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

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Period from January 1, 2023 to September 30, 2023**

**And**

**For the Period from January 1, 2022 to September 30, 2022**

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

The reader is advised that these consolidated financial statements 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 of financial statements shall prevail.

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

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Review Report

To Johnson Chemical Pharmaceutical Works Co., Ltd.

**Introduction**

We have reviewed the accompanying consolidated balance sheets of Johnson Chemical Pharmaceutical Works Co., Ltd. (the “Company”) and subsidiary as of September 30, 2023 and 2022,

the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

**Scope of Review**

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary as at September 30, 2023 and 2022, consolidated financial performance for the three-month and nine-month periods ended September 30, 2023 and 2022, and its consolidated cash flows for the nine-month periods ended September 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

CHANG, CHIH-MING

LIN, LI-HUANG

Ernst & Young, Taiwan

November 8, 2023

### Notice to Readers

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

*Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of 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

As at September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in thousands of New Taiwan Dollars)

	NOTES	As at		
		September 30, 2023	December 31, 2022	September 30, 2022
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	4&6(1)	\$1,063,019	\$168,471	\$148,901
Notes receivable, net	4&6(4)	22,662	21,510	15,379
Accounts receivable, net	4&6(5)	104,453	93,858	82,387
Other receivables	4	1,171	919	951
Inventories, net	4&6(6)	132,919	127,028	136,447
Prepayments		1,993	2,176	3,190
Other current assets		855	565	799
Total current assets		1,327,072	414,527	388,054
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss, non-current	4&6(2)	1,513	-	-
Financial assets at fair value through other comprehensive income, non-current	4&6(3)	14,090	15,381	15,614
Property, plant and equipment	4&6(7)&8	597,342	592,171	593,800
Intangible assets	4&6(9)	3,182	4,243	4,597
Deferred tax assets	4&6(20)	2,638	2,958	3,185
Refundable deposits		2,593	2,574	2,387
Net defined benefit assets	4&6(12)	7,815	7,366	5,110
Total non-current assets		629,173	624,693	624,693
<b>TOTAL ASSETS</b>		<b>\$1,956,245</b>	<b>\$1,039,220</b>	<b>\$1,012,747</b>

(The accompanying 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

As at September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in thousands of New Taiwan Dollars)

	NOTES	As at		
		September 30, 2023	December 31, 2022	September 30, 2022
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	4&6(10)	\$60,000	\$60,000	\$60,000
Contract liabilities, current	4&6(15)	6,699	7,055	7,222
Accounts payable	4	58,867	33,319	38,782
Other payables	4	50,152	45,744	38,029
Current tax liabilities	4&6(20)	16,558	16,473	11,817
Other current liabilities		6,635	4,973	5,446
Total current liabilities		198,911	167,564	161,296
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	4&6(11)	162,423	-	-
Guarantee deposits received		150	-	240
Total non-current liabilities		162,573	-	240
<b>TOTAL LIABILITIES</b>		361,484	167,564	161,536
<b>EQUITY ATTRIBUTABLE TO THE PARENT COMPANY</b>				
Capital stock	6(13)			
Common stock		400,188	300,188	300,188
Certificate of entitlement to new shares form convertible bonds		36,491	-	-
Additional paid-in capital		986,721	400,856	400,856
Retained earnings				
Legal reserve		110,077	103,379	103,379
Special reserve		10,235	10,205	10,205
Unappropriated earnings		62,575	67,263	46,585
Total retained earnings		182,887	180,847	160,169
Other equity		(11,526)	(10,235)	(10,002)
<b>TOTAL EQUITY</b>		1,594,761	871,656	851,211
<b>TOTAL LIABILITIES AND EQUITY</b>		\$1,956,245	\$1,039,220	\$1,012,747

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the three-month and nine-month periods ended September 30, 2023 and 2022  
 (Expressed in thousands of New Taiwan Dollars, except for earnings per share)

