



生達化學製藥股份有限公司  
STANDARD CHEM. & PHARM. CO., LTD.

Common Stock  
Stock Code : 1720

# 2022 Annual Report



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# I. Letter to Shareholders

## 1.1 Operating Results for Previous Year

### (1) Implementation Results of Last Year's Business Plan

The Company's 2022 consolidated net revenue was NT\$5,851,368 thousand, an increase of about 27.1% compared to 2021. The increase in operational performance is mainly due to the inclusion of the operations of SYN-TECH Chem. & Pharm. since December of 2021. Among them, the net revenue of western medicine for humans was NT\$2,527,248 thousand, accounting for 43.2% of the overall revenue, the net revenue of health food was NT\$1,933,562 thousand, accounting for 33.0% of the overall revenue, the net revenue of synthetic active pharmaceutical ingredients (APIs) were NT\$1,027,101 thousand, accounting for 17.6% of the overall revenue, and other net revenues, including veterinary medicine, etc., were NT\$363,457 thousand, accounting for 6.2% of the overall revenue.

Operating gross profit increased by about 20.3% in 2022 compared to 2021 due to revenue growth. The operating expenses increased by about 14.9% due to the merger with SYN-TECH Chem. & Pharm. As the growth rate of the operating gross profit was higher than the increase in operating expenses, the operating income for 2022 increased by about 27.6% compared to 2021.

Non-operating income and expenses are mainly impacted by fluctuations in the exchange rate of the US dollar, resulting in the recognition of foreign currency exchange gains leading to an increase about 105.4% in 2022 compared to 2021.

In summary, the net profit for the current period in 2022 is NT\$1,153,620 thousand, an increase of about 37.9% compared to 2021.

### (2) Status of Budget Execution

Unit: NT\$ thousand

Item	2022 Budget	2022 Actual Amount	Budget Achievement %
Operating Revenue	5,391,990	5,851,368	108.5%
Operating Costs	3,076,275	3,363,755	109.3%
Net operating Margin	2,315,715	2,487,613	107.4%
Operating Expenses	1,322,032	1,369,192	103.6%
Operating Profit	993,683	1,118,421	112.6%
Profit before Income Tax	1,204,268	1,399,933	116.2%

### (3) Financial Balance and Profitability Analysis

#### A. Financial Balance

Unit: NT\$ thousand

Item	Amount
Operating Revenue	5,851,368
Net Operating Margin	2,487,613
Operating Profit	1,118,421
Interest Income	29,594
Interest Expense	18,775
Profit Before Income tax	1,399,933
Profit For the Year	1,153,620
Basic Earnings Per Share (NT\$)	4.56

## B. Profitability Analysis

Item		Ratio (%)
Return on Assets		11.10
Return on Equity		16.21
Ratio to Paid-in Capital	Operating Profit	62.59
	Profit Before Income tax	78.34
Net Profit Ratio		19.72
Basic Earnings Per Share (NT\$)		4.56

### (4) Research and Development Status

The Group's research expenditure in 2022 was about NT\$252 million, and R&D expenses account for about 4% of the total revenue. Most of the research technologies are self-developed, and every year there are new products to apply for drug licenses. In addition to domestic R&D items, more emphasis is placed on the R&D of internationalized items. The development results are summarized as follows:

- A. Domestic Western Medicine Preparations: 5 items were submitted for inspection and registration, and 5 items of certificates were completed.
- B. International Western Medicine Preparations: 12 items were submitted for inspection and registration, and 14 items of certificates were completed.
- C. Mass production and launch of new products include 4 western medicines and 9 health supplements products.
- D. BA/BE Research Test: 1 item is submitted, and 2 items are approved.
- E. Health supplements: 11 items were submitted for inspection and registration, and 11 items of certificates were completed.

In addition to the research on the original preparations and raw materials, the research on health supplements is also strengthened.

## 1.2 Overview of the Annual Business Plan

### (1) Operating Principle for This Year

The Company focuses on the development of western medicine, leveraging the integration of upstream and downstream industries within the group to develop niche, distinctive, and differentiated branded products to establish a global marketing network. We actively expand markets such as the United States, Japan, China, and Southeast Asia, aiming to become a world-class leading pharmaceutical manufacturer. The operating principle for this year is as follows:

- A. Keep expanding the investment in the R&D of the product portfolio.
- B. Develop core technologies and focus on the development of distinctive generic drugs.
- C. Actively expand the international business and allocate more resources to overseas operations.
- D. Strengthen raw material procurement and inventory control, maintain production and supply coordination flexibility, and ensure stable production and supply.
- E. Act as a distributor for new drugs or niche products from original manufacturers in the Taiwan market.
- F. Actively expand business in the National Health Insurance contracted pharmacies and market of over-the-counter (OTC) self-paid drugs and health supplements.
- G. Expand horizontally within the group, strengthen alliances with business counterparts, and enhance the competitiveness of the group.

### (2) Expected Sales Quantity and Basis

#### A.Expected Sales Quantity in 2023

Category	Item	Unit	Quantity
Human Medicine	Tablet	Thousand pieces	1,302,856
	Injection	Thousand units	7,994
	Capsule	Thousand pieces	141,174

Category	Item	Unit	Quantity
	Liquid	Liter	650,815
	Others	-	4,080
Health supplements		-	1,422,979
Others		-	3,011

B. Based on past sales data, considering anticipated changes in market demand and company objectives, a reasonable sales forecast is made.

### (3) Key Production and Marketing Policies

- A. Continuously strengthen the production quality system and compliance with regulations in every country.
- B. Enhance coordination among research, production, and sales, and hold regular coordination meetings to improve product sales and production matters.
- C. Strengthen coordination between suppliers and manufacturing plants, and integrate production activities between upstream and downstream to reduce production and sales costs.
- D. Expand production lines, enhance manufacturing capabilities, and upgrade equipment.
- E. Focus on mass production of core technologies, and improve product quality and yield.

### 1.3 The Future Development Strategy of the Company

Dedicate to the development of special dosage forms, new products, and new drug administration systems, integrating resources from Taiwan's biopharmaceutical industry. Adopt an international operating model and collaborate with strategic alliance partners overseas to look for niche products of new branded drugs, aiming to reduce R&D costs and shorten the product development period. Develop the internationalization foundation of Taiwan's pharmaceutical industry and enter the global new generic drugs market.

- (1) Develop generic drugs with niche, differentiation, and potential internationally.
- (2) Control over the supply chain of APIs and upstream/downstream suppliers.
- (3) Balance production and marketing-oriented strategies.
- (4) Improve continuously by providing better products, superior technology, and updated services.
- (5) Utilize international cooperation strategies to enhance competitiveness.
- (6) Complete the transfer and division of secondary business units, implement specialized division of labor, and enhance international competitiveness.
- (7) Improve the quality system and accelerate international market expansion consistently.

### 1.4 Affected by the External Competitive Environment, Regulatory Environment and Overall Business Environment

#### (1) Impact of the External Competitive Environment

According to a global pharmaceutical market report published by market research firm, Report Linker, the market size is predicted to grow from US\$1,454.66 billion in 2021 to US\$1,487.05 billion in 2022. It is expected to reach US\$2,135.18 billion by 2026, with a CAGR of 7.7%, driven by increasing population and aging demographics, resulting in sustained demand for medications. Moreover, the international pharmaceutical market is highly competitive. The branded drugs are facing challenges from generic drugs due to patent expirations, resulting in a rapid decline in profits. Major global pharmaceutical companies maintain growth momentum through mergers and acquisitions, as well as licensing, to rapidly enter emerging markets and increase R&D capabilities. In the future, the trend of "the stronger player becomes stronger" is expected to continue. To enhance competitiveness, Taiwan's pharmaceutical companies are investing resources in R&D and adopting strategies such as investment and technical collaborations to strengthen their technological capabilities and expand into overseas markets.

Looking forward to the future, the demand for generic drugs will continue to grow. The expiration of patents has reduced the revenue of many pharmaceutical companies. Governments and healthcare payers, who are cost-conscious, tend to use generic drugs. Most industry experts believe that the generic drug market will keep growing, benefiting from the cost considerations of consumers and healthcare payers. However, generic drug manufacturers are also confronted with various pressures, including stricter price controls, sales restrictions, and global competition.

The COVID-19 pandemic has been ongoing since 2019. The global pandemic has become intensified and undergone many changes which makes many countries' governments implement



lockdown measures. The major producers of APIs, China and India, have restricted exports of pharmaceuticals to ensure domestic demand, coupled with labor shortages and transportation disruptions caused by factory shutdowns making many commercial transactions come to a standstill, leading to disruptions in the supply chain and transportation difficulties for APIs. Vaccines and medications have faced shortages, and the manufacturing costs of pharmaceuticals have continued to rise. Therefore, reevaluating the layout of the pandemic prevention industry chain and the supply and demand of pharmaceuticals has become a significant concern for many countries.

## **(2) Impact of the Regulatory Environment**

The pharmaceutical industry and drug sales are regulated industries subject to high levels of regulations. Pharmaceutical manufacturers need to comply with PIC/S GMP requirements and obtain Good Manufacturing Practice (GMP) quality documentation for raw material sources. Drug products also need to obtain a drug license for marketing approval. In the domestic market, with the implementation of national health insurance, prescription drugs and reimbursement of drugs by medical institutions must adhere to the "National Health Insurance Drug Reimbursement Items and Payment Standards". Companies adjust their strategies for new product launches based on reimbursement direction. The quality of Standard Chem & Pharm.'s products are strictly monitored by regulatory authorities, and the products also comply with GMP for pharmaceuticals. In order to expand overseas markets, our company undergoes annual inspections by domestic health authorities, as well as GMP inspections from various countries according to the regulations of international health authorities. So far, we have successfully passed GMP inspections from the United States, Japan, South Korea, Australia, and other Southeast Asian countries.

The main customers of the pharmaceutical industry are medical institutions. The pharmaceutical industry faces challenges such as drug price investigations and annual reductions, non-reimbursement for prescribed medications, as well as total budget caps and reasonable outpatient volumes for domestic medical institutions. These factors have constrained the growth of the pharmaceutical industry in the domestic market. As the growth in healthcare demand is driven by the aging population, the overall healthcare market continues to grow slowly but steadily, along with the growth of the self-pay market.

As of December 31, 2014, there are still over a hundred Western medicine manufacturers in Taiwan that have fully implemented PIC/S GMP. In addition to improving pharmaceutical quality through the implementation of PIC/S GMP, the government has also strengthened the management of quality for APIs, and promoted the comprehensive implementation of GMP for APIs to enhance the import management of imported APIs and also for in-house use. Besides, the manufacturers also established the Drug Master File (DMF) system for APIs and accelerated the promotion of the use of GMP for APIs by pharmaceutical manufacturers. The Ministry of Health and Welfare announced in September 2013 that all APIs with a valid API license should fully comply with GMP starting from December 31, 2015. Western pharmaceutical manufacturers should ensure that incoming APIs meet the requirements and implement supplier management to ensure strict control of the quality of APIs used. To ensure the quality and integrity of all drugs delivered to patients during manufacturing, storage, and transportation, and also to strengthen the supervision and management of drug supply chain quality, the Ministry of Health and Welfare has established guidelines for Good Distribution Practice (GDP) inspections in accordance with the Pharmaceutical Affairs Act and the Inspection Measures for Drug Manufacturers. Starting from January 1, 2019, all Western medicine manufacturers and distributors holding a license for Western medicine manufacturing are required to fully implement PIC/S GDP.

## **(3) Impact of the Overall Business Environment**

The overall environment of the pharmaceutical industry is expected to undergo changes due to demographic trends such as aging populations and the density of the population. Developing countries are experiencing population growth, while developed countries are facing declining birth rates. This is anticipated to result in an increase in diseases related to aging and medication usage for chronic conditions, leading to sharply growing healthcare expenditures in every country. Additionally, rising healthcare expenditures and the pursuit of higher healthcare quality are expected to be future trends for development. Due to the impact of the COVID-19 pandemic on the global economy and daily life, various countries' governments are placing greater emphasis on the healthcare industry and actively promoting a shift from globalization to localization in the pharmaceutical supply chain. Under the trend of "Industrialize the Industrial Pandemic Prevention and Pandemic Prevention," the pharmaceutical supply chain is expected to undergo restructuring and face increased uncertainties.

The "Act for the Development of Biotech and New Pharmaceuticals Industry" was amended and passed by the Legislative Yuan on its third reading in 2021, and the title of the bill was revised to "Act for the Development of Biotech and Pharmaceutical Industry ". The scope of incentives and tax applications has been expanded, including new dosage forms, regenerative medicine, precision medicine, digital medicine, and innovative technology platforms for the biotech and medical industry except for new drugs and high-risk medical devices that were already included. CDMO in the pharmaceutical companies involved in development and manufacturing have also been included, with the aim of attracting investment and retaining talent through the expansion of R&D, funding, and machinery and equipment as deductible benefits, thereby enhancing the international competitiveness of the biotech industry and promoting overall industry upgrading. The Executive Yuan has been promoting the "New Southbound Policy" since 2015 and will launch the "Medium- to Long-term Plan for Health Cooperation and Industry Chain Development with New Southbound Countries" from 2022 to 2025, leveraging Taiwan's advantages in medical and pharmaceutical products as a niche for strengthening partnerships with New Southbound countries and seeking bilateral and multilateral cooperation with ASEAN, South Asia, New Zealand, Australia, etc. The Taiwan Food and Drug Administration (TFDA) is actively promoting regulatory harmonization, exchange of inspection technology, and laboratory management accreditation cooperation with New Southbound countries, with the goal of reducing duplicate testing and inspections, simplifying the review process for pharmaceuticals, and shortening the time for local market approval of drugs in those countries. This continuous effort to promote health cooperation and drive the establishment of health industry platforms will contribute to the expansion of Taiwan's pharmaceutical export market.

