at December 31, 2022	$-	$61,879	$63,326	$11,707	$95	$48,546	$-	$185,553
As at January 1, 2021	$-	$54,756	$61,826	$10,265	$83	$36,399	$-	$163,329
Depreciation	-	3,472	2,820	1,591	6	5,984	-	13,873
Disposals	-	-	-	(1,757)	-	(662)	-	(2,419)
As at December 31, 2021	$-	$58,228	$64,646	$10,099	$89	$41,721	$-	$174,783
Net carrying amount as at:								
December 31, 2022	$431,691	$28,353	$59,544	$5,267	$-	$62,864	$4,452	$592,171
December 31, 2021	$265,096	$31,095	$31,914	$5,647	$6	$32,307	$16,657	$382,722

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.

Please refer to Note 6(7) for detail of the reclassification of the Group's land transferred from investment property.

(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 to property, plant and equipment	(166,595)
As at December 31, 2022	$-
As at January 1, 2021	$166,595
Transfers from property, plant and equipment	-
As at December 31, 2021	$166,595
Depreciation and impairment：	
As at January 1, 2022	$-
Depreciation	-
As at December 31, 2022	$-
As at January 1, 2021	$-
Depreciation	-
As at December 31, 2021	$-
Net carrying amount as at:	
December 31, 2022	$-
December 31, 2021	$166,595

No investment property was pledged.

The Group 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. The Group has written off the idle land notes when the Group completed test with Taiwan Power Company and registration of solar energy equipment. After the construction was completed, the land was transferred from the investment property to property, plant and equipment, and the solar energy system has been transmitting electricity to Taiwan Power Company since July 2022. Please refer to Note 6(12) for more details on electricity generating income.

(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 are NT$211,486 thousand at December 31, 2021. 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 December 31, 2022	$9,900
As at January 1, 2021	$9,900
Acquisitions through business combinations	-
As at December 31, 2021	$9,900
Amortization and impairment:	
As at January 1, 2022	$4,243
Amortization	1,414
As at December 31, 2022	$5,657
As at January 1, 2021	$2,829
Amortization	1,414
As at December 31, 2021	$4,243
Net carrying amount as at:	
December 31, 2022	$4,243
December 31, 2021	$5,657

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

	For the years ended	
	December 31, 2022	December 31, 2021
Operating expenses	$1,414	$1,414

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(9) Short-term borrowings

		As at	
	Interest Rates (%)	December 31, 2022	December 31, 2021
Secured bank loans	1.805%	$60,000	$80,000

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

The Group's employee retirement regulations set out in accordance with the Labor Pension regulations are defined contribution plans. According to the regulations, the monthly pension provision rate of the Group can't be less than 6% of the employee's monthly wages. The Group has established employee retirement regulations in accordance with the regulation and provide cash contribution at the rate of 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$4,109 thousand and NT$4,187 thousand, respectively.

Defined benefits plan

The Group adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15^{th} year.The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group will make up the difference in one appropriation before the end of March the following year.

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$838 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

As at December 31, 2022 and 2021, the Group expects its defined benefits plan obligation to become due in 2024.

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021

	For the years ended	
	December 31, 2022	December 31, 2021
Current period service costs	$393	$513
Interest expense from net defined benefit liability (asset)	(24)	(3)
Total	$369	$510

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As at		
	December 31, 2022	December 31, 2021	January 1, 2021
Defined benefit obligation	$38,805	$37,040	$41,308
Plan assets at fair value	(46,171)	(41,809)	(42,821)
Net defined benefit liabilities, non-current	$(7,366)	$(4,769)	$(1,513)

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2021	$41,308	$(42,821)	$(1,513)
Current period service cost	513	-	513
Interest expense (income)	74	(77)	(3)
Subtotal	41,895	(42,898)	(1,003)
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(266)	-	(266)
Experience adjustments	3,024	-	3,024
Return on plan assets	-	(710)	(710)
Subtotal	2,758	(710)	2,048
Payments from the plan	(7,613)	7,613	-
Contributions by employer	-	(5,814)	(5,814)
Effect of changes in foreign exchange rates	-	-	-
December 31, 2021	$37,040	$(41,809)	$(4,769)
Current period service cost	393	-	393
Interest expense (income)	185	(209)	(24)
Subtotal	37,618	(42,018)	(4,400)
Remeasurement of defined benefit liabilities/asset			
Actuarial gains and losses arising from changes in demographic assumptions	$-	$-	$-
Actuarial gains and losses arising from changes in financial assumptions	(91)	-	(91)
Experience adjustments	1,278	-	1,278
Return on plan assets	-	(3,314)	(3,314)
Subtotal	1,187	(3,314)	(2,127)
Payments from the plan	-	-	-
Contributions by employer	-	(839)	(839)
Effect of changes in foreign exchange rates	-	-	-
December 31, 2022	$38,805	$(46,171)	$(7,366)