ITEMS	NOTES	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2023	2022	2023	2022
OPERATING REVENUES	4&6(15)	\$148,019	\$126,576	\$451,975	\$353,535
OPERATING COSTS	6(6)&6(17)	(88,826)	(71,074)	(267,026)	(208,430)
GROSS PROFIT		59,193	5,502	184,949	145,105
OPERATING EXPENSES	6(17)				
Sales and marketing expenses		(23,596)	(20,789)	(71,080)	(58,648)
General and administrative expenses		(7,430)	(6,047)	(20,908)	(18,207)
Research and development expenses		(4,488)	(4,176)	(13,448)	(9,305)
Expected credit losses	6(16)	-	(485)	(439)	(485)
Total operating expenses		(35,514)	(31,497)	(105,875)	(86,645)
OPERATING INCOME		23,679	24,005	79,074	58,460
NON-OPERATING INCOME AND EXPENSES	6(18)				
Interest income		1,048	55	1,836	243
Other income		121	133	309	242
Other gains and losses		(269)	144	894	(47)
Finance costs		(2,531)	(233)	(3,501)	(811)
Total non-operating income and expenses		(1,631)	99	(462)	(373)
INCOME BEFORE INCOME TAX		22,048	24,104	78,612	58,087
INCOME TAX EXPENSE	4&6(20)	(4,863)	(4,866)	(16,534)	(11,787)
NET INCOME		17,185	19,238	62,078	46,300
OTHER COMPREHENSIVE (LOSS) INCOME					
Items that will not be reclassified subsequently to profit or loss					
Unrealized gains or losses from equity instruments					
investments measured at fair value through					
other comprehensive income	4&6(19)	(1,634)	(491)	(1,291)	203
Total other comprehensive (loss) income		(1,634)	(491)	(1,291)	203
TOTAL COMPREHENSIVE INCOME		\$15,551	\$18,747	\$60,787	\$46,503
NET INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$17,185	\$19,238	\$62,078	\$46,300
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of the parent		\$15,551	\$18,747	\$60,787	\$46,503
EARNINGS PER SHARE (NTD)					
Basic earnings per share	6(21)	\$0.45	\$0.64	\$1.90	\$1.54
Diluted earnings per share	6(21)	\$0.44	\$0.64	\$1.81	\$1.54

(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 nine-month periods ended September 30, 2023 and 2022  
(Expressed in thousands of New Taiwan Dollars)

ITEMS	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	Capital stock			Retained earnings			Other equity	Total equity
	Common stock	Certificate of entitlement to new shares form convertible bonds	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income	
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 nine-month period ended September 30, 2022	-	-	-	-	-	46,300	-	46,300
Other comprehensive income for the nine-month period ended September 30, 2022	-	-	-	-	-	-	203	203
Total comprehensive income	-	-	-	-	-	46,300	203	46,503
Balance as at September 30, 2022	\$300,188	\$-	\$400,856	\$103,379	\$10,205	\$46,585	\$(10,002)	\$851,211
Balance as at January 1, 2023	\$300,188	\$-	\$400,856	\$103,379	\$10,205	\$67,263	\$(10,235)	\$871,656
Appropriation and distribution of 2022 retained earnings:								
Legal reserve	-	-	-	6,698	-	(6,698)	-	-
Special reserve	-	-	-	-	30	(30)	-	-
Cash Dividends	-	-	-	-	-	(60,038)	-	(60,038)
Other changes in capital surplus								
Due to recognition of equity component of convertible bonds issued	-	-	21,448	-	-	-	-	21,448
Net income for the nine-month period ended September 30, 2023	-	-	-	-	-	62,078	-	62,078
Other comprehensive income for the nine-month period ended September 30, 2023	-	-	-	-	-	-	(1,291)	(1,291)
Total comprehensive income	-	-	-	-	-	62,078	(1,291)	60,787
Cash capital increase	100,000	-	380,000	-	-	-	-	480,000
Conversion of convertible bonds	-	36,491	178,038	-	-	-	-	214,529
Share-based payment transactions	-	-	6,379	-	-	-	-	6,379
Balance as at September 30, 2023	\$400,188	\$36,491	\$986,721	\$110,077	\$10,235	\$62,575	\$(11,526)	\$1,594,761

(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 nine-month periods ended September 30, 2023 and 2022  
(Expressed in thousands of New Taiwan Dollars)

ITEMS	For the nine-month periods ended September 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income before tax	\$78,612	\$58,087
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation expense	14,510	12,167
Amortization expense	1,061	1,060
Expected credit losses	439	485
Gains on financial assets at fair value through profit or loss	(928)	-
Interest expense	3,501	811
Interest income	(1,836)	(243)
Cost of share-based payments	6,379	-
Gain on disposal of property, plant and equipment	(5)	-
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(1,152)	5,272
Increase in accounts receivable	(11,034)	(11,888)
(Increase) decrease in other receivables	(252)	19
(Increase) decrease in inventories	(5,891)	10,029
Decrease in prepayments	183	1,365
Increase in other current assets	(290)	(175)
Decrease in contract liabilities, current	(356)	(1,167)
Increase in accounts payable	25,548	3,791
Increase (decrease) in other payables	4,408	(288)
Increase in other current liabilities	1,662	1,468
Decrease in net defined benefit liabilities	(449)	(341)
Cash generated from operations	<u>114,110</u>	<u>80,452</u>
Interest received	1,836	243
Interest paid	(1,041)	(811)
Income tax paid	(16,129)	(13,252)
Net cash provided by operating activities	<u>98,776</u>	<u>66,632</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(19,681)	(56,650)
Proceeds from disposal of property, plant and equipment	5	-
Increase in refundable deposits	(19)	(27)
Net cash used in investing activities	<u>(19,695)</u>	<u>(56,677)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Decrease in short-term borrowings	-	(20,000)
Proceeds from issuing bonds	395,355	-
Increase in guarantee deposits received	150	240
Cash capital increase	480,000	-
Cash dividends paid	(60,038)	(43,527)
Net cash provided by (used in) financing activities	<u>815,467</u>	<u>(63,287)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>894,548</u>	<u>(53,332)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>168,471</u>	<u>202,233</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$1,063,019</u>	<u>\$148,901</u>