## II. Company Profile

### 2.1 Date of Incorporation

June 30, 1967

### 2.2 Company History

Year	Important Events
1967	It was approved to establish Standard Chem. & Pharm. Co., Ltd. with a capital of NT\$500,000. The founder and current chairman, Mr. Chin-Tsai, Fan, took the development of domestic medicines and the benefit of the people as the entrepreneurial purpose, and took "Honesty, Integrity, Innovation" as the business philosophy. And to benefit others and self, combined with the interests of shareholders, employees, customers and the general public as the operating principle.
1969	Added an inorganic synthesis plant for raw materials of western medicine.
1972	Added an injection factory.
1985	Approved by the government as a G.M.P. comprehensive pharmaceutical factory.
1987	Acting as an agent to sell medical equipment and diagnostic reagents of Kyoto Daiichi Science Co., Ltd., Japan.
1988	1. The G.M.P. inspection of animal medicines had passed. 2. The second factory of Standard was built.
1989	1. Won the National Top Ten Outstanding Manufacturers Award. 2. Won the Excellent Taxpayer Award issued by the provincial government.
1991	Increased sales of traditional Chinese medicine preparations.
1992	1. Cooperated with France's largest pharmaceutical company RHONE-POULENC RORER for joint marketing to expand the scale of operation. 2. Once again won the National Top Ten Outstanding Manufacturers Award. 3. Won the first Outstanding Industrial Technology Development Award.
1993	1. Won the Award for Institutions with Excellent Labor Conditions issued by the Labor Committee of the Executive Yuan. 2. The paid-in capital was NT\$300 million. Approved by the Securities Management Committee of the Ministry of Finance as a public offering company. 3. Expansion of preparation factory, scientific traditional Chinese medicine factory and organic synthesis factory.
1994	1. The preparation factory, scientific Chinese medicine factory and organic synthesis factory had been expanded and putted into production one after another. 2. Expanded the biotechnology factory and took a big step towards the mass production of biotechnology products. 3. The Chairman was awarded the "Pharmaceutical Industry Contribution Award" by the Asian Pharmaceutical Association. 4. Approved by the government as a G.M.P. Chinese medicine factory.
1995	1. Approved by the competent authority, officially listed on the Taiwan Stock Exchange. 2. The construction of biotechnology factory was completed. 3. The Prime Minister of the Central African Republic visited the factory.
1996	1. The food factory was completed. 2. The special preparation factory started operation. 3. The leading product plan in cooperation between biotechnology factory and synthesis factory and Industrial Bureau of Ministry of Economic Affairs.
1997	1. 30th anniversary celebration. 2. The special preparation factory was completed. 3. Reinvested in Hexin Development Co., Ltd. and Green Management International Co., Ltd.

Year	Important Events
1998	<ol style="list-style-type: none"> <li>1. Passed the ISO 9001 international quality certification.</li> <li>2. Won the 6th Industrial Technological Development Excellence Award.</li> <li>3. The General Manager won the 1998 Excellent Businessman Award of the Republic of China.</li> <li>4. Reinvested in Syngen Biotech Co., Ltd. and Chia Scheng Investment Co., Ltd.</li> </ol>
1999	<ol style="list-style-type: none"> <li>1. Won the 1999 National Biotechnology and Healthcare Quality Gold Award.</li> <li>2. Won the National Top Ten Dedicated Projects and Excellent Institution Award.</li> <li>3. Won the National Consumer Gold Award.</li> <li>4. Reinvested in Advpharma Inc. and Zhongshan Venture Capital Co., Ltd.</li> </ol>
2000	<ol style="list-style-type: none"> <li>1. The first pharmaceutical factory in the Country to pass the US FDA inspection.</li> <li>2. Won the National Biotechnology and Medical Quality Overall Gold Award and the Single Item Silver Award.</li> <li>3. Won the Ministry of Economic Affairs' Industrial Excellence Award and Employee Welfare Excellent Unit Award.</li> <li>4. Reinvested in Hejiakang Enterprise Co., Ltd., Songsheng Technology Co., Ltd., and Inforight Technology Co., Ltd.</li> </ol>
2001	<ol style="list-style-type: none"> <li>1. Passed the first stage of validation work assessment (cGMP).</li> <li>2. Omeprazole, an anti-ulcer drug, was the first company in the Country to obtain a US patent.</li> <li>3. Received a grant from the Ministry of Health and the Ministry of Economic Affairs for pharmaceutical technology research and development, and 5 items had won awards, ranking No.1 among domestic pharmaceutical companies.</li> </ol>
2002	<ol style="list-style-type: none"> <li>1. Once again, received a grant from the Ministry of Health and the Ministry of Economic Affairs for pharmaceutical technology research and development, the Bronze Award in the pharmaceutical category and the Bronze Award in the manufacturing technology category.</li> <li>2. Passed the second stage of validation work assessment (cGMP).</li> <li>3. GMP evaluation of API factory.</li> <li>4. Reinvested in SYN-TECH Chem. &amp; Pharm. Co., Ltd.</li> </ol>
2003	<ol style="list-style-type: none"> <li>1. Won the 2003 National Biotechnology and Medical Quality Award - the Overall Pharmaceutical Factory Category.</li> <li>2. Won the Pharmaceutical Technological Research and Development Award and the Manufacturing Technology Gold Award.</li> <li>3. Reinvested in Gaosheng Pharmaceutical Co., Ltd., NTU Innovation Incubation Co., Ltd., and NCKU Venture Capital Co., Ltd.</li> </ol>
2004	<ol style="list-style-type: none"> <li>1. Felodipine, the antihypertensive drug, won the US patent.</li> <li>2. Won the third Pharmaceutical Technological Research and Development Award - Manufacturing Technology Gold Award.</li> <li>3. Won the 2004 National Defense Industry Training and Reserve System as an Excellent Unit.</li> <li>4. Pass the third stage of validation work evaluation (cGMP), and fully complete the validation work of cGMP drugs.</li> </ol>
2005	<ol style="list-style-type: none"> <li>1. Awarded as a model of the pharmaceutical industry by the Ministry of Economic Affairs and the Department of Health.</li> <li>2. Won the 13th Industrial Technological Development Award of the Ministry of Economic Affairs-Excellent Innovative Enterprise Award.</li> <li>3. STANDARD food production line passed the 2005 food GMP certification.</li> <li>4. Reinvested in Oni Global (Taiwan) Co., Ltd.</li> </ol>
2006	<ol style="list-style-type: none"> <li>1. Felodipine oral sustained release drug has obtained the patent of the Republic of China.</li> <li>2. Fedil/Weikuol/Anminyi products have obtained the National Quality Mark Certification of the Health Policy Council.</li> <li>3. Weikuol was awarded the National Quality Bronze Award by the Health Policy</li> </ol>

Year	Important Events
	<p>Council.</p> <p>4. Fedil was awarded the National Quality Gold Award by the Health Policy Council.</p> <p>5. Changlijing Sustained Release Capsules was awarded the Pharmaceutical Technology Research Silver Award by the Department of Health.</p>
2007	<p>1. Won the 2007 Enterprise Digital Learning Service Quality Award.</p> <p>2. Awarded the 2007 Industry Learning Network Best Enterprise Application Award.</p> <p>3. Healthy Perfect Score Pearl Grass Antrodia Herbal Essence/Jiansheng Anminyi Herbal Enhanced Formula products had obtained the 2007 National Quality Mark Certificate in the category of nutritional and health food.</p> <p>4. Shunyale Sustained Release Tablets 5 KM/Shuzhi Tablet products had obtained the 2007 National Quality Mark Certificate of Western Medicine Category - Prescription Drug Group.</p>
2008	<p>1. Won the 2008 Quality Gold Medal Award for assisting corporate human resources in improving the quality training of individual plans.</p> <p>2. The product of Shutong Xiaore Injection had obtained the 2008 National Quality Mark of Western Medicine - Prescription Drug Group.</p>
2009	<p>1. Won the "Training Excellence Award" of the large-scale enterprise group in the Yunjiannan area of the "Charge Now Project" in 2009.</p> <p>2. Passed the Excellent Manufacturing Practice (PIC/S) GMP standard of the Department of Health, Executive Yuan.</p> <p>3. Reinvested in Souriree Biotech &amp; Pharm.Co., Ltd., Standard Pharmaceutical Co., Ltd., Standard Chem. &amp; Pharm. Philippines, Inc.</p>
2010	<p>1. The second factory had passed PIC/S GMP certification.</p> <p>2. Reinvested in Healthy Life International Co., Ltd., Multipower Enterprise Corp., and reinvested in Jiangsu Standard Biotech Pharmaceutical Co., Ltd. in mainland China through Samoa, the third place.</p>
2011	<p>1. Passed the dual systems of international certification of ISO14001 and OHSAS18001.</p> <p>2. The first factory had passed PIC/S GMP certification.</p> <p>3. Reinvested in sub-subsidiary Jiangsu Standard-Dia Biopharma Co., Ltd. in mainland China.</p> <p>4. Subsidiary Souriree Biotech &amp; Pharm.Co., Ltd. passed PIC/S GMP certification.</p>
2012	<p>1. Passed the PIC/S follow-up factory inspection by Taiwan Food and Drug Administration.</p> <p>2. Won the Taiwan Food and Drug Administration GDP Excellent Distribution Practice for Drugs.</p> <p>3. Sell 100% equity of Oni Global (Taiwan) Co., Ltd.</p>
2013	<p>1. Subsidiary Healthy Life International Co., Ltd. merged with WE CAN MEDICINES CO., LTD.</p> <p>2. Shortlisted manufacturers of the first Taiwan Mittelstand Enterprise.</p> <p>3. Won the top three domestic benchmark enterprises in the pharmaceutical category.</p> <p>4. "Azosin S.R. Tab." won the Bronze Medal of Pharmaceutical Technology Research and Development Award.</p> <p>5. Subsidiary Syngen Biotech Co., Ltd. had been approved by the competent authority as a public offering company.</p> <p>6. Passed the follow-up factory inspection of the US FDA preparations and raw materials (zero 483).</p> <p>7. Raw materials vertically integrated drug for rare disease was sent to the US ANDA.</p> <p>8. Obtained the patent of the sustained-release tablet manufacturing device with laser-formed drug release holes (Republic of China Patent No. M452771).</p> <p>9. Received the subsidy from the Ministry of Economic Affairs of the "Pharmaceutical Industry's Production, Marketing, Logistics and Logistics Service Promotion Plan".</p>
2014	<p>1. The stock of the subsidiary Syngen Biotech Co., Ltd. was listed.</p>

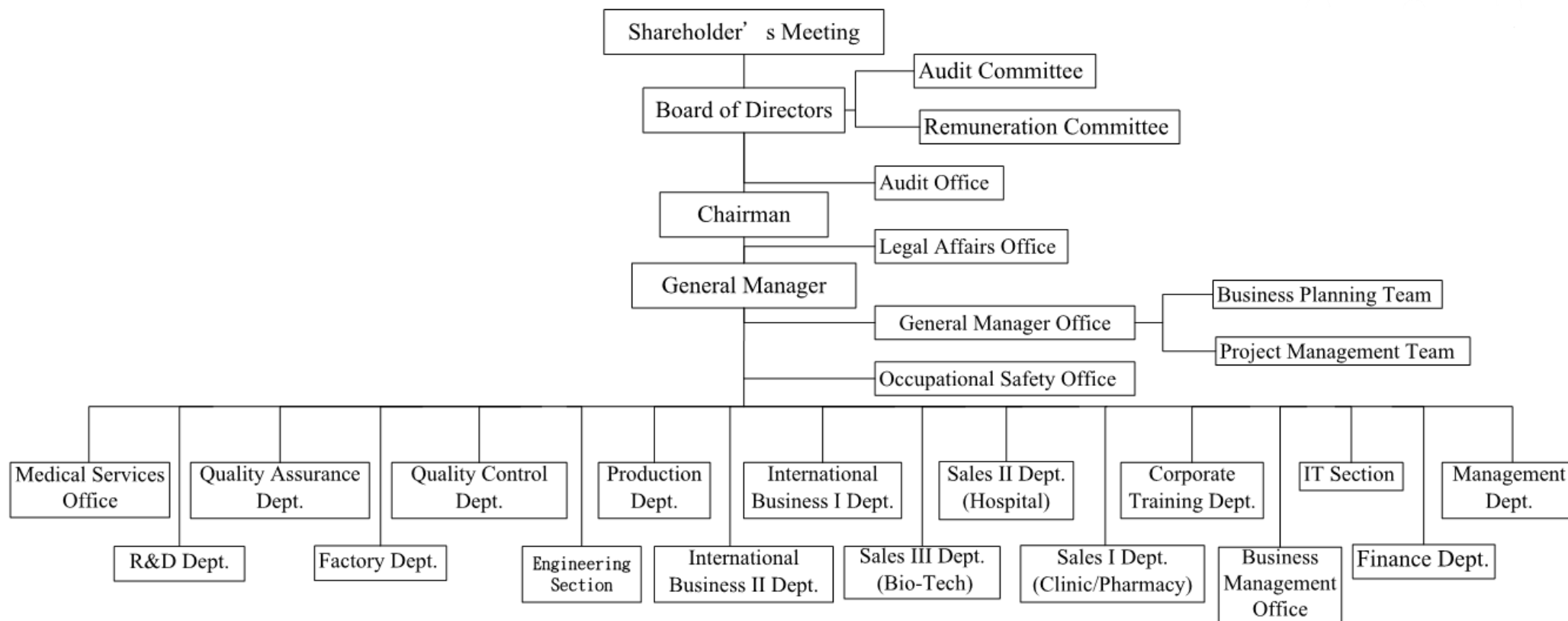
Year	Important Events
	<ol style="list-style-type: none"> <li>2. Won the 2nd Key Counseling Object of Potential Taiwan Mittelstand Enterprise by the Ministry of Economic Affairs.</li> <li>3. Won the 2014 Outstanding Biotechnology Industry Award - Outstanding Biotechnology Industry Gold Award.</li> <li>4. Passed the review of A+ enterprise innovation research and development quenching plan by the Ministry of Economic Affairs.</li> <li>5. Obtained the authorization from the original Japanese factory to manufacture Erispan raw materials and preparations for psychiatric drugs in Taiwan, and successfully vertically integrated.</li> <li>6. Ranked in the first Corporate Governance Evaluation among the top 6~20% of listed companies.</li> </ol>
2015	<ol style="list-style-type: none"> <li>1. Received the honor of "Operation Benchmark Enterprise" in the field of pharmaceuticals in 2015 assessed by the Health Policy Association.</li> <li>2. Obtained the approval of the US ANDA item for diabetes drug and shipped to the United States.</li> <li>3. Won the 2015 Commonwealth Magazine Little Giant CSR Corporate Citizenship Award.</li> <li>4. Ranked among the top 6~20% of listed companies in the 2<sup>nd</sup> Corporate Governance Evaluation.</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Obtained the agency sales right and import approval of Latuda, a new psychiatric drug from the original Japanese factory, in Taiwan.</li> <li>2. The stock of the subsidiary Syngen Biotech Co., Ltd. was listed on the OTC.</li> <li>3. Received the 2016 Commonwealth Magazine Mid-Tier Enterprises CSR Corporate Citizenship Award.</li> <li>4. Ranked among the top 6~20% of listed companies in the 3<sup>rd</sup> Corporate Governance Evaluation.</li> <li>5. Pass the TFDA first/second factory GDP inspection.</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Tamlosin D Tablets 0.2mg won the 16<sup>th</sup> Pharmaceutical Technology Research Silver Medal Award in the drug category.</li> <li>2. Passed follow-up factory inspection by US FDA.</li> <li>3. Ranked among the top 21~35% of listed companies in the 4<sup>th</sup> Corporate Governance Evaluation.</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. Awarded the "Healthy Workplace Certification - Healthy Startup Label" by the National Health Administration of the Ministry of Health and Welfare.</li> <li>2. In July, the preparation factory and API factory passed the Japanese PMDA GMP inspection.</li> <li>3. Ranked among the top 21~35% of listed companies in the 5<sup>th</sup> Corporate Governance Evaluation.</li> </ol>
2019	Ranked among the top 21~35% of listed companies in the 6 <sup>th</sup> Corporate Governance Evaluation.
2020	<ol style="list-style-type: none"> <li>1. Passed the international certification of ISO 14001 &amp; ISO 45001.</li> <li>2. Won the 2020 Commonwealth Magazine Little Giant CSR Corporate Citizenship Award.</li> <li>3. Co-Midis Tablets 80/5 mg won the 19<sup>th</sup> Pharmaceutical Technology Research and Development Award - Manufacturing Technology Gold Award.</li> <li>4. Won the 2020 Sports Promoter Award - Gold Award in Promotion Category.</li> </ol>
2021	<ol style="list-style-type: none"> <li>1. Won the 2021 Outstanding Biotechnology Industry Award - Gold Award.</li> <li>2. Merge SYN-TECH Chem. &amp; Pharm. Co., Ltd into consolidated entity of the group.</li> </ol>
2022	Tamlosin prolonged release tablets 0.4mg received the National Drug Technology Research and Development Award - Manufacturing Technology Category Bronze Award.