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As at	
	December 31, 2022	December 31, 2021
Discount rate	1.15%	0.50%
Expected rate of salary increases	1.00%	0.50%

A sensitivity analysis for significant assumption as at December 31, 2022 and 2021 is, as shown below:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$(285)	$-	$(364)
Discount rate decrease by 0.5%	347	-	690	-
Future salary increase by 0.5%	345	-	684	-
Future salary decrease by 0.5%	-	(287)	-	(295)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(11)Equities

(a) Common stock

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

(b) Capital surplus

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

	As at	
	December 31, 2022	December 31, 2021
Gain on sale of assets	$114,045	$114,045
Additional paid-in capital – premium in excess of the Par value of shares issued	286,811	286,811
Total	$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 law and regulations; and
E. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in 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.

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

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.

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 March 31, 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 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on March 1, 2023 and May 26, 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2022	2021	2022	2021
Legal reserve	$6,698	$4,705		
Special reserve (reversal)	30	(621)		
Common stock - cash dividend	60,038	43,527	$2.00	$1.45

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

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(12)Operating revenue

	For the years ended	
	December 31, 2022	December 31, 2021
Revenue from contracts with customers		
Sale of goods	$478,320	$398,785
Other operating revenues	16,351	12,706
Total	$494,671	$411,491

Analysis of revenue from contracts with customers during the year ended December 31, 2022 and 2021 are as follows:

(a) Disaggregation of revenue

	For the years ended	
	December 31, 2022	December 31, 2021
	Single Department	Single Department
Sales of goods	$478,320	$398,785
Manufacturer revenue	13,684	12,706
Electricity generating income	2,667	-
Total	$494,671	$411,491
Timing of revenue recognition:		
At a point in time	$494,671	$411,491

(b) Contract balances

Contract liabilities, current

	As at		
	December 31, 2022	December 31, 2021	January 1, 2021
Sales of goods	$7,055	$8,389	$4,879

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

The significant changes in the Group's balances of contract liabilities for the year ended 2022 and 2021 are as follows:

	For the years ended	
	December 31, 2022	December 31, 2021
The opening balance transferred to revenue	$(3,747)	$(2,728)
Increase in receipt in advance during the period (excluding the amount incurred and transferred to revenue during the period)	2,413	6,238

(13)Expected credit losses

	For the years ended	
	December 31, 2022	December 31, 2021
Operating expenses - Expected credit loses		
Accounts receivable	$883	$-

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 December 31, 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:

December 31, 2022

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	Total
Gross carrying amount	$118,215	$-	$814	$144	$102	$10	$119,285
Loss ratio	0~3%	5%	10%	50%	100%	100%	
Lifetime expected credit losses	(3,652)	-	(81)	(72)	(102)	(10)	(3,917)
Carrying amount of accounts receivable	$114,563	$-	$733	$72	$-	$-	$115,368

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

December 31, 2021

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	Total
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

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

The movement in the provision for impairment of notes and accounts receivable during the year ended December 31, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
Balance as at January 1, 2022	$-	$3,055
Addition/(reversal) for the current period	-	883
Write off	-	(21)
Balance as at December 31, 2022	$-	$3,917
Balance as at January 1, 2021	$-	$3,055
Addition/(reversal) for the current period	-	-
Write off	-	-
Balance as at December 31, 2021	$-	$3,055

(14) Summary statement of employee benefits, depreciation and amortization expenses by function during the year ended December 31, 2022 and 2021:

	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$44,010	$55,248	$99,258	$44,716	$53,549	$98,265
Labor and health insurance	5,070	4,391	9,461	5,098	4,617	9,715
Pension	2,377	2,101	4,478	2,445	2,252	4,697
Remuneration to directors	-	6,921	6,921	-	6,148	6,148
Other employee benefits expense	2,044	788	2,832	1,951	824	2,775
Depreciation	13,437	3,415	16,852	11,093	2,780	13,873
Amortization	-	1,414	1,414	-	1,414	1,414

(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 year ended December 31, 2022 amount to NT$3,200 thousand and NT$3,900 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$2,450 thousand and NT$3,250 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.

A resolution was passed at a Board of Directors meeting held on March 1, 2023 to distribute NT$3,200 thousand and NT$3,900 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, 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, 2022.