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

**JOHNSON CHEMICAL PHARMACEUTICAL WORKS CO., LTD. AND SUBSIDIARY**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine-Month Periods Ended September 30, 2023 and 2022**  
**(Amounts in thousands of New Taiwan Dollars unless otherwise specified)**

1. History and organization

Johnson Chemical Pharmaceutical Works Co., Ltd. (“the Company”) was incorporated in December 1966. On March 2, 2007, the Company changed its Chinese name upon approval by the stockholders. As at September 30, 2023, the capital of the Company was NT\$400,188 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 nine-month periods ended September 30, 2023 and 2022 were authorized for issue by the Board of Directors on November 8, 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, 2023. The adoption of these new standards and amendments had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

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

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(a) 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.

(b) 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.

(c) 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.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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 2024. After evaluation, the standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not 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	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	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

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

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- (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.

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

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(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

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. After evaluation, the new or amended standards and interpretations have no material impact on the Group.

4. Summary of material accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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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 are 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) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in profit or loss.

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

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			September 30, 2023	December 31, 2022	September 30, 2022
The Company	Pei Jin International Co., Ltd.	Wholesale and retail of drugs and medicines	100%	100%	100%

(4) Foreign currency transactions

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

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

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.

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(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.



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(a) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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.

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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.

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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.

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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.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

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For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

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).

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

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

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

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.

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(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) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(9) 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.

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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.

**(10) 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.

**(11) 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.



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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	1-12 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 residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) 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.

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(13) 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.

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

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

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

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

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

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

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

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

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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.

(14) 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.

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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.

A summary of the policy and its information applied to the Group's intangible assets is as follows:

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.

(15) 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 groups 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.

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

(16) Revenue recognition

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

Sale of goods

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

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

Contract manufacturing 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.

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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.

(17) 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 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.

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

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(18) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.



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(19) 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.

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

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

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

**(20) 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.

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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.

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

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(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		
	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$55	\$55	\$55
Saving accounts	309,097	135,624	115,684
Checking accounts	1,967	892	1,262
Time deposits	751,900	31,900	31,900
Total	\$1,063,019	\$168,471	\$148,901

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

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments	\$1,513	\$-	\$-
Non-current	\$1,513	\$-	\$-

Financial assets at fair value through profit or loss were not pledged.

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

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Equity instrument investments measured at fair value through other comprehensive income – Non-current:			
Unlisted companies stocks	\$14,090	\$15,381	\$15,614

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.

(4) Notes receivables

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivables arising from operating activities	\$22,662	\$21,510	\$15,379
Less: loss allowance	-	-	-
Total	\$22,662	\$21,510	\$15,379

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(16) for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivables

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivables	\$108,809	\$97,775	\$85,906
Less: loss allowance	(4,356)	(3,917)	(3,519)
Total	\$104,453	\$93,858	\$82,387

Accounts receivables were not pledged.

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Accounts receivables are generally on 30-180-day terms. The total carrying amount as at September 30, 2023, December 31, 2022 and September 30, 2022 were NT\$108,809 thousand, NT\$97,775 thousand and NT\$85,906 thousand, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivables for the nine-month periods ended September 30, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

The net value of inventories as follows:

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Merchandise inventory	\$4,301	\$6,128	\$6,898
Raw materials	72,007	70,297	72,358
Supplies & parts	7,118	8,267	8,107
Work in progress	10,583	9,148	10,058
Finished goods	38,910	33,188	39,026
<b>Total</b>	<b>\$132,919</b>	<b>\$127,028</b>	<b>\$136,447</b>

The cost of inventories recognized in expenses as follows:

Items	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Cost of goods sold	\$88,288	\$73,233	\$266,777	\$206,988
Gain or loss for market price decline and obsolete and slow-moving inventory	-	(2,500)	(500)	600
Gain on physical inventory	(111)	(56)	(171)	(130)
Loss on write-off inventory	649	397	920	972
<b>Total</b>	<b>\$88,826</b>	<b>\$71,074</b>	<b>\$267,026</b>	<b>\$208,430</b>

The reversal of write-down of inventories that occurred within the Group for the three-month period ended September 30, 2022, and the nine-month period ended September 30, 2023, was due to the gradual utilization of obsolete and slow-moving inventories into the production process.