### III. Corporate Governance Report

#### 3.1 Organization

##### (1) Organizational Chart

Organizational Chart of Standard Chem. & Pharm. Co., Ltd.



(2) Major Corporate Functions

Department	Functions
Audit Office	Responsible for auditing the implementation of the Company's internal control system.
Legal Affairs Office	Responsible for the drafting, creation, review, modification and management of legal documents inside and outside the Company.
General Manager Office	Responsible for formulating and revising the Company's mission, vision, goals, business philosophy, corporate culture and system solutions for cross-functional departments to enhance the Company's overall competitiveness; integrate, supervise and control the Company's various cross-functional projects to achieve strategic or key goal project work plan. There are business planning group and project management group under it.
Business Planning Team	Responsible for the Company's overall, prospective, progressive, and developmental planning, inspection, and revision, etc. matters; operation and management of reinvested companies.
Project Management Team	Responsible for the promotion, coordination, follow-up, etc. of cross-departmental affairs, and form a task force according to the needs of the task; supervise and manage annual plan execution.
Occupational Safety Office	Responsible for promoting and supervising OHSAS18001 and TOSHMS occupational safety and health management system of the Company.
Management Dept.	Responsible for the Company's general affairs and materials related matters, ensuring compliance with environmental protection regulations, internal environmental risk assessment and management, human resource management and human resource development, and responsible for promoting and supervising the Company's ISO14001 environmental management system. Carry out maintenance, improvement and calibration management of QC, RD, synthesis equipment, public equipment and machines, etc., in order to reduce maintenance costs, improve production efficiency, and extend the service life and proper rate of machines and facilities.
Finance Dept.	Responsible for corporate governance matters, investor relations, M&A and strategic alliance evaluation planning, subsidiary supervision matters, capital planning of the Company and its subsidiaries, planning, scheduling, and utilization of long-term and short-term funds of the Company, analysis of accounting management statements, and establishment and implementation of tax planning and financial policies to assist the management in decision-making and improvement.
IT Section	Planning, implementation, maintenance and improvement of the Company's information systems.
Business Management Office	Business transaction risk management is responsible for handling customer orders, delivery management, business data statistics operations/analysis and other sales affairs management.
Corporate Training Dept.	Responsible for formulating business systems and planning and implementing marketing strategies to facilitate business promotion and the motivation of staff.
Sales I Dept.	Responsible for formulating the business policies of each district and expanding clinics across the province (domestic), and the product market of western medicine dispensed by pharmacies to improve operational performance.
Sales II Dept.	Responsible for the development and operation of product sales and introduction of new products in medium and large hospitals and domestic medical centers.
Sales III Dept.	Responsible for the development and operation of domestic and foreign health food markets, product design, marketing planning, and responsible for the training of sales representatives in various regions, operating channels and managing customer relationships.



Department	Functions
	And use information technology, network community public relations to integrate the relevant resources of "Affiliated Enterprises", responsible for the development and operation of sales and customer relationship management of the mobile commerce and e-commerce, in order to achieve the department's goals.
International Business I Dept.	Responsible for the development of export markets for existing items in Southeast Asia and Asia (excluding Japan and mainland China); collecting, analyzing and evaluating industry trends and expanding sales and operation management of regional markets to achieve departmental goals.
International Business II Dept.	Responsible for the development of export markets for existing items in Japan, mainland China, and Europe and the United States; collecting, analyzing and evaluating industry trends and expanding sales and operation management of regional markets to achieve departmental goals. It is also responsible for the agency/OEM of original factories or special items in Japan, mainland China, and Europe. Evaluate products for international markets that can be put into vertically integrated development.
Production Dept.	Responsible for the production and manufacturing of various pharmaceutical dosage forms.
Engineering Section.	Execution of QC, RD equipment, utility equipment, and machinery maintenance and improvement, calibration management, to reduce maintenance costs, improve production efficiency, and extend the service life and reliability of machines and facilities.
Quality Control (QC) Dept.	Understand the relevant laws and regulations of quality control and industry trends, gain insight into future trends, and formulate response plans; in accordance with the regulations of domestic and foreign pharmaceutical authorities, implement quality control-related documents and records management, environment, equipment maintenance/calibration, quality testing and other laboratory control matters.
Factory Dept.	Responsible for procurement of raw materials, inventory management and production management of raw materials and finished products, etc.
Quality Assurance (QA) Dept.	Establish and ensure the effectiveness of the quality system operation to meet the requirements of GMP regulations; meet customer needs to improve customer satisfaction.
R&D Dept.	Comply with the relevant laws and regulations of the environmental safety and health management system and drug administration, and be responsible for formulating the research and development strategy and direction of new western medicine products, new product research and development, new product outsourcing development and new technology evaluation transfer, process scale-up and assisting in the search of western medicine research and development items , process improvement and participation in evaluation and introduction of new materials, management and R&D of ANDA items, and other implementation matters.
Medical Services Office	Comply with the relevant laws and regulations of the environmental safety and health management system and drug administration to implement the planning and execution of the research and development product Pilot BE, BE and clinical bioavailability test; planning and execution of clinical trial cases for hospital-purchased drugs after the drug is marketed.

### 3.2 Information Regarding Directors, Supervisors, General Managers, Deputy General Managers, Assistant Managers, Heads of Departments and Branches

#### (1) Directors and Supervisors

##### A. List of Directors

Date of Data: April 21, 2023

List of Directors																				
Title	Nationality	Name	Gender Age	Date Elected	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who Are Spouses or Within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Fan Dao Nan Foundation	Male 51~60	August 24,2021	3	May 28,1997	5,523,881	3.09	5,523,881	3.09	-	-	-	-	MS in Computer Science, University of California, USA General Manager of SCPC	Note 1	Director Director	Chin-Tsai, Fan Tsuey- Wen, Yeh	Father Spouse	(Note 8) (Note 9)
		Representative: Tzu-Ting, Fan							11,766,604	6.58	9,124,669	5.11	-	-						
Director	ROC	Chin-Tsai, Fan	Male 81~90	August 24,2021	3	June 30,1967	20,786,813	11.63	20,786,813	11.63	14,584,781	8.16	-	-	Department of Pharmacy, National Taiwan University Chairman of SCPC	Note 2	Chairman Director	Tzu-Ting, Fan Tsuey- Wen, Yeh	Son Father- in-law	(Note 10)
Director	ROC	Yuan-Teh, Lee	Male 81~90	August 24,2021	3	June 06,2012	-	-	-	-	-	-	-	-	Bachelor of Medicine, National Taiwan University School of Medicine Doctor of Medicine, Tokyo Medical University, Japan Clinical Fellow in Cardiology, University of Washington Hospital, Seattle, USA President of National Taiwan University Hospital	Note 3	None	None	None	
Director	ROC	Tsuey-Wen, Yeh	Female 61~70	August 24,2021	3	May 29,2002	9,094,669	5.09	9,124,669	5.11	11,766,604	6.58	-	-	Department of Accounting, Shih Chien University	Note 4	Director Chairman	Chin-Tsai, Fan Tzu-Ting, Fan	Father- in-Law Spouse	

Title	Nationality	Name	Gender Age	Date Elected	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who Are Spouses or Within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	Hwei-Jiung, Wang	Male 71~80	August 24,2021	3	June 20,2018	-	-	-	-	-	-	-	-	Academician of Academia Sinica/Winner of the 2017 Presidential Science Award Vice President of Academia Sinica Distinguished Researcher and Guest Lecture, Institute of Biochemistry, Academia Sinica	Note 5	None	None	None	
Independent Director	ROC	Lin-Yu, Li	Female 71~80	August 24,2021	3	June 16,2015	-	-	-	-	30,000	0.02	-	-	Department of Cooperative Economics, Feng Chia University	Note 6	None	None	None	
Independent Director	ROC	Shao-Zong, Liu	Male 71~80	August 24,2021	3	August 24,2021	-	-	-	-	-	-	-	-	PhD in Electrical Engineering, University of California, Irvine Chairman and General Manager of Advanced Analog Technology	Note 7	None	None	None	

Note 1 : Tzu-Ting, Fan — Concurrently serving as General Manager of the Company; the representative of the corporate director of Chia Scheng Investment, Standard Pharmaceutical (Samoa), Standard Chem. & Pharm. Philippines (Philippines), Inforight Technology, Multipower Enterprise, Jiangsu Standard Biotech Pharmaceutical, Jiangsu Standard-Dia Biopharma, Shanghai Standard Pharmaceuticals, Taiwan Biosim, Syngen Biotech, Souriree Biotech, SYN-TECH, Hexin Development, GeneFerm Biotechnology, and Ho Yao Biopharm.

Note 2 : Chin-Tsai, Fan — Concurrently serves as the Chairman of the Fan Dao nan Foundation; the representative of the corporate director of Advpharma Inc., Syngen Biotech, and CNH.

Note 3 : Yuan-Teh, Lee — Concurrently serves as a professor at the School of Medicine, National Taiwan University, Director of the Internal Medicine Department of National Taiwan University Hospital, and Chairman of Yida International.

Note 4 : Tsuey-Wen, Yeh — Concurrently as the supervisor of Sun You Biotech, Souriree Biotech, Multipower Enterprise, Taiwan Biosim, and Ho Yao Biopharm; director of We Can Medicines.

Note 5 : Hwei-Jiung, Wang — Concurrently serving as the Independent Director of Lin Bio Science, Inc., Supervisor of AcusMu Medtech Co., Ltd.; Convener of the Mergers and Acquisitions Special Committee of the Company.

Note 6 : Lin-Yu, Li — Concurrently serves as the convener of the Audit Committee and the Remuneration Committee of the Company.

Note 7 : Shao-Zong, Liu — Concurrently serving as Chairman of Moer Solutions Co., Ltd.

Note 8 : At present, the Chairman and General Manager are the same person, who has accumulated rich resources and extensive experience in the industry and is well aware of the Company's operational status which can enhance the efficiency of disseminating the resolutions and the execution of decisions from the board. The Company has an Audit Committee, which not only defines the responsibilities but also strengthens the management function of the board. In addition to planning to increase the number of independent directors, more than half of the board members are not concurrently employees or executives, which can enhance the mechanism of supervision and power balancing, and reduce the centralization of power caused by the chairman who also serving as the general manager, thus avoiding loss of objectivity and oversight.

Note 9: Tzu-Ting, Fan, the representative of Fan Dao nan Foundation, served as the newly appointed chairman on 14<sup>th</sup> March, 2023.

Note 10: Chin-Tsai, Fan resigned as chairman of the board on 14<sup>th</sup> March, 2023.

**B. Major Shareholders of the Institutional Shareholders**

Name of Institutional Shareholders	Major Shareholder of Institutional Shareholders
Fan Dao Nan Foundation	Chin-Tsai, Fan (100%)

C. Information Disclosure of Directors' Professional Qualifications and Independent Directors' Independence

Name	Criteria	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Fan Dao Nan Foundation		N/A	N/A	-
Representative: Tzu-Ting, Fan		<ul style="list-style-type: none"> <li>● Have the work experience required by the Company's business</li> <li>● General Manager of Standard Chem. &amp; Pharm.</li> <li>● Chairman of Standard Chem. &amp; Pharm</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>		-
Chin-Tsai, Fan		<ul style="list-style-type: none"> <li>● Professional and technical personnel who have passed the national examination and obtained certificates required by the Company's business</li> <li>● Have the work experience required by the Company's business</li> <li>● Department of Pharmacy, National Taiwan University</li> <li>● General Manager of Standard Chem. &amp; Pharm.</li> <li>● Chairman of Standard Chem. &amp; Pharm.</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>		-
Yuan-Teh Lee		<ul style="list-style-type: none"> <li>● Have the qualifications of lecturer or above in public and private colleges and universities in related departments required by the Company's business</li> <li>● Professional and technical personnel who have passed the national examination and obtained certificates required by the Company's business</li> <li>● Have the work experience required by the Company's business</li> <li>● Bachelor of Medicine, National Taiwan University School of Medicine</li> <li>● Doctor of Medicine, Tokyo Medical University, Japan</li> <li>● Clinical Fellow in Cardiology, University of Washington Hospital, Seattle, USA</li> <li>● President of National Taiwan University Hospital</li> <li>● Director of Standard Chem. &amp; Pharm.</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>		-
Tsuey-Wen, Yeh		<ul style="list-style-type: none"> <li>● Have working experience in business, legal affairs, finance, accounting or the work experience required by the Company's business</li> <li>● Department of Accounting, Shih Chien University</li> </ul>		-