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.

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(b) For the years ended December 31, 2022 and 2021, the Group both had average 163 employees, which included 8 and 6 non-employee directors, respectively.

(15) Non-operating income and expenses

(a) Interest income

	For the years ended	
	December 31, 2022	December 31, 2021
Interest income	$489	$570

(b) Other income

	For the years ended	
	December 31, 2022	December 31, 2021
Other gains	$339	$1,016

(c) Other gains and losses

	For the years ended	
	December 31, 2022	December 31, 2021
Losses on disposal of property, plant and equipment	$-	$(10)
Foreign exchange gains (losses), net	102	(662)
Other losses	(133)	(183)
Total	$(31)	$(855)

(d) Financial costs

	For the years ended	
	December 31, 2022	December 31, 2021
Interest expense	$(1,057)	$(1,077)

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(16) Components of other comprehensive income

For the year ended December 31, 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:					
Remeasurements of defined benefit pension plans	$2,127	$-	$2,127	$-	$2,127
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(30)	-	(30)	-	(30)
Total	$2,097	$-	$2,097	$-	$2,097

For the year ended December 31, 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:					
Remeasurements of defined benefit pension plans	$(2,048)	$-	$(2,048)	$-	$(2,048)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	621	-	621	-	621
Total	$(1,427)	$-	$(1,427)	$-	$(1,427)

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(17) Income tax

(a) The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended	
	December 31, 2022	December 31, 2021
Current income tax expense (income):		
Current income tax charge	$16,492	$13,240
Adjustment in respect of current income tax of prior periods	9	10
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	182	(410)
Total income tax expense	$16,683	$12,840

(b) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the years ended	
	December 31, 2022	December 31, 2021
Accounting profit before tax from continuing operations	$81,534	$61,939
Tax at the domestic rates applicable to profits in the country concerned	$16,307	$12,388
Tax effect of expenses not deductible for tax purposes	367	442
Adjustments in respect of current income tax of prior periods	9	10
Total income tax expense recognized in profit or loss	$16,683	$12,840

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

(c) deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as at January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at December 31, 2022
Temporary differences				
Foreign currency assets / liabilities losses(gains)	$105	$(105)	$-	$-
Inventory evaluation	920	(80)	-	840
Allowance over tax limit	402	115	-	517
Unrealized empolyee benefits	1,057	(213)	-	844
Unrealized Scrapped loss	172	97	-	269
Unrealized leave bonus	484	-	-	484
Unrealized Gross Profit	-	4	-	4
Deferred tax income		$(182)	$-	
Deferred tax assets	$3,140			$2,958

For the year ended December 31, 2021

	Beginning balance as at January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at December 31, 2021
Temporary differences				
Foreign currency assets / liabilities losses(gains)	$-	$105	$-	$105
Inventory evaluation	540	380	-	920
Allowance over tax limit	418	(16)	-	402
Unrealized sales allowance	7	(7)	-	-
Unrealized employee benefits	1,057	-	-	1,057
Unrealized Scrapped loss	41	131	-	172
Unrealized leave bonus	484	-	-	484
Unrealized R&D Expenses	183	(183)	-	-
Deferred tax income		$410	$-	
Deferred tax assets	$2,730			$3,140

(d) Unrecognized deferred tax assets

As at December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT$717 thousand.

The assessments of income tax returns

As at December 31, 2022, the assessments of the income tax returns of the Company and its subsidiary were as follows:

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

(18) Earnings per share

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

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 years ended	
	December 31, 2022	December 31, 2021
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the parent company (in thousand NT$)	$64,851	$49,099
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	30,019	30,019
Basic earnings per share (NT$)	$2.16	$1.64

	For the years ended	
	December 31, 2022	December 31, 2021
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the parent company (in thousand NT$)	$64,851	$49,099
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT$)	$64,851	$49,099
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	30,019	30,019
Effect of dilution:		
Employee compensation - stock (in thousands)	62	83
Weighted average number of ordinary shares outstanding after dilution (in thousands)	30,081	30,102
Diluted earnings per share (NT$)	$2.16	$1.63

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 years ended	
	December 31, 2022	December 31, 2021
Short-term employee benefits	$14,997	$16,320
Post-employment benefits	298	326
Total	$15,295	$16,646

8. Assets pledged as security

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

	Carrying amount		
Items	December 31, 2022	December 31, 2021	Secured liabilities
Property, plant and equipment - land and buildings	$154,927	$157,668	Short-term secured loan

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

9. Significant contingencies and unrecognized contractual commitments

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

On March 1, 2023, the Company's board of directors resolved to increase its capital in cash by issuing 10,000 thousand ordinary shares with a par value of $10. After appoved by the authorities in charge, the company will hold a board of directors to determine the base date and relevant matters.