None of the aforementioned inventories were pledged.

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(7) Property, plant and equipment

	As at								
	September 30, 2023	December 31, 2022	September 30, 2022						
Owner occupied property, plant and equipment	<u>\$597,342</u>							<u>\$592,171</u>	<u>\$593,800</u>
Owner occupied property, plant and equipment								Construction in progress and equipment awaiting examination	Total
	Land and land Improvements	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment			
Cost:									
As at January 1, 2023	\$431,691	\$90,232	\$122,870	\$16,974	\$95	\$111,410	\$4,452	\$777,724	
Additions	-	71	1,216	545	-	240	17,609	19,681	
Disposals	-	-	(1,615)	(300)	-	-	-	(1,915)	
Reclassification	-	2,592	3,700	-	-	4,213	(10,505)	-	
As at September 30, 2023	<u>\$431,691</u>	<u>\$92,895</u>	<u>\$126,171</u>	<u>\$17,219</u>	<u>\$95</u>	<u>\$115,863</u>	<u>\$11,556</u>	<u>\$795,490</u>	
As at January 1, 2022	\$265,096	\$89,323	\$96,560	\$15,746	\$95	\$74,028	\$16,657	\$557,505	
Additions	-	910	2,632	807	-	798	51,503	56,650	
Disposals	-	-	(688)	-	-	-	-	(688)	
Reclassification	166,595	-	29,356	488	-	35,463	(65,307)	166,595	
As at September 30, 2022	<u>\$431,691</u>	<u>\$90,233</u>	<u>\$127,860</u>	<u>\$17,041</u>	<u>\$95</u>	<u>\$110,289</u>	<u>\$2,853</u>	<u>\$780,062</u>	
Depreciation and impairment:									
As at January 1, 2023	\$-	\$61,879	\$63,326	\$11,707	\$95	\$48,546	\$-	\$185,553	
Depreciation	-	2,694	4,409	1,251	-	6,156	-	14,510	
Disposals	-	-	(1,615)	(300)	-	-	-	(1,915)	
As at September 30, 2023	<u>\$-</u>	<u>\$64,573</u>	<u>\$66,120</u>	<u>\$12,658</u>	<u>\$95</u>	<u>\$54,702</u>	<u>\$-</u>	<u>\$198,148</u>	
As at January 1, 2022	\$-	\$58,228	\$64,646	\$10,099	\$89	\$41,721	\$-	\$174,783	
Depreciation	-	2,748	3,293	1,265	5	4,856	-	12,167	
Disposals	-	-	(688)	-	-	-	-	(688)	
As at September 30, 2022	<u>\$-</u>	<u>\$60,976</u>	<u>\$67,251</u>	<u>\$11,364</u>	<u>\$94</u>	<u>\$46,577</u>	<u>\$-</u>	<u>\$186,262</u>	
Net carrying amount as at:									
September 30, 2023	<u>\$431,691</u>	<u>\$28,322</u>	<u>\$60,051</u>	<u>\$4,561</u>	<u>\$-</u>	<u>\$61,161</u>	<u>\$11,556</u>	<u>\$597,342</u>	
December 31, 2022	<u>\$431,691</u>	<u>\$28,353</u>	<u>\$59,544</u>	<u>\$5,267</u>	<u>\$-</u>	<u>\$62,864</u>	<u>\$4,452</u>	<u>\$592,171</u>	
September 30, 2022	<u>\$431,691</u>	<u>\$29,257</u>	<u>\$60,609</u>	<u>\$5,677</u>	<u>\$1</u>	<u>\$63,712</u>	<u>\$2,853</u>	<u>\$593,800</u>	

Please refer to Note 8 for more details on the property, plant and equipment under pledge.

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.

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(8) Investment property

The Group's investment properties are owned investment properties.

	Land
Cost:	
As at January 1, 2023	\$-
Transfers from property, plant and equipment	-
As at September 30, 2023	\$-
As at January 1, 2022	\$166,595
Transfers from property, plant and equipment	(166,595)
As at September 30, 2022	\$-
Depreciation and impairment:	
As at January 1, 2023	\$-
Depreciation	-
As at September 30, 2023	\$-
As at January 1, 2022	\$-
Depreciation	-
As at September 30, 2022	\$-
Net carrying amount as at:	
September 30, 2023	\$-
December 31, 2022	\$-
September 30, 2022	\$-

No investment property was pledged.

The Group's investment property 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.



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The company built 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 be 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. 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(15) for more details on electricity generating income.