Name \ Criteria	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<ul style="list-style-type: none"> <li>● Supervisor of Standard Chem. &amp; Pharm.</li> <li>● Director of Standard Chem. &amp; Pharm.</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>		
Hwei-Jiung, Wang	<ul style="list-style-type: none"> <li>● Have the qualifications of lecturer or above in public and private colleges and universities in related departments required by the Company's business</li> <li>● Have the work experience required by the Company's business</li> <li>● Academician of Academia Sinica/Winner of the 2017 Presidential Science Award</li> <li>● Vice President of Academia Sinica</li> <li>● Distinguished Researcher and Guest Lecture, Institute of Biochemistry, Academia Sinica</li> <li>● Independent Director of Standard Chem. &amp; Pharm.</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>	<ul style="list-style-type: none"> <li>● Independent director, his spouse and his relatives within the second degree are not directors, supervisors or employees of the Company or other affiliated companies; does not hold shares in the Company; not serving as a director, supervisor or employee of a company that has a specific relationship with the Company.</li> <li>● In the last 2 years, there has been no remuneration for providing business, legal, financial, accounting and other services of the Company or other affiliated enterprises.</li> </ul>	1
Lin-Yu, Li	<ul style="list-style-type: none"> <li>● Have working experience in business, legal affairs, finance, accounting or the work experience required by the Company's business</li> <li>● Department of Cooperative Economics, Feng Chia University</li> <li>● Independent Director of Standard Chem. &amp; Pharm.</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>	<ul style="list-style-type: none"> <li>● Independent director, his spouse and his relatives within the second degree are not directors, supervisors or employees of the Company or other affiliated companies; the spouse of the independent director holds 30,000 shares (0.02%) of the Company's shares, and the rest do not hold the Company's shares; not serving as a director, supervisor or employee of a company that has a specific relationship with the Company.</li> <li>● In the last 2 years, there has been no remuneration for providing business, legal, financial, accounting and other services of the Company or other affiliated enterprises.</li> </ul>	-
Shao-Zong, Liu	<ul style="list-style-type: none"> <li>● Have working experience in business, legal affairs, finance, accounting or the work experience required by the Company's business</li> <li>● Chairman and General Manager of Advanced Analog Technology</li> <li>● Independent Director of Standard Chem. &amp; Pharm.</li> <li>● None of the items listed in Article 30 of the Company Act</li> </ul>	<ul style="list-style-type: none"> <li>● Independent director, his spouse and his relatives within the second degree are not directors, supervisors or employees of the Company or other affiliated companies; does not hold shares in the Company; not serving as a director, supervisor or employee of a company that has a specific relationship with the Company.</li> <li>● In the last 2 years, there has been no remuneration for providing business, legal, financial, accounting and other services of the Company or other affiliated enterprises.</li> </ul>	-

#### D. Diversification and Independence of the Board of Directors

##### (a) Diversification of the Board of Directors

According to Article 20 of the Corporate Governance Best Practice Principles, the composition of the Board of Directors should focus on gender equality and generally have the knowledge, skills and accomplishments necessary to perform their duties. The current directors of the Company have rich experience and expertise in the fields of industry, commerce and management. The relevant implementation is as follows. The Company also pays attention to gender equality in the composition of the Board of Directors. The target ratio of female directors is more than 25%. Currently, there are 7 directors, including 2 female directors, with a ratio of 28.6%.

Diversification Core Item  Name	Nationality	Gender	Concurrent Employees of the Company	Age		Independent Director Tenure		Industrial Experience			Professional Ability		
				51 ~ 60	Over 60	Under 3 Years	3~9 Years	Medicine Related	International Market View	Management	Finance & Accounting Related	IT	Risk Management
Tzu-Ting, Fan	ROC	Male	V	V				V	V	V	V	V	V
Chin-Tsai, Fan	ROC	Male			V			V	V	V	V	V	V
Yuan-Teh Lee	ROC	Male			V			V	V				V
Tsuey-Wen, Yeh	ROC	Female			V				V	V	V		V
Hwei-Jiung, Wang	ROC	Male			V		V	V	V				V
Shao-Zong, Liu	ROC	Male			V	V			V	V	V	V	V
Lin-Yu, Li	ROC	Female			V		V			V	V		V

##### (b) Independence of the Board of Directors

The current Board of Directors of the Company has 7 members, including 3 independent directors (accounting for 42.86% of all directors), and the number of independent directors exceeds one-third of all directors; there is one director with employee status (accounting for 14.29% of all directors), which is less than one-third of the number of directors. The members of the board except for Tzu-Ting, Fan and Chin-Tsai, Fan, who are father and son; and Tzu-Ting, Fan and Tsuey-Wen, Yeh, who are spouses, there are no incidents in items 3 and 4 of Article 26-3 of the Securities and Exchange Act between directors and independent directors. For the independence of the Company's Board of Directors, please refer to pages 16-17 of this annual report - Information Disclosure of Directors' Professional Qualifications and Independent Directors' Independence.

(2) Information on General Manager, Deputy General Manager, Director, Heads of Departments and Branches

Date of Data: April 21, 2023

Title	Nationality	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers Who are Spouses or within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	Title			Title	Name	Relation	
General Manager	ROC	Tzu-Ting, Fan	M	June 18, 2008	11,766,604	6.58	9,124,669	5.11	-	-	MS in Computer Science, University of California, USA	Note 1	None	None	None	Note 4
Deputy General Manager	ROC	Wei-Ren, Chen	M	April 1, 2001	55,697	0.03	1,382	-	-	-	Ph.D. in Business Administration, Chang Jung Christian University	Note 2	None	None	None	
Associate	ROC	Shu-Hui, Hsu	F	November 3, 2020	-	-	-	-	-	-	Ph.D., School of Pharmacy, Kaohsiung Medical University	None	None	None	None	
Associate	ROC	Bing-Qin, Huang	F	May 4, 2021	-	-	-	-	-	-	Chia Nan College of Pharmacy (now Chia Nan University of Pharmacy & Science)	None	None	None	None	
CFO	ROC	Jui-Hung, Hsu	M	July 16, 2019	-	-	-	-	-	-	Master of Accounting, University of Waterloo, Canada Department of Accounting, Institute of Insurance, National Chengchi University	None	None	None	None	Note 5
CFO	ROC	Chin-Wen, Chang	M	April 1, 2023							Master of Chung Hsing University of Accountancy	Note 3	None	None	None	Note 6

Note 1 : Tzu-Ting, Fan — Concurrently serving as General Manager of the Company; the representative of the corporate director of Chia Scheng Investment, Standard Pharmaceutical (Samoa), Standard Chem. & Pharm. Philippines (Philippines), Inforight Technology, Multipower Enterprise, Jiangsu Standard Biotech Pharmaceutical, Jiangsu Standard-Dia Biopharma, Shanghai Standard Pharmaceuticals, Taiwan Biosim, Syngen Biotech, Souriree Biotech, SYN-TECH, Hexin Development, GeneFerm Biotechnology, and Ho Yao Biopharm.

Note 2 : Wei-Ren, Chen — Concurrently serving as Chairman and General Manager of Syngen Biotech; the representative of the corporate director of Souriree Biotech, Multipower Enterprise, GeneFerm Biotechnology, Director of Medigen Vaccine Biologics; General Manager of Jiangsu Standard Biotech Pharmaceutical; Deputy Chairman of Jiangsu Standard-Dia Biopharma, Supervisor of We Can Medicines and Taiwan Drug Relief Foundation; Adviser to the Executive Yuan Honorary; Chairman of the Taiwan Pharmaceutical Industry Association, Chairman of the Taiwan Health and Nutritional Food Industry Association, Chairman of the Taiwan Biotechnology Industry Alliance, Executive Director of Taiwan Pharmaceutical Manufacture and Development Association, and National Innovation and Entrepreneurship Association.

Note 3 : Chin-Wen, Chang — Concurrently serving as the representative of the corporate director of Ho Yao Biopharm.

Note 4 : The current chairman and general manager of the Company has accumulated rich resources through long-term dedication to the industry, and is familiar with the Company's



operational status, which can enhance the efficiency of decision-making and policy implementation by the Board of Directors. The Company has an Audit Committee, which not only defines its responsibilities but also strengthens the management function and oversight of the Board of Directors. In addition to plans to increase the number of independent directors, the majority of the Board of Directors are not concurrently serving as employees or managers, which can strengthen the mechanism of supervision and checks and balances, and reduce the concentration of power caused by the chairman also serving as general manager, thereby avoiding the loss of objectivity and supervision power.

Note 5: Jui-Hung, Hsu resigned on April 1, 2023.

Note 6: Chin-Wen, Chang was newly appointed on April 1, 2023.

### 3.3 Remuneration Paid to Directors, Supervisors, General Manager and Deputy General Manager in the Most Recent Year

#### (1) Remuneration of General Directors and Independent Directors

Unit : NT\$ thousands

Title		Name	Remuneration of Director								(A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who Are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Remuneration from Ventures other than Subsidiaries or from the Parent Company
			Compensation (A)		Remuneration Paid(B) (Note 1)		Directors Compensation (C)(Note 2)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Remuneration Paid(F) (Note 1)		Employee Compensation (G) (Note 2)						
			The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
																	Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Director	Chairman	Fan Dao Nan Foundation	3,569	3,569	-	-	1,710	1,710	190	190	5,469 0.67%	5469 0.67%	4,459	4,459	108	108	22	-	22	-	10,058 1.23%	10,058 1.23%	100
	Representative	Tzu-Ting, Fan																					
	Director	Chin-Tsai, Fan																					
	Director	Yuan-Teh Lee																					
	Director	Tsuey-Wen, Yeh																					
Independent Director	Independent Director	Hwei-Jiung, Wang	-	-	-	-	1,300	1,300	240	240	1,540 0.19%	1,540 0.19%	-	-	-	-	-	-	-	-	1,540 0.19%	1,540 0.19%	None
	Independent Director	Lin-Yu, Li																					
	Independent Director	Shao-Zong, Liu,																					
<p>1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: According to the Articles of Incorporation of the Company, the Company shall allocate no more than 3% of the balance to remuneration for directors, if there is any remaining balance after making up losses, according to the profit status of the year. In addition, the remuneration of directors shall be negotiated by the Remuneration Committee according to the degree of participation in the Company's operations and the value of their contributions, as well as the usual standards in the industry.</p> <p>2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors. : None.</p>																							

Note 1 : Contributions belonging to the expense of retirement pension.

Note 2 : The amount for distribution was approved by the Board of Directors on March 14, 2023.

Note 3 : Tzu-Ting, Fan, representative of Fan Dao Nan Foundation, was newly appointed as chairman of the Board of Directors on March 14, 2023.

Note 4 : Chin-Tsai, Fan resigned on March 14, 2023.

### Remuneration Grading Table

Range of Remuneration Paid to Director of the Company	Director name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Lower than NT\$2,000,000	Tzu-Ting, Fan, Yuan-Teh Lee, Tsuey-Wen, Yeh, Hwei-Jiung, Wang, Lin-Yu, Li, Shao-Zong, Liu, Fan Dao Nan Foundation	Tzu-Ting, Fan, Yuan-Teh Lee, Tsuey-Wen, Yeh, Hwei-Jiung, Wang, Lin-Yu, Li, Shao-Zong, Liu, Fan Dao Nan Foundation	Tzu-Ting, Fan, Yuan-Teh Lee, Tsuey-Wen, Yeh, Hwei-Jiung, Wang, Lin-Yu, Li, Shao-Zong, Liu, Fan Dao Nan Foundation	Tzu-Ting, Fan, Yuan-Teh Lee, Tsuey-Wen, Yeh, Hwei-Jiung, Wang, Lin-Yu, Li, Shao-Zong, Liu, Fan Dao Nan Foundation
NT\$2,000,000 (inclusive)~ NT\$5,000,000 (exclusive)	Chin-Tsai, Fan	Chin-Tsai, Fan	Chin-Tsai, Fan, Tzu-Ting, Fan	Chin-Tsai, Fan, Tzu-Ting, Fan
Total	8	8	8	8

### (2) Remuneration of General Manager and Deputy General Manager

Title	Name	Salary (A)		Remuneration Paid (B) (Note 1)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 2)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company		Companies in the Consolidated Financial Statements		The Company	Companies in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
General Manager	Tzu-Ting, Fan	4,493	4,613	329	329	4,131	4,131	41	-	41	-	8,994 1.10	9,114 1.12	100
Deputy General Manager	Wei-Ren, Chen													

Note 1 : The amount allocated for retirement benefit expenses.

Note 2 : The amount for distribution was approved by the Board of Directors on March 14, 2023.

### Remuneration Grading Table

Range of Remuneration Paid to General Manager and Deputy General Manager of the Company	Name of General Manager and Deputy General Manager	
	The Company	Companies in the Consolidated Financial Statements
Less than NT\$2,000,000	-	-
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Tzu-Ting, Fan, Wei-Ren, Chen	Tzu-Ting, Fan, Wei-Ren, Chen
Total	2	2

(3)The Name of the Manager Who Distributes Employee Remuneration and the Distribution Situation

Unit : NT\$ thousands

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%)
Managers	General Manager	Tzu-Ting, Fan	-	77	77	0.01
	Deputy General Manager	Wei-Ren, Chen				
	Associate	Shu-Hui, Hsu				
	Associate	Bing-Qin, Huang				
	Finance Manager	Jui-Hung, Hsu				
	Finance Manager	Chin-Wen, Chang				

Note 1: The amount for distribution was approved by the Board of Directors on March 14, 2023.

Note 2: Jui-Hung, Hsu resigned on April 1, 2023.

Note 3: Chin-Wen, Chang was newly appointed on April 1, 2023.

(4) Comparing and explaining the analysis of the ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to the Company's Directors, Supervisors, General Managers and Deputy General Managers to the net income of individual financial reports, and explain the policy, standard and combination of remuneration, procedures for determining remuneration and its relationship with business performance and future risks:

Item	The Company		Companies in the Consolidated Financial Statements	
	Ratio of Total Amount to Net Income (%)		Ratio of Total Amount to Net Income (%)	
	2021	2022	2021	2022
Remuneration of Director	1.55	1.42	1.55	1.42
Remuneration of Supervisor	0.04	-	0.04	-
Remuneration of General Manager & Deputy General Manager	1.23	1.10	1.25	1.12

- A. The Company's remuneration payment policy for directors is in accordance with Article 26 of the Company's Articles of Incorporation. According to the profit status of the current year (that is, the pre-tax interest which is the interest before deducting the following distribution of employee remuneration and directors remuneration), after making up the losses, no more than 3% of the balance shall be allocated as remuneration for directors. Considering their contribution to the Company's performance and the results of the performance evaluation of the Board of Directors, give reasonable remuneration, which is approved by the Remuneration Committee and reported to the shareholders' meeting.
- B. Executive Officers' remuneration is handled in accordance with the Company's "Personnel Rules and Regulations" and "Remuneration Measures for Directors and Executive Officers". In addition, the payment of the bonuses is adjusted according to the annual operating performance, contribution to the Company's operating goals, and the performance of the 4 criteria of the individual, and is issued after the resolution of the Remuneration Committee.
- C. The procedure for determining the remuneration, in addition to referring to the Company's overall operating performance, future business risks and development trends of the industry, will also refer to the individual's performance achievement rate and contribution to the Company's performance to give a reasonable remuneration.
- D. The Company's annual revenue continues to grow steadily, and the profit is also maintained at a certain level. There is not much difference between the remuneration payment standard and the combination, and there will be no significant risks to the future.