On March 1, 2023, the Company's board of directors resolved to issue $400,000 thousand unsecured convertible bonds with a par value of $100 thousand. After approval by the authorities in charge, the company authorizes the chairman of the board to determine the base date and relevant matters.

12. Others

(1) Categories of financial instruments

Financial assets

	As at	
	December 31, 2022	December 31, 2021
Financial assets at fair value through other comprehensive income	$15,381	$15,411
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	168,416	202,178
Notes receivables	21,510	20,651
Accounts receivables	93,858	70,984
Other receivables	919	970
Subtotal	284,703	294,783
Total	$300,084	$310,194

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Financial liabilities

	As at	
	December 31, 2022	December 31, 2021
Financial liabilities at amortized cost:		
Short-term borrowings	$60,000	$80,000
Accounts and other payables	79,063	73,308
Total:	$139,063	$153,308

(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 activates. 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 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).

(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.

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

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 liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at December 31, 2022					
Borrowings	$60,000	$-	$-	$-	$60,000
Accounts and other payables	79,063	-	-	-	79,063
As at December 31, 2021					
Borrowings	$80,000	$-	$-	$-	$80,000
Accounts and other payables	73,308	-	-	-	73,308

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the ended December 31, 2022:

	Short-term borrowings	Total liabilities from financing activities
As at Jananuary 1, 2022	$80,000	$80,000
Cash flows	(20,000)	(20,000)
As at December 31, 2022	$60,000	$60,000

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

Reconciliation of liabilities for the ended December 31, 2021:

	Short-term borrowings	Total liabilities from financing activities
As at Jananuary 1, 2021	$130,000	$130,000
Cash flows	(50,000)	(50,000)
As at December 31, 2021	$80,000	$80,000

(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 payable 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.)

(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 as a whole. 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 December 31, 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	$-	$-	$15,381	$15,381

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

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

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 twelve-month period ended December 31, 2022:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(30)
Ending balances as at December 31, 2022	$15,381

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2021	$14,790
Total gains and losses recognized for the twelve-month period ended December 30, 2021:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	621
Ending balances as at December 31, 2021	$15,411

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

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:

As at December 31, 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 Stocks	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$2,206 thousand.

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 Stocks	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.

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

(Amounts in thousands of New Taiwan Dollars unless otherwise specified)

As at December 31, 2022: None.

As at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investment property (please refer to note6.(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.

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 ITS SUBSIDIARY

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

Attached Table 1: Securities held as at December 31, 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	$1,227	2.85	2.59	
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	1,991	14,154	12.44	7.11	
		Total		$15,381			

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

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

Attached Table 2: Information on investees

Unit: NT$ thousand

Investor company	Investee company	Address	Main businesses and products	Initial Investment		Investment as at December 31, 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%	$11,893	$559	$(855)	(Note1)

Note 1：The investment incomes and losses has recognized for this period include amortization of intangible assets acquired through business combinations of NT$1,414 thousand.

Note 2：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 3：If not belong to Note 2, 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 ITS SUBSIDIARY

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

Attached Table 3: Information on major shareholders

Share / Major shareholders' name	Share			
	Number of common shares	Number of preferred shares	Number of total shares	Shareholding ratio(%)
HUANG, BOR-HSUN	2,528,185	-	2,528,185	8.42
LIAO, KUO-AN	1,657,719	-	1,657,719	5.52
HUANG, MING-NO	1,548,978	-	1,548,978	5.16

Instructions:If the company has applied to TDCC for access to the imformation in this form,the following matters may be described in the notes to this table.

(1)The material shareholder information in this table is calculated by TDCC on the last business day at the end of each quarter, with shareholders holding more than 5% of the company's ordinary shares and preferred shares (including treasury shares)that have been delivered without physical registration.As for the share capital recorded in the company's financial report and the number of shares actually completed by the company without physical registration, there may be differences depending on the basis of the preparation and calculation.

(2)If the above information is a shareholder holding a stock ownership trust, it will be disclosed by the individual accounts of the settlor who opened a special trust account by the trustee. As for shareholders who declare the insider's equity holding of more than 10% of the shares in accordance with the Securities Exchange Act, including their own shareholdings plus their shares delivered to the trust and have the right to use the trust property, please refer to the Public Information Observatory for the information on the insider equity declaration.