(9) Intangible assets

	Drug permit license
Cost:	
As at January 1, 2023	\$9,900
Acquisitions through business combinations	-
As at September 30, 2023	\$9,900
As at January 1, 2022	\$9,900
Acquisitions through business combinations	-
As at September 30, 2022	\$9,900
Amortization and impairment:	
As at January 1, 2023	\$5,657
Amortization	1,061
As at September 30, 2023	\$6,718
As at January 1, 2022	\$4,243
Amortization	1,060
As at September 30, 2022	\$5,303
Net carrying amount as at:	
September 30, 2023	\$3,182
December 31, 2022	\$4,243
September 30, 2022	\$4,597

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2023	2022	2023	2022
Operating expenses	\$354	\$353	\$1,061	\$1,060

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(10) Short-term borrowings

	Interest Rates (%)	As at		
		September 30, 2023	December 31, 2022	September 30, 2022
Secured bank loans	1.94%	\$60,000	\$60,000	\$60,000

The Group's unused short-term lines of credits amount to NT\$140,000 thousand, as at September 30, 2023, December 31, 2022, and September 30, 2022, respectively.

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

(11) Bonds payable

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Domestic unsecured bonds	\$162,423	\$-	\$-
Less: current portion	-	-	-
Net	\$162,423	\$-	\$-

(a) Unsecured domestic bonds payable

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Principal amount	\$172,000	\$-	\$-
Discounts on bonds payable	(9,577)	-	-
Subtotal	162,423	-	-
Less: current portion	-	-	-
Net	\$162,423	\$-	\$-
Embedded derivatives (recognized as financial assets at fair value through profit or loss)	\$1,513	\$-	\$-
Equity component (recognized as capital reserve)	\$9,223	\$-	\$-

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- (b) On June 12, 2023, the Company issued unsecured convertible bonds with an interest rate of 0%. The terms of the bonds are as follows:

Issue amount: NT\$400,000 thousands

Issue Date: June 12, 2023

Issue Price: Issued at 100% of par value

Period: June 12, 2023 ~ June 12, 2026

Important redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (September 13, 2023) and prior to 40 days before the maturity date (May 3, 2026), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds, in whole or in part, after 3 months (September 13, 2023) of the issuance to prior 40 days of the maturity date (May 3, 2026), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, after the base date of withdrawing the bonds as stated on the "Withdraw of Convertible Bond Notice", at par value if the bondholder do not reply to the share affair agency in writing before the base date.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after September 13, 2023 and prior to June 12, 2026 into common shares of the Company.
- c. Exchange Price and Adjustment: The exchange price was originally NT\$72.55 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. On June 18, 2023, the exchange price was adjusted from NT\$72.55 to NT\$70.11 due to a dividend adjustment. Additionally, on June 17, 2023, the company announced an adjustment in the conversion price from NT\$70.11 to NT\$62.48, effective as of July 27, 2023, due to a cash capital increase.
- d. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

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The company's bonds were converted for an amount of NT\$228,000 thousand on September 30, 2023, resulting in the issuance of 3,649 thousand common shares which were recorded under the convertible bond rights certificates.

(12) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2023, and 2022 were NT\$1,165 thousand and NT\$1,009 thousand, respectively. Expenses under the defined contribution plan for the nine-month periods ended September 30, 2023 and 2022 were NT\$3,398 thousand and NT\$3,029 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended September 30, 2023 and 2022 were NT\$80 thousand and NT\$93 thousand, respectively. Expenses under the defined benefits plan for the nine-month periods ended September 30, 2023 and 2022 were NT\$240 thousand and NT\$277 thousand, respectively.

(13) Equities

(a) Common stock

The Company's authorized capital were NT\$700,000 thousand and issued capital were NT\$400,188, NT\$300,188 and NT\$300,188 thousand as at September 30, 2023, December 31, 2022 and September 30, 2022, respectively, each at a par value of NT\$10. The amount were divided into 40,019 thousand shares, 30,019 thousand shares and 30,019 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

The Company resolved to issue 10,000 new shares to increase the cash capital with the par value of NT\$48, on March 1, 2023. The reference date for this capital increase was set as July 27, 2023, and the registration of this change has been completed.

The company's first domestic unsecured convertible corporate bonds applied for a conversion amount of NT\$228,000 thousand during the third quarter of 2023, resulting in the issuance of 3,649 thousand shares of common stock. This conversion was approved by the board of directors on November 8, 2023, with being designated as the reference date for this capital increase. As at September 30, 2023 these transactions are recorded under the convertible bond rights certificates.

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(b) Additional paid-in capital

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Gain on sale of assets	\$114,045	\$114,045	\$114,045
Stock issuance premium	863,453	286,811	286,811
Stock option-convertible bonds	9,223	-	-
<b>Total</b>	<b>\$986,721</b>	<b>\$400,856</b>	<b>\$400,856</b>

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

(c) Retained earnings and dividend policies

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

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

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

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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.