### 3.4 Implementation of Corporate Governance

#### (1) Operating Situation of the Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Note
Chairman	Chin-Tsai, Fan	4	1	80%	
Director	Fan Dao Nan Foundation Representative: Tzu-Ting, Fan	5	-	100%	
Director	Yuan-Teh, Lee	4	1	80%	
Director	Tsuey-Wen, Yeh	5	-	100%	
Independent Director	Hwei-Jiung, Wang	5	-	100%	
Independent Director	Lin-Yu, Li	5	-	100%	
Independent Director	Shao-Zong, Liu	5	-	100%	

Other mentionable items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified: It is not applicable.
  - Matters referred to in Article 14-3 of the Securities and Exchange Act: The company has established an audit committee, which applies to the matters listed in Article 14-5 of the Securities and Exchange Act. Therefore, this matter does not apply.
  - Except for the above-mentioned matters, other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.
- The implementation status of the director's avoidance of the motions in conflict of interest:
  - Lifting the non-competition of the Company's Directors: Mr. Tzu-Ting, Fan, a director of the Company, was asked to recuse himself from voting because he had an interest in this case and did not participate in the voting.
  - Formulating the principles for the distribution of year-end bonuses for the Company's Chairman and Executive Officers in 2022: The Company's Chairman, Mr. Chin-Tsai, Fan and Director, Mr. Tzu-Ting, Fan, were asked to avoid voting because they involved their own interests and did not participate in the voting.
- Evaluation execution status of the Board of Directors:
 

The company conducts an annual overall performance evaluation of the Board of Directors and functional committees. The performance evaluation for the fiscal year 2021 has been completed in January, 2023. Questionnaires were distributed to each director by the company's Board Office for self-assessment within the Board of Directors, Audit Committee, and Remuneration Committee. After completing the self-assessment, the Board Office of the company compiled the results. The evaluation details are shown in the table below, and all performance assessments resulted in "excellent." The evaluation results were reported to the Board of Directors on March 14th, 2023.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content	Evaluation Result
Once a year	January 1, 2022 ~ December 31, 2022.	Board of Directors	Board internal evaluation	(1) Level of participation in the Company's operations (2) Improving the quality of Board decisions (3) Composition and structure of the Board of Directors (4) Appointment of directors and their continued development (5) Internal control	Excellent

Once a year	January 1, 2022 ~ December 31, 2022.	Individual directors	Self-assessment by directors	(1) Grasp of the Company's targets and missions (2) Understanding of the director's role and responsibilities (3) Level of participation in the Company's operations (4) Management and communication of internal relationship (5) Specialty and continued development of directors (6) Internal control	Excellent
Once a year	January 1, 2022 ~ December 31, 2022.	Audit Committee	Internal self-assessment of the Audit Committee	(1) Level of participation in the Company's operations (2) Understanding of Committee Performance's role and responsibilities (3) Improving the quality of Functional Committee's decisions (4) Composition and member selection of the Functional Committee (5) Internal Control	Excellent
Once a year	January 1, 2022 ~ December 31, 2022.	Remuneration Committee	Internal self-assessment of the Remuneration Committee	(1) Level of participation in the Company's operations (2) Understanding of Committee Performance's role and responsibilities (3) Improving the quality of Functional Committee's decisions (4) Composition and member selection of the Functional Committee (5) Internal Control	Excellent

4. The goals and implementation status of strengthening the functions of the Board of Directors in the current year and the most recent year (such as establishing an Audit Committee, improving information transparency, etc.):
- (1) The Company has formulated the "Rules of Procedure of the Board of Directors" to follow, and entered the directors' attendance at the board meeting on Taiwan Stock Exchange Market Observation Post System, and discloses major resolutions of the Board of Directors on the Company's website.
  - (2) The Company stipulates in the Articles of Incorporation that the election of directors adopts a candidate nomination system. Among the 7 directors, 3 are independent directors, more than one-third of all directors, and the Audit Committee and Remuneration Committee are composed of all independent directors to assist the Board of Directors in performing supervisory duties.
  - (3) In order to implement the spirit of Corporate Governance and effectively enhance the degree of the transparency of the information, the Company fully discloses major information in the annual report, website and Taiwan Stock Exchange Market Observation Post System, and there is a dedicated person in charge.
  - (4) In order to reduce and disperse the risks taken by the directors when carrying out their business and to obtain protection, the Company purchases liability insurance for the directors every year.
  - (5) The Company invites professionals to meet the continued development courses for director every year, and requests director to continue their development courses to strengthen the functions of the Board of Directors. On November 23, 2022, the Company invited Taiwan

Corporate Governance Association to hold a training course on "From CSR to ESG Corporate Management Mindset; Generic Drug Business Related Legal Issues", with a total of 6 hours of training.

(2) Operating Situation of Audit Committee or Attendance of Supervisors at Board Meetings

Information on the operation of the Audit Committee:

The Company's Audit Committee was established on August 24, 2021. It is composed of all independent directors, and at least one meeting is held every quarter, and additional meetings may be convened as needed.

A total of 4 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Note
Independent Director	Lin-Yu, Li (Note)	4	-	100%	
Independent Director	Hwei-Jiung, Wang	4	-	100%	
Independent Director	Shao-Zong, Liu	4	-	100%	

(Note) Lin-Yu, Li is the convener.

Other mentionable items:

1. The main purpose of the Committee's operation is to supervise the following matters:

- (1) Fair expression of the Company's financial statements.
- (2) The appointment (dismissal) and independence and performance of Certified Public Accountants.
- (3) Effective implementation of the Company's Internal Control.
- (4) The Company abides by relevant laws and regulations.
- (5) Management and control of the Company's existing or potential risks.

2. The Committee held 4 meetings in 2022, and the matters to be considered mainly include:

- (1) Reviewing quarterly and annual financial statements.
- (2) Reviewing the annual business report, financial statements, and profit distribution.
- (3) Reviewing the allocation ratio of employee and director compensation.
- (4) Reviewing the independence and expenses of changing auditors and signing auditors.
- (5) Reviewing revisions to internal control systems.
- (6) Reviewing revisions to various regulations.
- (7) Reviewing the lifting of director and executive non-compete agreements.
- (8) Reviewing the buying and selling of securities.

3. In case of any of the following circumstances occur in the operation of the Audit Committee, the dates of meetings, sessions, contents of motion, independent directors' objections, reserved opinions or content of major proposals, resolution results of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee	Contents of Motion and the Company's Response to the Audit Committee's Opinion	Independent Directors' Objections, Reserved Opinions or Content of Major Proposals	The Resolution Results of the Audit Committee
The 3rd meeting of the First-term	1. Approved the Company's 2021 Annual Business Report, Individual Financial Report and Consolidated Financial Report.	None	All the present members had no objection and passed the proposal.
March 15, 2022	2. 2021 Internal Control System Effectiveness Assessment and	None	

		Internal Control System Statement of the Company.		
		3. Lifted the non-competition of the Company's directors.	None	
		4. Remuneration and evaluation of the appointed auditors' independence and suitability for the fiscal year 2022 in the Company.	None	
		The Company's handling of the Audit Committee's opinion: None.		
The 4th meeting of the First-term May 10, 2022		1. Approved the Company's 2022 Consolidated Financial Statements for the first quarter.	None	All the present members had no objection and passed the proposal.
		2. Revise the relevant clauses of our company's "Asset Acquisition or Disposal Processing Procedure."	None	
		3. Amended part of the provisions of the Company's "Operating Procedures for Lending Funds to Others".	None	
		4. Amended part of the provisions of the Company's "Operating Procedures for Endorsement Guarantee", and submitted for discussion.	None	
		The Company's handling of the Audit Committee's opinion: None.		
The 5th meeting of the First-term August 2, 2022		1. From the second quarter of 2022, changed the Company's Certified Public Accountants and evaluation of the independence and suitability of the Certified Public Accountants.	None	All the present members had no objection and passed the proposal.
		2. Approved the Company's Consolidated Financial Report for the second quarter of 2022.	None	
		The Company's handling of the Audit Committee's opinion: None.		
The 6th meeting of the First-term November 1, 2022		1. Approved the Company's Consolidated Financial Report for the third quarter of 2022.	None	All the present members had no objection and passed the proposal.
		2. Established the "2023 Internal Audit Annual Audit Plan "	None	
		3. Amended the "Internal Audit System" (including Internal Audit Regulations, Internal Audit Implementation Rules, and Internal Audit Operation Instructions).	None	
		4.. The appointment of the Company's " Corporate Governance Officer ".	None	
		5. Bult the Goods Warehouse Project, with a total budget of up to NTD 300 million (including).	None	
		The Company's handling of the Audit Committee's opinion: None.		
(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.				

4. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

5. Communications between the independent directors, the Company's chief internal auditor and CPAs (should include the material items, methods and results of audits of corporate finance or operations, etc.):

(1) After the completion of the audit project, in addition to completing the delivery of the independent director's Internal Audit Report every month and the monthly/quarterly tracking record sheet of the special audit report, and attending regular Audit Committee and Board of Directors meetings to present audit business reports, the Internal Audit department also provides updates on the internal audit execution and tracking of improvement status after each Board meeting, the communication has been functioning well.

Summary of the Communication between Independent Directors and Internal Audit Directors in 2022:

Date	Key Points of the Communication	Opinions from the Independent Directors
March 15, 2022	<ol style="list-style-type: none"> <li>1. Summary of Internal Audit Plan Review and Execution Report for November to December, 2021.</li> <li>2. Execution Report on Project Audit Plan Check Items for November to December of 2021.</li> <li>3. Summary of Internal Audit Plan Review and Execution Report for January to February, 2022</li> <li>4. Execution Report on Project Audit Plan Check Items for January to February of 2022.</li> <li>5. Report on Self-Assessment of Internal Control System for 2021 (Including Review Opinion)</li> <li>6. Summary Report on the Execution of Follow-up and Improvement Status of Internal Audit Reports for fourth quarter of 2021.</li> </ol>	No Objections during This Meeting
May 10, 2022	<ol style="list-style-type: none"> <li>1. Summary of Internal Audit Plan Review and Execution Report for March to April, 2022</li> <li>2. Execution Report on Project Audit Plan Check Items for March to April of 2022.</li> <li>3. Summary Report on the Execution of Follow-up and Improvement Status of Internal Audit Reports for first quarter of 2022.</li> </ol>	No Objections during This Meeting
August 2, 2022	<ol style="list-style-type: none"> <li>1. Summary of Internal Audit Plan Review and Execution Report for May to July, 2022</li> <li>2. Execution Report on Project Audit Plan Check Items for May to July of 2022.</li> <li>3. Summary Report on the Execution of Follow-up and Improvement Status of Internal Audit Reports for second quarter of 2022.</li> </ol>	No Objections during This Meeting
November 1, 2022	<ol style="list-style-type: none"> <li>1. Summary of Internal Audit Plan Review and Execution Report for August to October, 2022</li> <li>2. Execution Report on Project Audit Plan Check Items for August to October of 2022.</li> <li>3. Summary Report on the Execution of Follow-up and Improvement Status of Internal Audit Reports for the third quarter of 2022.</li> </ol>	No Objections during This Meeting

B.The accountants communicate with the independent directors on the review or inspection results of the Company's quarterly Financial Report by mail and in writing on whether there are major adjusting entries or the impact of legal



amendments on the accounting situation, and the communication is good.

In addition to attending the Audit Committee meetings, the accountants are also arranged to communicate with the Audit Committee prior to the commencement of the meetings regarding their scope of work, communication schedule, communication matters with the governance unit, review or audit of operating performance analysis, and briefing on future trends of regulatory amendments, separately with the independent directors.

Summary of Communication between Independent Directors and Accountants in 2022:

Date	Key Points of the Communications	Opinions from the Independent Directors
March 15, 2022	The accountant presented and communicated regarding the Individual and Consolidated Financial Reports for 2021	No Objections during This Meeting
May 10, 2022	The accountant presented and communicated regarding the Consolidated Financial Report for the first quarter of 2022	No Objections during This Meeting
August 2, 2022	The accountant presented and communicated regarding the Consolidated Financial Report for the second quarter of 2022	No Objections during This Meeting
November 1, 2022	The accountant presented and communicated regarding the Consolidated Financial Report for the third quarter of 2022	No Objections during This Meeting

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has formulated the Corporate Governance Principles, and the information has been disclosed on Taiwan Stock Exchange Market Observation Post System and the Company’s website.	No major difference
2. Shareholding structure & shareholders’ rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company has established a spokesperson and acting spokesperson system, which is responsible for handling shareholders’ suggestions, doubts, disputes and litigation matters.	No major difference
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company reports the shares held by directors, managers, and major shareholders holding more than 10% of the shares on a monthly basis, and grasps major shareholders according to the register of shareholders provided by the stock affairs agency.	No major difference
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		The finance and business of the Company and its affiliated companies are operated independently, and the Company have been formulated the "Management Measures for Conglomerate, Specific Companies, and Related Persons" to clarify the management of personnel, assets and finances with its affiliated companies.	No major difference

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		<p>A. The company has established an "Internal Material Information Processing Procedure" as the basis for significant information processing and disclosure.</p> <p>B. The company has set up a website platform for KM and E-Learning to provide employee education and training, and periodically conducts physical courses throughout the company.</p> <p>B. Quarterly reminders are sent via email to internal personnel of the company, stating that they are prohibited from engaging in closed and related-party transactions involving the company's stocks 30 days prior to the announcement of annual financial reports and 15 days prior to the announcement of quarterly financial reports.</p>	No major difference
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		<p>A. The Company has stipulated in the corporate governance code of practice that the composition of the Board of Directors should consider diversity. In addition to paying attention to gender equality, directors must have the knowledge, skills and literacy to perform their duties in order to achieve the ideal goal of corporate governance.</p> <p>B. For the implementation of the professionalism, independence and diversity of the Board of Directors please refer to P13-14, and P16-17.</p>	No major difference