On March 31, 2021, the FSC 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, special reserve in the amount equal to the reversal may be released for earnings distribution.

Details of the 2022 and 2021 earnings distribution and dividends per share as resolved by the board of shareholders’ meeting on May 24, 2023 and May 26, 2022, respectively, were as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	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(17) for further details on employees’ compensation and remuneration to directors and supervisors.

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(14) Share-based payment arrangements

The Company issued new ordinary shares in May 2023 and reserved 1,000 thousand of the newly issued shares for employees to subscribe. In accordance with IFRS 2 "share-based payment" accounting standard, the company shall recognize transactions on the fair value base. For the 191 thousand options exercised, the Company recognized the difference between the closing price, June 5, 2023, and the exercise price, which amounted to NT\$81.4 and NT\$48, respectively, in remuneration cost. The Company reclassified the capital surplus employee share options to Capital surplus, additional paid-in capital, amounting to NT\$6,379 thousand, as of the exercise date.

(15) Operating revenue

	<u>For the three-month</u> <u>periods ended September 30,</u>		<u>For the nine-month</u> <u>periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers				
Sale of goods	\$142,444	\$121,690	\$434,893	\$343,080
Other operating revenues	5,575	4,886	17,082	10,455
Total	<u>\$148,019</u>	<u>\$126,576</u>	<u>\$451,975</u>	<u>\$353,535</u>

Analysis of revenue from contracts with customers during the three-month periods ended September 30, 2023 and 2022 and nine-month periods ended September 30, 2023 and 2022 are as follows:

(a) Disaggregation of revenue

	<u>For the three-month</u> <u>periods ended September 30,</u>		<u>For the nine-month</u> <u>periods ended September 30,</u>	
	<u>Single</u>	<u>Single</u>	<u>Single</u>	<u>Single</u>
	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>Department</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Sales of goods	\$142,444	\$121,690	\$434,893	\$343,080
Contract manufacturing revenue	3,601	3,417	12,692	8,986
Electricity generating income	1,974	1,469	4,390	1,469
Total	<u>\$148,019</u>	<u>\$126,576</u>	<u>\$451,975</u>	<u>\$353,535</u>
Timing of revenue recognition:				
At a point in time	<u>\$148,019</u>	<u>\$126,576</u>	<u>\$451,975</u>	<u>\$353,535</u>

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The solar energy system held by the Group, located at Land, No 175, Ligong Section, Wujie Township, Yilan County has been transmitting electricity to Taiwan Power Company since July, 2022. Please refer to Note 6(8) for more details on Land.

(b) Contract balances

Contract liabilities, current

	As at			
	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
	Sales of goods	\$6,699	\$7,055	\$7,222

The significant changes in the Group's balances of contract liabilities for the nine-month periods ended September 30, 2023 and 2022 are as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
	The opening balance transferred to revenue	\$(396)	\$-	\$(4,487)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	-	264	4,131	2,053

(16) Expected credit losses

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
	Operating expenses – Expected credit losses			
Accounts receivable	\$-	\$485	\$439	\$485

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



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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 September 30, 2023, December 31, 2022, and September 30, 2022 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:

September 30, 2023

	Not yet due		Overdue				Total
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$129,737	\$957	\$-	\$341	\$399	\$37	\$131,471
Loss rate	0~3%	5%	10%	50%	100%	100%	
Lifetime expected credit losses	(3,701)	(48)	-	(171)	(399)	(37)	(4,356)
Carrying amount of trade receivables	\$126,036	\$909	\$-	\$170	\$-	\$-	\$127,115

December 31, 2022

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

September 30, 2022

	Not yet due		Overdue				Total
	(Note)	<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$100,341	\$631	\$-	\$166	\$109	\$38	\$101,285
Loss rate	0~3%	5%	10%	50%	100%	100%	
Lifetime expected credit losses	(3,257)	(32)	-	(83)	(109)	(38)	(3,519)
Carrying amount of trade receivables	\$97,084	\$599	\$-	\$83	\$-	\$-	\$97,766

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

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The movement in the provision for impairment of notes and accounts receivable during the nine-month periods ended September 30, 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable
Balance as at January 1, 2023	\$-	\$3,917
Addition/(reversal) for the current period	-	439
Write off	-	-
Balance as at September 30, 2023	\$-	\$4,356
Balance as at January 1, 2022	\$-	\$3,055
Addition/(reversal) for the current period	-	485
Write off	-	(21)
Balance as at September 30, 2022	\$-	\$3,519

(17) Summary statement of employee benefits, depreciation and amortization expenses by function during the three-month and nine-month periods ended September 30, 2023 and 2022:

Items	For the three-month periods ended September 30,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$14,559	\$17,111	\$31,670	\$11,598	\$14,919	\$26,517
Labor and health insurance	1,504	1,214	2,718	1,193	1,098	2,291
Pension	672	573	1,245	562	540	1,102
Remuneration to directors	-	834	834	-	804	804
Other employee benefits expense	774	267	1,041	511	201	712
Depreciation	3,631	1,228	4,859	3,509	854	4,363
Amortization	-	354	354	-	353	353

Items	For the nine-month periods ended September 30,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$44,974	\$53,186	\$98,160	\$32,428	\$41,300	\$73,728
Labor and health insurance	4,393	3,847	8,240	3,762	3,331	7,093
Pension	1,949	1,689	3,638	1,743	1,563	3,306
Remuneration to directors	-	2,776	2,776	-	2,444	2,444
Other employee benefits expense	2,224	811	3,035	1,483	587	2,070
Depreciation	10,848	3,662	14,510	9,857	2,310	12,167
Amortization	-	1,061	1,061	-	1,060	1,060

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The company's articles of association stipulate that in the event of annual profits, a minimum of 3% should be allocated for employee compensation, and no more than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be no less than 3% of profit of current year and no higher than 5% of profit of current year, respectively, recognized as the employees' compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2023 amount to NT\$836 thousand and NT\$1,003 thousand, respectively. The estimation of the employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2023 were NT\$2,981 thousand and NT\$3,577 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2022 amount to NT\$786 thousand and NT\$1,310 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2022 amount to NT\$1,894 thousand and NT\$3,157 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) For the nine-month period ended September 30, 2023 and 2022, the Group had average 175 and 162 employees, which included 7 and 8 non-employee directors, respectively.

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(18) Non-operating income and expenses

(a) Interest income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Interest income	\$1,048	\$55	\$1,836	\$243

(b) Other income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Other income	\$121	\$133	\$309	\$242

(c) Other gains and losses

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Foreign exchange (losses) gains, net	\$(101)	\$147	\$29	\$85
(Losses) gains on financial assets at fair value through profit or loss	(152)	-	928	-
Gains on disposal of property, plant and equipment	5	-	5	-
Other losses	(21)	(3)	(68)	(132)
Total	\$(269)	\$144	\$894	\$(47)

(d) Finance costs

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Interest on borrowings from bank	\$(491)	\$(233)	\$(1,041)	\$(811)
Interest on bonds payable	(2,040)	-	(2,460)	-
Total	\$(2,531)	\$(233)	\$(3,501)	\$(811)

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(19) Components of other comprehensive income

For the three-month period ended September 30, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(1,634)	\$-	\$(1,634)	\$-	\$(1,634)

For the nine-month periods ended September 30, 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(1,291)	\$-	\$(1,291)	\$-	\$(1,291)

For the three-month period ended September 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(491)	\$-	\$(491)	\$-	\$(491)

For the nine-month periods ended September 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods: Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$203	\$-	\$203	\$-	\$203

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(20) Income tax

The major components of income tax expense for the nine-months ended September 30, 2023 and 2022 are as follows:

Income tax expense recognized in profit or loss

	<u>For the three-month</u> <u>periods ended September 30,</u>		<u>For the nine-month</u> <u>periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current income tax expense:				
Current income tax charge	\$5,173	\$4,296	\$16,147	\$11,824
Adjustment in respect of current income tax of prior periods	-	-	66	9
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(310)	570	321	(46)
Total income tax expense	<u>\$4,863</u>	<u>\$4,866</u>	<u>\$16,534</u>	<u>\$11,787</u>

The assessments of income tax returns

As at September 30, 2023, the assessments of the income tax returns of the Company and its subsidiary are as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2021
Pei Jin International Co., Ltd.	Assessed and approved up to 2021

(21) Earnings per share

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

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	\$17,185	\$19,238	\$62,078	\$46,300
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	37,806	30,019	32,643	30,019
Basic earnings per share (NT\$)	\$0.45	\$0.64	\$1.90	\$1.54
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	\$17,185	\$19,238	\$62,078	\$46,300
Gain or loss on valuation of redemption	152	-	(928)	-
Interest expense from convertible bonds	2,040	-	2,460	-
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT\$)	\$19,377	\$19,238	\$63,610	\$46,300
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	37,806	30,019	32,643	30,019
Effect of dilution:				
Employee compensation - stock (in thousands)	32	25	39	75
Convertible bonds (in thousands)	5,788	-	2,396	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	43,626	30,044	35,078	30,094
Diluted earnings per share (NT\$)	\$0.44	\$0.64	\$1.81	\$1.54

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

7. Related party transactions

Significant transactions with the related parties

Key management personnel compensation

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$1,973	\$1,930	\$8,658	\$6,123
Post-employment benefits	76	75	228	225
Total	<u>\$2,049</u>	<u>\$2,005</u>	<u>\$8,886</u>	<u>\$6,348</u>

8. Assets pledged as security

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

Items	Carrying amount			Secured liabilities
	September 30, 2023	December 31, 2022	September 30, 2022	
Property, plant and equipment				
- land and buildings	<u>\$154,897</u>	<u>\$154,927</u>	<u>\$155,830</u>	Short-term secured loan

9. Significant contingencies and unrecognized contractual commitments

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.