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	The Company has set up a Remuneration Committee and an Audit Committee in accordance with the law. Currently, there are no other functional committees, which will be established in the future depending on the actual situation.	It will be established in the future depending on the actual situation.
(3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V		The Company has been approved by the Board of Directors on March 24, 2020 to formulate the Performance Evaluation Method of the Board of Directors, conduct performance evaluation at least once a year, and report the results of the performance evaluation to the Board of Directors, in addition to use it for reference for selection or nomination to strengthen the operation of the Board of Directors.	No major difference
(4) Does the Company regularly evaluate the independence of CPAs?	V		<p>A. The Company has established the "CPAs Appointment and Review Method", which evaluates the independence requirements, independent operation and competency of CPAs at least once a year (Note1). Starting from 2023, the company will evaluate each of the five dimensions in accordance with the Audit Quality Indicators (AQIs) provided by the appointed CPA (Note2). The relevant methods have been disclosed on the Company's website.</p> <p>B. The Company confirms that CPAs are not directors or shareholders of the Company, and have no other financial interests and business relationships except for certified and financial and tax related consulting fees. Their family members</p>	No major difference

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			do not violate their independence, and the rotation of CPAs is also handled in accordance with relevant regulations, and the independence statement issued by CPAs has been obtained. C. After the Audit Committee's decision on March 14, 2023, and the Board of Directors' decision on the same date, which was the most recent assessment.	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the Board of Directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		A. On March 14, 2023, the Company's Board of Directors passed a resolution appointing Manager Chin-Wen, Chang from the Finance Department as the Company's Corporate Governance Officer. The Company's Finance Department is the deliberative unit of the Board of Directors, responsible for matters related to Corporate Governance, in order to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Manager Chin-Wen, Chang possesses experience in financial management and decision-making in publicly traded companies. B. The main responsibilities of the Corporate Governance Officer include formulating and promoting the Codes of Practice of Corporate Governance, providing necessary information for directors to perform their duties, assisting directors and supervisors to comply with laws and regulations, arranging training courses for	No major difference

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>directors, handling matters related to the board meetings and shareholders’ meetings in accordance with the law, handling company registration and change registration, and producing minutes of board meetings and shareholders' meetings, etc.</p> <p>C. Implementation Status in 2022:</p> <ol style="list-style-type: none"> <li>Understanding the amendments to corporate governance regulations, providing improvement suggestions for the consideration of the Board of Directors, and assisting in implementation.</li> <li>Assisted directors in performing their duties, provided necessary information and arranged trainings matters for directors.</li> <li>Assisted in organizing 5 board’s meetings and 1 shareholder’s meeting, participated in the discussions and resolutions of various agenda items during the meetings, and completed the minutes of the board meetings and shareholder meetings.</li> <li>Handled the amendment of Securities-related laws and regulations, and company change registration, etc.</li> <li>Arrange for directors to get insured " D&amp;O Insurance" and report the results to the Board of Directors.</li> <li>Conduct internal performance evaluations of</li> </ol>	

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Illustration									
			<p>the Board of Directors and functional committees and report the evaluation results to the Board of Directors.</p> <p>D. The status of trainings in 2022 is as follows:</p> <table><tr><th>Date</th><th>Organizer</th><th>Training Course</th><th>Training Hours</th></tr><tr><td>November 23, 2022</td><td>Taiwan Corporate Governance Association</td><td>From CSR to ESG Corporate Management Mindset; Generic Drug Business Related Legal Issues</td><td>6 hours</td></tr></table>	Date	Organizer	Training Course	Training Hours	November 23, 2022	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mindset; Generic Drug Business Related Legal Issues	6 hours	
Date	Organizer	Training Course	Training Hours									
November 23, 2022	Taiwan Corporate Governance Association	From CSR to ESG Corporate Management Mindset; Generic Drug Business Related Legal Issues	6 hours									
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>A. The Company has set up spokespersons and acting spokespersons to establish communication channels with stakeholders, and their contact information has been placed on the Company’s website.</p> <p>B. The Company has a special line of 0800, which is served by dedicated personnel and conducts questionnaire surveys to customers regularly to protect the rights and interests of the customers.</p> <p>C. The Company has set up a special area for stakeholders on the Company’s website, and stakeholders can contact us through the Company’s website. For different stakeholders, there are dedicated units responsible for responding related issues.</p>	No major difference								
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Stock Affairs Agency Dept. of MasterLink Securities Inc. to deal with shareholder affairs.	No major difference								

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
7. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The Company has Chinese and English versions of the website to disclose the relevant information of financial business and corporate governance. Website : <a href="http://www.standard.com.tw">www.standard.com.tw</a>	No major difference
(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		<p>A. The Company has Chinese and English versions of the website to disclose the relevant information of financial business and corporate governance. Website : <a href="http://www.standard.com.tw">www.standard.com.tw</a> °</p> <p>B. The Company has established a spokesman system and implemented the spokesman system in accordance with regulations.</p> <p>C. The Company has a dedicated person responsible for the Company's information collection and full disclosure to meet the needs of the laws and the investors.</p> <p>D. The Company's website has an information area for Investor Conferences, and relevant information will be placed on Taiwan Stock Exchange Market Observation Post System and the Company's website simultaneously for investors to refer to.</p>	No major difference
(3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time		V	<p>A. The Company is still unable to achieve the goal of announcing and reporting annual financial statements within two months after the end of each fiscal year.</p> <p>B. The Company announced and reported its financial statements for Q1, Q2, and Q3, and filed</p>	Continuous improvement



Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
limit?			monthly operating status before the prescribed time limit	
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>A. The Company pays great attention to the rights and wellness of employees. In addition to setting up an Employee Welfare Committee to organize activities to connect employees’ camaraderie, the Company also provides various allowances and welfare systems e.g. employee cafeteria, fitness room, lounge, and breastfeeding room for employees to use, annual free health check, transportation, group insurance, performance bonus, employee travel, gift money for three festivals, gift money for wedding, scholarships for employees and their children, gold coins and prizes for senior employees, subsidies for various club activities, and funeral subsidies for employees or their family members, etc. This will allow employees to feel at ease in the workplace to contribute their own strength.</p> <p>B. The Company regularly holds relevant training courses every year to let employees understand the latest laws and regulations. The Company also sets up KM and E-Learning website platforms for training and publicity of related matters.</p> <p>C. The Company launched the Employee Assistance Program (EAP) in 2020 to provide psychological and work consultation through professional</p>	No major difference

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>counselors to reduce the pressure of employees and help employees and their families solve various psychological and behavioral problems, to maintain the physical and mental health of employees.</p> <p>D. The Company has an appeal mailbox, a platform for proposal improvement, and a line@ platform, which allow employees to have a variety of smooth appeal channels to reflect suggestions and opinions related to work and employee care, so that the Company can understand and improve. Protect the legal rights of employees and provide comprehensive care to jointly create a greater positive development of the Company.</p> <p>E. In accordance with relevant regulations, the Company regularly announces important information of the Company such as finance, business, and insiders' shareholding changes in Taiwan Stock Exchange Market Observation Post System, and has established a spokesperson and acting spokesperson system.</p> <p>F. The Company established the procedures of supplier management to cultivate long-term relationships on the basis of mutual trust and mutual benefit, communicate smoothly with customers and suppliers, and have good relationships.</p>	

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>G. Every year, the Company invites professionals to meet the continued development courses for directors, and requests directors to continue their development courses. On November 23, 2022, the Company invited Taiwan Corporate Governance Association to hold a training course on "From CSR to ESG Corporate Management Mindset; Generic Drug Business Related Legal Issues", with a total of 6 hours of training. All directors have complied with the implementation points of training for directors of listed OTC companies.</p> <p>H. In October 2022, during the tenure of the directors, the Company has purchased liability insurance for directors in accordance with the legal liability for the scope of their business execution, in order to reduce and disperse the risk of major damages to the Company and shareholders caused by directors due to mistakes or negligence.</p> <p>I. The Company's major proposals such as major policies related to operations, investment projects, endorsement guarantees, capital loans and bank financing, etc., have been all evaluated and analyzed by appropriate responsible departments and implemented in accordance with the resolutions of the Board of Directors. The audit office also draws up its annual audit plan based on the results of risk assessment and actually</p>	

Evaluation Item	Implementation Status			Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>implements it, in order to implement the supervision mechanism and establish a sound risk management operation.</p> <p>J. The Company adheres to the business philosophy of "Honesty, Integrity, Innovation, and the Benefit of the People", improves the quality of the products and services, and enables the Company, employees, and customers to grow simultaneously. Continue to work hard to protect the rights and interests of investors, do a good job in environmental protection, maintain social resources, fulfill corporate responsibilities, and give back to the society.</p>	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>The Company's 2022 corporate governance evaluation ranks among the top 51-65% of listed companies. In the future, the Company will give priority to improving and strengthening the un-scored indicators.</p>				

(Note1) The standards for assessing the independence and competence of CPA.

Item	1. Independence requirement review	Compliance with independence	
		YES	NO
(1)	The CPA himself/herself, their spouse, and minor children do not have any investment or financial interest in the company.	V	
(2)	The CPA himself/herself, their spouse, and minor children do not have any financial borrowing or lending relationships with the company. However, if the client is a financial institution and the transaction is within the normal course of business, it is not subject to this restriction.	V	
(3)	The CPA firm has not issued any assurance reports on the design or implementation of the financial information system to ensure its effective operation.	V	
(4)	The CPA or members of the auditing service team have not served as directors, executives, or held positions with significant influence over the audit engagements of the company, either currently or within the past two years.	V	
(5)	The non-audit services provided to the company do not have a direct impact on significant matters of the audit engagement.	V	
(6)	The CPA or members of the auditing service team have not promoted or brokered the company's issued stocks or other securities.	V	
(7)	Except for services permitted by laws and regulations, the CPA or members of the auditing service team have not acted as legal representatives or defended the company in legal cases or other disputes with third parties.	V	
(8)	The CPA or members of the auditing service team do not have a spouse, direct blood relative, direct relative by marriage, or second-degree collateral blood relation with individuals who hold significant positions as directors, executives, or in relation to the audit engagements.	V	
(9)	Any joint practicing accountant who has left the firm within one year does not hold a significant position as a director, executive, or in relation to the audit engagements of the company.	V	
(10)	The CPA or members of the auditing service team have not received significant gifts or special favors of substantial value from the company, directors, executives, or major shareholders.	V	
(11)	The CPA is not currently employed as a regular worker or receiving fixed salary or serving as a director or supervisor by the client or the party being examined.	V	
(12)	For listed companies: The CPA has not provided audit services to the company continuously for seven years.	V	
	For non-listed companies: The CPA has not provided audit services to the company continuously for ten years.		

Item	2. Independence operational review	Compliance with independence	
		YES	NO
(1)	Has the CPA avoided accepting engagements in cases where there is a direct or significant indirect conflict of interest that may affect their objectivity and independence?	N/A	
(2)	When providing audit, review, compilation, or special examination services for financial statements and issuing an opinion letter, does the CPA maintain both substantive independence and formal independence?	V	
(3)	Do the members of the auditing service team, other joint practicing accountants, shareholders of the accounting firm, affiliated firms, and alliance firms maintain independence in relation to the company?	V	
(4)	Does the CPA perform professional services with honesty and rigor?	V	
(5)	Does the CPA maintain a fair and objective position and avoid being influenced by biases, conflicts of interest, or relationships that may affect professional judgment while performing professional services?	V	
(6)	The CPA has not compromised integrity and impartiality due to a lack of independence.	V	

Item	3. Suitability review	Compliance with independence	
		YES	NO
(1)	There have been no disciplinary records from the Accountants Disciplinary Committee against the CPA in the past two years.	V	
(2)	Does the CPA firm have sufficient scale, resources, and regional coverage in handling the company's audit services?	V	
(3)	Does the accounting firm have clear quality control procedures? Do they cover aspects such as the levels and key points of audit procedures, approaches to handling audit issues and judgments, quality control reviews of independence, and risk management?	V	
(4)	Does the CPA firm timely inform the Board of Directors (Audit Committee) of any significant issues and developments in risk management, corporate governance, financial accounting, and related risk controls?	V	

(Note2) Evaluation of Audit Quality Indicators (AQIs) for Signing CPA

Professionalism	Quality Control	Independence	Supervision	Innovative Capability
<ul style="list-style-type: none"> <li>•Audit experience</li> <li>•Training hour</li> <li>•Turnover rate</li> <li>•Professional support</li> </ul>	<ul style="list-style-type: none"> <li>•Accountant workload</li> <li>•Audit commitment</li> <li>•Quality Control Review (EQCR)</li> <li>Quality support capability</li> <li>•Quality Support capability</li> </ul>	<ul style="list-style-type: none"> <li>•Non-audit service Fee</li> <li>•Customer familiarity</li> </ul>	<ul style="list-style-type: none"> <li>•Deficiency and punishment of external audit</li> <li>•Deficiency and punishment of external audit</li> </ul>	<ul style="list-style-type: none"> <li>•Innovative plan or initiative</li> </ul>

Assessment Results: All five dimensions meet the audit quality indicators, and there is little difference compared to peers.

(4) Composition, Responsibilities and Operations of the Remuneration Committee or Nomination Committee

A. Information of Remuneration Committee Members

March 31, 2023

Title	Criteria	Professional Qualification and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name			
Independent Director	Lin-Yu, Li (Note)	Please refer to P.17 Information Disclosure of Independent Directors' Professional Qualifications and Independence		0
Independent Director	Hwei-Jiung, Wang			1
Independent Director	Shao-Zong, Liu			0

Note : Lin-Yu, Li is the convener.

**B. Information on the operation of the Remuneration Committee**

(a) The Company's Remuneration Committee has a total of 3 members.

(b) The current committee members' term of office: from August 24, 2021 to August 23, 2024. A total 2 (A) Remuneration Committee meetings were held in the most recent year. The qualifications and attendance record of the members were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Note
Convener	Lin-Yu, Li (Note)	2	-	100%	
Committee Member	Hwei-Jiung, Wang	2	-	100%	
Committee Member	Shao-Zong, Liu	2	-	100%	

1. The terms of reference of the Company's Remuneration Committee are to formulate information on policies, systems, standards and structures for the remuneration of directors and executive officers, conduct regular reviews, and submit recommendations to the Board of Directors for discussion and resolution.

2. The operation status of the Remuneration Committee is as follows:

Remuneration Committee	Contents of the Motion and Follow-up Processing	Resolution Result	The Company's Response to the Remuneration Committee's Opinion
The 2nd Meeting of the Fifth-term March 15, 2022	Review the distribution ratio and method of the Company's 2021 employees' remuneration and directors and supervisors' remuneration	All the members present had no objection and passed the proposal	Submitted to the Board of Directors and approved by all the attendance directors
The 3rd Meeting of the Fifth-term November 1, 2022	Formulated the principles for the distribution of year-end bonuses for the Company's chairman and executive officers in 2022	All the members present had no objection and passed the proposal	Submitted to the Board of Directors and approved by all the attendance directors

Other Mentionable Items :

1. The Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee: None.
2. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing: None

**C. Information on the members of the Nomination Committee and its operations:**

Not applicable because it has not been established.