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12. Others

(1) Categories of financial instruments

Financial assets

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss	\$1,513	\$-	\$-
Financial assets at fair value through other comprehensive income	14,090	15,381	15,614
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,062,964	168,416	148,846
Notes receivables	22,662	21,510	15,379
Accounts receivables	104,453	93,858	82,387
Other receivables	1,171	919	951
Subtotal	1,191,250	284,703	247,563
Total	<u>\$1,206,853</u>	<u>\$300,084</u>	<u>\$263,177</u>

Financial liabilities

	As at		
	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities at amortized cost:			
Short-term borrowings	\$60,000	\$60,000	\$60,000
Accounts and other payables	109,019	79,063	76,811
Bonds payables	162,423	-	-
Guarantee deposit received	150	-	240
Total	<u>\$331,592</u>	<u>\$139,063</u>	<u>\$137,051</u>

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

(4) Credit risk management

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

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

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

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

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(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at September 30, 2023					
Borrowings	\$60,000	\$-	\$-	\$-	\$60,000
Accounts and other payables	109,019	-	-	-	109,019
Convertible bonds	-	162,423	-	-	162,423
As at December 31, 2022					
Borrowings	\$60,000	\$-	\$-	\$-	\$60,000
Accounts and other payables	79,063	-	-	-	79,063
As at September 30, 2022					
Borrowings	\$60,000	\$-	\$-	\$-	\$60,000
Accounts and other payables	76,811	-	-	-	76,811

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine-month period ended September 30, 2023 and 2022:

	Short-term borrowings	Bonds Payable	Total liabilities from financing activities
As at January 1, 2023	\$60,000	\$-	\$60,000
Cash flows	-	395,355	395,355
Non-cash changes	-	(232,932)	(232,932)
As at September 30, 2023	\$60,000	\$162,423	\$222,423

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	Short-term borrowings	Bonds Payable	Total liabilities from financing activities
As at January 1, 2022	\$80,000	\$-	\$80,000
Cash flows	(20,000)	-	(20,000)
As at September 30, 2022	\$60,000	\$-	\$60,000

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

- (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.

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(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 - Unobservable inputs for the asset or liability

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

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

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

As at September 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Convertible corporate bonds with embedded derivative financial instruments	\$-	\$-	\$1,513	\$1,513
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	14,090	14,090
Total	\$-	\$-	\$15,603	\$15,603

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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

As at September 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$15,614	\$15,614

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

	Assets	
	At fair value through profit or loss	At fair value through other comprehensive income
	Derivative instrument	Stocks
Beginning balances as at January 1, 2023	\$-	\$15,381
Total gains and losses recognized for the nine-month period ended September 30, 2023:		
Issue for the period end September 30, 2023		-
Redemption and conversion		-
Amount recognized in profit or loss (presented in "other profit or loss")	928	-
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	(1,291)
Ending balances as at September 30, 2023	\$1,513	\$14,090

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	Assets	
	At fair value through profit or loss	At fair value through other comprehensive income
	Derivative instrument	Stocks
Beginning balances as at January 1, 2022	\$-	\$15,411
Total gains and losses recognized for the nine-month period ended September 30, 2022:		
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	203
Ending balances as at September 30, 2022	\$-	\$15,614

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 September 30, 2023

	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\$2,008 thousand.
Financial assets at fair value through profit or loss Embedded derivative	Binomial tree model	volatility	57.29%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Company’s profit or loss by NT\$110 thousand.

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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 September 30, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income 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\$2,226 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.



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(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.

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(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.

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Table 1: Securities held as at September 30, 2023

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	\$393	2.85	0.83	
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	13,697	12.44	6.88	
		Total		<u>\$14,090</u>			

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Table 2: Information on investees

Unit: NT\$ thousand

Investor company	Investee company	Address	Main businesses and products	Initial Investment		Investment as at September 30, 2023		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%	\$10,622	\$(203)	\$(1,264)	(Note1)

Note 1 : The investment incomes and losses has recognized for this period include amortization of intangible assets acquired through business combinations of NT\$1,061 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.

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

Table 3: Information on major shareholders

Major shareholders' name	Share			
	Number of common shares	Number of preferred shares	Number of total shares	Shareholding ratio(%)
HUANG, BOR-HSUN	2,785,001	-	2,785,001	6.38%

Instructions: If the company has applied to TDCC for access to the information 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.