(5) Sustainable Development Implementation Status and Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons:

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Has the Company set up a sustainable development governance structure and a dedicated (or concurrent) sustainable development promotion unit which is authorized by the Board of Directors to be managed by high-level management and supervised by the Board of Directors?	V		<p>A. The Company's Finance Department is also a concurrent unit for promoting sustainable development. It is responsible for formulating and reviewing the policies, systems or related management guidelines of sustainable development. In addition, combined with the Fan Dao Nan Foundation established by the chairman, it sponsors academic research related to pharmacy and contributes to the cultivation of outstanding talents. Publishes STANDARD Pharmaceutical Magazine quarterly. Holds the STANDARD Cup of table tennis competition, sketching competition and other activities every year. During the activities, the Company conveys the Company's belief in corporate ethics and social responsibility. At the end of each year, the complete information will be compiled and submitted to the Board of Directors.</p> <p>B. In 2022, the 2021 Corporate Social Responsibility Report has been compiled and disclosed on Taiwan Stock Exchange Market Observation Post System and the Company's website.</p> <p>C. Report on the 2022 Sustainable Development Promotion Implementation Plan and Results at the board meeting on March 14, 2023.</p>	No major difference
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		Based on the principle of materiality of corporate social responsibility, the Company conducted relevant risk assessments on major issues, and based on the assessed risks, formulated relevant risk management policies as follows:	No major difference



Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons		
	Yes	No	Abstract Explanation			
			Major Issues	Risk Assessment Project	Risk Management Policy or Strategy	
			Environment	Environmental Protection and Ecological Conservation	A. The Company pays attention to the sustainable operation of the environment. The management of various items and the operation of the machine system in the factory are carried out in a manner that complies with regulations. Set environmental safety and health management goals every year, and standardize the relevant environmental management operations in the factory. The Company has established "Water Pollution Prevention and Control Management Procedures", "Air Pollution Prevention and Control Management Procedures", "Wastewater Treatment System Operation Instructions", etc., which are implemented by the Environmental Protection Division, and relevant units cooperate with improvement measures to improve energy efficiency, avoid environmental pollution , and maintain the health of employees and neighboring residents. B. The Company passed the verification of ISO14001 Environmental Management System in 2010. And obtained ISO14001:2015 in 2023, the validity period is 2023/2/13~2026/1/18. C. The Company recycles and reuses pallets and packaging materials when materials are delivered by manufacturers (recycling	

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>the cartons of ex-packaging plastic bottles, etc.), and has waste management and garbage sorting, etc.</p> <p>D. The Company's air-conditioning system adopts the principle of energy-saving design. The lamps were replaced by T5 energy-saving lamps during the renovation of the factory building. Hot water recovery and water coolers are regularly inspected to reduce steam consumption, and energy consumption is regularly recorded.</p> <p>E. The Company's operating parameter of RO system has been improved, the chiller has replaced the cooling copper pipe to improve the cooling efficiency, and the water softener has been changed to create regenerative conditions in order to save electricity and energy.</p> <p>F. The Company's external packaging materials adopt the principle of "Local Procurement and Local Supply", with a proportion up to 80%. Under the principle of not affecting the drug safety of patients and the stability of drug storage, the Company reduces the complexity of packaging and also reduces the impact of raw material procurement and transportation on the environment.</p> <p>G. The Company installed solar photovoltaic on the roof of the factory to effectively reduce greenhouse gas emissions. In the future, the Company will continue to promote greenhouse gas emissions</p>	

Evaluation Item	Implementation Status				Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons	
	Yes	No	Abstract Explanation			
					reduction measures to take into account cost-effectiveness and energy saving. H. The Company promotes to colleagues from time to time on energy efficiency and carbon dioxide reduction. During the lunch break, the lights in the office areas and the laboratory are turned off for one hour. And the Company's water and electricity consumptions were regularly announced to remind colleagues to save energy and care for the earth.	
			Social	Occupational Safety	A. The Company obtained OHSAS18001 Occupational Safety and Health Management System in 2001, passed the verification of ISO 45001:2018 Occupational Safety and Health Management System in 2019 to provide a safe working environment for employees, and get certified periodically thereafter. B. The Company conduct at least one "Occupational Health and Safety Education Training," one "Hazard General Education Training," and at least two "Fire Drills" each year to achieve the purpose of ensuring the safety of employees at work.	
				Product Safety	A. The Company's marketing and labeling of products and services are in compliance with the Pharmaceutical Affairs Act and the relevant laws and regulations of various countries. B. The Company pays attention to the rights and interests of consumers, and has established a "Customer Complaint	

Evaluation Item	Implementation Status					Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation			
					Handling Procedure". Established a customer-oriented quality system to improve customer satisfaction with the Company's products or services. And understand customers' needs and expectations as the basis for product development and improvement.	
			Governance	Social Economy and Legal Compliance	Through the establishment of a governance organization and the implementation of internal control mechanisms, it is ensured that all personnel and operations of the Company have truly complied with the norms of relevant laws and regulations.	
3. Environmental Issues						
(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		A. The Company complies with the environmental management mechanisms that are characteristic of the biopharmaceutical industry. We have successfully passed various official inspections by regulatory bodies such as the FDA, PIC/S GMP, Japan's Ministry of Health, and ISO 9001, among others. These certifications demonstrate our commitment to maintaining high-quality standards and ensuring the safety and efficacy of our pharmaceutical products. B. The Company passed the verification of ISO14001 Environmental Management System in 2010. And obtained ISO14001:2015 in 2023, the validity period is 2023/2/13~2026/1/18. C. The Company passed the verification of OHSAS18001 Occupational Safety and Health Management System in 2010, and gets certified periodically thereafter. D. The Company passed the verification of ISO45001:2018			No major difference

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Occupational Safety and Health Management System in 2019, and get certified periodically thereafter.	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		The Company recycles and reuses pallets and packaging materials when materials are delivered by manufacturers (recycling the cartons of ex-packaging plastic bottles, etc.), and has waste management and garbage sorting, etc.	No major difference
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		<p>A. The Company's air-conditioning system adopts the principle of energy-saving design. The lamps were replaced by T5 energy-saving lamps during the renovation of the factory building. Hot water recovery and water coolers are regularly inspected to reduce steam consumption, and energy consumption is regularly recorded.</p> <p>B. The Company installed solar photovoltaic on the roof of the factory in 2019 to effectively reduce greenhouse gas emissions. In the future, the Company will continue to promote greenhouse gas emissions reduction measures to take into account cost-effectiveness and energy saving.</p> <p>C. The Company adopts "Local Procurement and Local Supply" for external packaging materials, and is committed to reducing carbon in the supply chain, shortening the distance of transporting raw materials, and reducing greenhouse gas emissions.</p> <p>D. The Company has established a SOP for greenhouse gas inventory, and checks the amount of greenhouse gas emissions regularly. In 2021, it has been verified by the third party of Taiwan – Bureau Veritas Co., Ltd. (BV) and obtained a verification statement; the verification process for the year 2022 is still ongoing.</p> <p>E. The Company's operating parameter of RO system has been improved, the chiller has replaced the cooling copper</p>	No major difference

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons												
	Yes	No	Abstract Explanation													
			<p>pipe to improve the cooling efficiency, and the water softener has been changed to create regenerative conditions in order to save electricity and energy.</p> <p>F. The Company installed solar photovoltaic on the roof of the factory to effectively reduce greenhouse gas emissions. In the future, the Company will continue to promote greenhouse gas emissions reduction measures to take into account cost-effectiveness and energy saving.</p> <p>G. The Company promotes to colleagues from time to time on energy efficiency and carbon dioxide reduction. During the lunch break, the lights in the office areas and the laboratory are turned off for one hour. And the Company's water and electricity consumptions were regularly announced to remind colleagues to save energy and care for the earth.</p>													
(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water reduction, or waste management?	V		<p>A. The statistics of the Company's greenhouse gas emissions, water consumption and total weight of waste in the last two years are as follows:</p> <table border="1"> <tr> <td>Category</td> <td>2021</td> <td>2022</td> </tr> <tr> <td>Greenhouse Gas Emissions</td> <td>9053.528 mt CO2-e</td> <td>Executing.</td> </tr> <tr> <td>Water Consumption</td> <td>147,206 m<sup>3</sup></td> <td>150,439 m<sup>3</sup></td> </tr> <tr> <td>Total Weight of General Waste</td> <td>244.997 mt</td> <td>202.215 mt</td> </tr> </table> <p>B. The Company pays attention to the sustainable operation of the environment, and sets environmental safety and health management goals every year. The Company has standardized the relevant environmental management operations in the factory, and established "Water Pollution Prevention and Control Management Procedures", "Air</p>	Category	2021	2022	Greenhouse Gas Emissions	9053.528 mt CO2-e	Executing.	Water Consumption	147,206 m <sup>3</sup>	150,439 m <sup>3</sup>	Total Weight of General Waste	244.997 mt	202.215 mt	No major difference
Category	2021	2022														
Greenhouse Gas Emissions	9053.528 mt CO2-e	Executing.														
Water Consumption	147,206 m <sup>3</sup>	150,439 m <sup>3</sup>														
Total Weight of General Waste	244.997 mt	202.215 mt														

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Pollution Prevention and Control Management Procedures", "Wastewater Treatment System Operation Instructions", etc. to improve energy efficiency and avoid environmental pollution.	
4. Social Issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company respects the labor rights and interests of employees, complies with the principles and spirit of the "United Nations Universal Declaration of Human Rights" and the "Declaration of Fundamental Principles and Rights at Work" of the International Labor Organization, and actively implements various policies to protect human rights. And according to the national "Labor Standards Act", "Occupational Safety and Health Act", "Act of Gender Equality in Employment", "Sexual Harassment Prevention Act" and other relevant labor laws and regulations, the policies on human rights protection and work rules have been formulated and implemented. The Company continuously improves the working environment and welfare of all employees, and protects the legitimate rights and interests of employees.	No major difference
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		<p>A. The Company has established a complete employee benefit measure, training and retirement systems. For details, please refer to P94-96 of this annual report.</p> <p>B. Article 26 of the Company's Articles of Incorporation stipulated: According to the current year's profit status, after the loss is made up, 1% to 10% of the balance should be allocated as employee compensation.</p> <p>C. The Company formulated the "Performance Appraisal Operation Method" to establish a clear system of reward and punishment, and formulated the method of "Annual Bonus Distribution and Calculation Operation" that the</p>	No major difference

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>amount of the bonus is calculated every year based on the Company's operating performance in the year.</p> <p>【YB Achievement Award】：</p> <p>When the Company's operating profit reaches the target amount, bonuses are granted to employees at the grassroots level and managerial level based on a certain criteria. These bonuses are disbursed semi-annually.</p> <p>【Monthly Performance Exceeding Award】：</p> <p>When the sales revenue and net profit achievement rate exceeds 100%, a bonus is granted to employees at the grassroots level and managerial level based on a certain percentage of their fixed salary. These bonuses are disbursed semi-annually.</p>	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>A. The Company passed the verification of OHSAS18001 Occupational Safety and Health Management System in 2010 to provide a safe working environment for employees. The Company conduct at least one "Occupational Health and Safety Education Training," one "Hazard General Education Training," and at least two "Fire Drills" each year to achieve the purpose of ensuring the safety of employees at work.</p> <p>B. The Company hires professional nurses and arranges the resident doctor to come to the factory every month to receive consultations from employees about health and medical care. Employee health checks are held regularly in August every year to ensure the health of employees.</p> <p>C. The Company launched the Employee Assistance Program (EAP) in 2020 to provide psychological and work consultation through professional counselors to reduce the pressure of employees and help employees and their</p>	No major difference



Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			families solve various psychological and behavioral problems, to maintain the physical and mental health of employees.	
(4) Does the Company provide its employees with career development and training sessions?	V		The Company has established "Employee Training Program" to provide employees with the skills and information they need to perform their jobs, and according to different grade of employees, design different training courses and formulate medium and long-term training plans.	No major difference
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		<p>A. The Company's marketing and labeling of products and services are in compliance with the Pharmaceutical Affairs Act and the relevant laws and regulations of various countries.</p> <p>B. The Company pays attention to the rights and interests of consumers, and has established a "Customer Complaint Handling Procedure". Established a customer-oriented quality system to improve customer satisfaction with the Company's products or services. And understand customers' needs and expectations as the basis for product development and improvement.</p> <p>C. The Company has a special line of 0800, which is served by dedicated personnel and conducts questionnaire surveys to customers regularly to protect the rights and interests of the customers.</p>	No major difference
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		<p>A. The Company's selection of suppliers is based on different aspects such as legality, good reputation, employment measures (labor conditions and working environment), emphasis on environmental protection and the implementation of corporate social responsibility as the conditions for reviewing suppliers.</p> <p>B. In order to strengthen the management of suppliers and the</p>	No major difference

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>quality of products, the Company has formulated a "Management Procedure of Supplier ". The demand unit puts forward the demand for application and qualification assessment, and after the approval of the QA unit, and then it will be listed as a qualified supplier.</p> <p>C. For new suppliers, the Company will ask them to fill out the supplier assessment questionnaire, which includes policies on environmental health and safety and waste disposal systems, etc. In addition, the QA unit conducts a routine audit of the supplier's quality system every year to ensure that the products provided by the supplier are in compliance with laws and regulations and are safe and hygienic, and can jointly enhance corporate social responsibility.</p>	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as ESG reports? Do the reports above obtain assurance from a third-party verification unit?		V	<p>A. The Company has voluntarily prepared a Corporate Social Responsibility Report since 2013 (ESG Report from 2021), and its content is compiled with reference to the guidelines of the Global Reporting Initiative Standard (GRI).</p> <p>B. The report above hasn't obtained assurance from a third-party verification unit.</p>	In the future, will obtain the third-party verification as needed.
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the Company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: No major difference.				
7. Other useful information for explaining the status of corporate social responsibility practices:  (1)Environmental protection and quality management: A. In year 2022, two sets of variable frequency blowers were purchased for a total of NTD 1.44 million. These blowers were intended to regulate airflow and reduce electricity consumption. Prior to the improvement with the blowers, the monthly electricity usage was approximately 30,690 kilowatt-hours. However, after the improvement, as of October 2022, the statistics showed a reduced electricity usage of approximately 23,876 kilowatt-hours, resulting in a monthly saving of approximately 6,814 kilowatt-hours.				

Evaluation Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
<p>B.The Company passed the verification of ISO14001 Environmental Management System and implemented waste sorting in December 2010.</p> <p>C.The Company passed the verification of OHSAS18001 Occupational Safety and Health Management System in December 2010, and promoted the Zero Accident Movement to ensure employee safety at work.</p> <p>D.Through a comprehensive quality management system, strict quality management is carried out in each process link to ensure that the best services and products are provided to customers.</p> <p>(2)Social Responsibility:</p> <p>A.The Company won the award of 2021 Outstanding Biotechnology Industry and was received by President Tsai on February 14, 2022.</p> <p>B. The Fan Dao Nan Foundation was awarded the 111th Ministry of Education Contribution Award for Social Education - Group Award</p> <p>C.The main content of the specific promotional effects of various social activities in 2022 is briefly described as follows:</p> <p>(a) Scholarship Project: A total of 3,639 students from various of primary and junior high schools, senior high schools, and universities, with a total subsidy of NT\$6.58 million.</p> <p>(b) Hope, Sunflower Tutoring, and Winter and Summer Bento Subsidy Programs: a total of 10,136 people, with a total subsidy of NT\$3.23 million.</p> <p>(c) Public Welfare Subsidies: subsidies to 13 public welfare organizations, with a total donation of NT\$650,000.</p> <p>(d) Public Welfare Activities: The STANDARD Cup Children's Sketching Competition, and the STANDARD Cup National Table Tennis Championship, which were suspended in 2022 due to COVID-19.</p> <p>D. A total of 20 community and LOHAS health lectures were held, with a total of more than 500 participants.</p> <p>E. The Company has long-term cooperation with domestic and foreign universities for internships. The domestic universities that have cooperated include National Taiwan University, National Cheng Kung University, Kaohsiung Medical University, China Medical University College of Medicine, Chia Nan University of Pharmacy and Science, Chang Gung University, National Chiayi University, Tunghai University, National Taipei University of Technology, Chung Hwa University of Medical Technology, etc. In 2022, a total of 5 students participated in internships, providing students with early access to the workplace and expanding the source of talent recruitment.</p> <p>(3)Corporate Governance</p> <p>A. Implemented the Company’s information on the up and up and strictly prohibit insider trading by directors and employees of the Company to protect the rights and interests of investors.</p> <p>B. The Company has voluntarily prepared a CSR Report since 2013 (Starting from 2021, it has been changed to a ESG Report).</p> <p>C. The performance evaluations of the Board of Directors, Individual Directors, and Functional Committees in 2022 have all achieved an "excellent" rating.</p> <p>D. Two Investor Conference were held in 2022.</p>				

(6) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		The Company has formulated the "Ethical Corporate Management Best Practice Principles", which was passed by the resolution of the Board of Directors on November 4, 2016, with clearly states and the active commitment of the Board of Directors and management towards enforcement of the ethical corporate management policy.	No major difference
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		<p>A. The Company has established an effective Accounting System and Internal Control System and enforced them effectively. Internal auditors conduct regular audits in accordance with the audit plan every year and report to the Board of Directors.</p> <p>B. The Company has established "Ethical Code of Conduct" to prevent conflicts of interest, avoid seeking self-interest, fair transactions, etc.</p> <p>C. The Company's "Work Rules" clearly stipulate that the Company's employees shall not accept or promise bribes, engage in private fraud, embezzle public funds, leak the Company's secrets and other illegal acts, and must sign a Non-Disclosure Undertaking. If the circumstances are serious, the employment shall be terminated. And the Company will insure fidelity bonds for salespersons.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?	V		<p>A. The Company has formulated a program against unethical conduct in Ethical Corporate Management Best Practice Principles, and has formulated the "Ethical Code of Conduct" to guide the Company's personnel to follow code of ethics and uphold the principle of integrity in business operations.</p> <p>B. The Company's "Work Rules" clearly stipulate that the Company's employees shall not accept or promise bribes, engage in private fraud, embezzle public funds, leak the Company's secrets and other illegal acts, and must sign a Non-Disclosure Undertaking. If the circumstances are serious, the employment shall be terminated. And the Company will insure fidelity bonds for salespersons.</p>	No major difference
2. Fulfillment of Ethical Corporate Management				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		The Company evaluates the ethical records of the counterparties, and refuses to deal with the manufacturers or customers with unethical conduct records, and asks the legal department to clearly stipulate the ethics-related clauses in the transaction contracts.	No major difference
(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		A. The Company's General Manager Office is the unit that promotes Ethical Corporate Management. According to the work duties and scope of each unit, it ensures the implementation of the Ethical Corporate Management Best Practice Principles, and will report to the Board of Directors on August,	No major difference

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>2023 about the ethical management policy and its implementation status in 2022.</p> <p>B. The Company implements the ethical management policy, and the relevant implementation status in 2022 is as follows:</p> <p>a. In 2022, the Company organized internal and external trainings related to ethical management issues, including courses related to Compliance with Laws and Regulations on Ethical Management, Drug Safety and Hygienic Standards, Specification for Inspection Training, Labor Health On-the-job Training, Gender Equality, Labor Insurance Rights, Revision of Drug Regulations, Accounting System and Internal Control, etc., with a total of 97,982 people and 31,574 hours.</p> <p>b. The internal auditors conduct regular inspections according to the audit plan every year and report to the Board of Directors to ensure the operation of the overall mechanism and jointly manage and prevent unethical conduct. In 2022, no corruption incidents and anti-competitive conduct occurred.</p> <p>c. The Company has formulated the "Implementation Principles of Suggestion Mailbox", which stipulates the method of conveying suggestions. Employees can</p>	

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			report related violations of the ethical management regulations by phone, letter or e-mail. In 2022, no reported cases were received, and there were no incidents involving major unethical conduct.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>A. The Company's "Ethical Code of Conduct" clearly states the policy of preventing conflicts of interest. If there is a conflict of interest, should take the initiative to explain to the Company whether it has a potential conflict of interest with the Company, and handle it in accordance with the Company's Internal Control System and approval authority.</p> <p>B. When directors have proposals involving their own interests, avoidance of interests must be carried out, and they shall leave the meeting not to participate in discussion and voting.</p> <p>C. When employees have suggestions, they can put them in the Suggestion Box or on the Company's bulletin board for discussion at any time.</p>	No major difference
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		The Company's Accounting System is based on relevant laws and regulations such as Securities and Exchange Act, Company Act, Business Entity Accounting Act, Regulations Governing the Preparation of Financial Reports by Public Companies, International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission R.O.C. (Taiwan), International Accounting Standards (IASs),	No major difference

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretation Committee (SIC), and formulated according to the actual situation of the Company's business; The Internal Control System is formulated and implemented with reference to relevant regulations such as the "Regulations Governing Establishment of Internal Control Systems by Public Companies". Internal auditors conduct regular inspections in accordance with the audit plan every year and report to the Board of Directors.	
(5) Does the Company regularly hold internal and external trainings on ethical management?	V		<p>A. The Company announces the "Ethical Corporate Management Best Practice Principles" on the electronic bulletin board, and uses the monthly meeting to promote the concept of ethical management to employees.</p> <p>B. In 2022, the Company organized internal and external trainings related to ethical management issues, including courses related to Compliance with Laws and Regulations on Ethical Management, Drug Safety and Hygienic Standards, Specification for Inspection Training, Labor Health On-the-job Training, Gender Equality, Labor Insurance Rights, Revision of Drug Regulations, Accounting System and Internal Control, etc., with a total of 97,982 people and 31,574 hours.</p>	No major difference
3. Operation of the Company's Whistleblowing System				
(1) Does the Company establish a specific	V		The Company has formulated the "Implementation	No major difference



Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
whistleblowing and reward system, channels to facilitate whistleblowing, and assign appropriate person to handle whistleblowers?			Principles of Suggestion Mailbox", which stipulates the method of conveying suggestions. Employees can report related violations of the ethical management regulations by phone, letter or e-mail. People outside the Company can ask questions or make suggestions through the Contact Area of the Company's website. In addition, the Company assigned the full-time personnel to investigate and deal with reported cases.	
(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		The Company has formulated the "Implementation Principles of Suggestion Mailbox", and the content stipulated the handling process and confidentiality principles for accusation cases.	No major difference
(3) Does the Company provide proper whistleblower protection?	V		The Company's "Ethical Code of Conduct" clearly stipulated that the Company handles reported cases in a confidential manner, and makes every effort to protect the safety of whistleblowers to save them from reprisal.	No major difference
4. Strengthening Information Disclosure				
Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company has disclosed the relevant information of the ethical corporate management policies on the Company's website and MOPS.	No major difference
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: No major difference.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): (1) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.				

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
<p>(2) The Company's "Rules of Procedure for Board of Directors Meetings" stipulates a director's interest avoidance system. Those who have an interest in the proposals listed by the Board of Directors, which may harm the interests of the Company, may state their opinions, but shall refrain from participating in the discussion and voting, and shall not exercise voting rights on behalf of other directors.</p> <p>(3) The Company has established "Internal Material Information Processing Procedures" to forbid the Company’s insiders from using undisclosed information to buy and sell securities.</p>				

(7) Corporate Governance Guidelines and Regulations, and its query method

The Company has formulated the following relevant regulations and measures in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies:

(1) "Procedures for Acquisition or Disposal of Assets" (2) "Operating Procedures for Endorsement Guarantee" (3) "Operating Procedures for Lending Funds to Others" (4) "Remuneration Committee Organizational Charter" (5) "Corporate Governance Best Practice Principles" (6) "Ethical Corporate Management Best Practice Principles" (7) "Sustainable Development Best Practice Principles and Policies" (8) "Ethical Code of Conduct" (9) "Internal Audit System" (10) "Rules of Procedure for Shareholders Meetings" (11) "Rules of Procedure for Board of Directors Meetings" (12) "Internal Material Information Processing Procedures" (13) "Standard Operating Procedures for Handling Requests from Directors", etc.

The Query Websites : (1) MOPS: <http://mops.twse.com.tw> (2) STANDARD Website: <http://www.standard.com.tw>

(8) Other Important Information Regarding Corporate Governance

The "Internal Material Information Processing Procedure" formulated to manage the Company's internal material information has informed all directors, managers, and educated all employees to avoid violations or incidents of insider trading.

## (9) Implementation Status of Internal Control System

### 1. Internal Control Statement

Standard Chem. & Pharm. Co., Ltd.

#### Internal Control Statement

The Company's 2022 Internal Control System based on the results of self-evaluation, hereby declare as follows:

1. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established this system. Its purpose is to achieve the targets of the operational effectiveness and efficiency (including profitability, performance and asset safety protection, etc.), reporting reliability, timeliness and transparency, and compliance with relevant laws and regulations to provide reasonable assurance.
2. The internal control system has its inherent limitations. No matter how completed the design is, an effective internal control system can only provide a reasonable assurance for the achievement of the above three targets; moreover, due to the changes in the environment and circumstances, the effectiveness of the internal control system may change. However, the Company's internal control system has a self-monitoring mechanism, so once the defect is identified, the Company will take corrective action.
3. The Company judges whether the design and implementation of the internal control system are effective based on the judgment items of the effectiveness of the internal control system stipulated in the "Handling Guidelines for the Establishment of Internal Control Systems by Public Entity" (hereinafter referred to as the "Handling Guidelines"). The internal control system judgment items adopted in the "Handling Guidelines" are based on the process of management control, which divides the internal control system into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. Information and communication, and 5. Supervise operations. Each component includes several items. For the regulations of the aforementioned items, please refer to the "Handling Guidelines".
4. The Company has adopted the above-mentioned internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results of the preceding paragraph, the Company believes that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2022 is effective, which including the understanding the extent of achievement target of the operational effectiveness and efficiency, reporting reliability, timeliness and transparency, and complying with relevant laws and regulations to follow the design and implementation of the relevant internal control system, so that it can reasonably ensure the achievement of the above targets.
6. This statement is an integral part of the Company's annual report, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was passed by the Board of Directors in the meeting held on March 14, 2023, with all of the seven attending directors affirming the content of this statement.

Standard Chem. & Pharm. Co., Ltd.

Chairman: Chin-Tsai, Fan

General Manager: Tzu-Ting, Fan



2. For those who entrust an accountant to review the internal control system should disclose the accountant's review report:

The Company has no such situation.

(10) In the Latest Year and as of the Date of Publication of the Annual Report, the Company and Its Employees Were Punished According to Law, or the Company Punished Its Employees for Violation of the Provisions of Its Internal Control System, Major Deficiencies and Improvements:

The Company has no such situation.

(11) In the Latest Year and as of the Date of Publication of the Annual Report, Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major resolutions and implementation status of the 2022 regular shareholders' meeting:

Date	Major Resolutions	Implementation Status
June 21, 2022	1. Ratification of the 2021 Financial Statements proposal.	The resolution was passed.
	2. Ratification of the 2021 Surplus Earnings Distribution proposal.	In 2022, shareholders were distributed cash dividends of NT\$446,740,223. And has set August 5, 2022 as the dividend record date, and the distribution date of cash dividend was on August 24, 2022.
	3. Amendment of part of provisions of the Company's "Articles of Incorporation"	The amendment was completed, and it was approved for registration by the Ministry of Economic Affairs on July 25, 2022 and announced it on the Company's website.
	4. Removing the non-competition of the Company's directors.	The resolution was passed and released major information on June 21, 2022.
	5. Amendment of part of provisions of the Company's "Operating Procedures for Endorsement Guarantee".	The amendment was completed and uploaded to MOPS on July 08, 2022 and announced on the Company's website.
	6. Amendment of part of provisions of the Company's "Operating Procedures for Lending Funds to Others".	The amendment was completed and uploaded to MOPS on July 08, 2022 and announced on the Company's website.
	7. Amendment of part of provisions of the Company's "Procedures for Acquisition or Disposal of Assets".	The amendment was completed and uploaded to MOPS on July 08, 2022 and announced on the Company's website.

B. Major resolutions of the Board Meetings:

Date	Major Resolutions
May 09, 2023	1. Approval of the Company's consolidated financial report for the first quarter of 2023. 2. Approval of the lifting of the non-competition clause for the newly appointed director candidate of the Company. 3. Approval of the lifting of the non-competition clause for the Company's

Date	Major Resolutions
	<p>Manager.</p> <p>4.Approval of the amendment to certain articles of the "Shareholders' Meeting Rules" of our company.</p> <p>5.Approval to authorize the Chairman to decide the ex-dividend record date for 2022.</p> <p>6.Approval of the sale and repurchase of shares of Rossmax International Ltd. (OTC code: 4121).</p>
March 14, 2023	<p>1. Reporting on the distribution ratio and method of the 2022 remuneration for employees and directors.</p> <p>2. Approval of the review of the Company's 2022 Business Report, Parent Financial Report and Consolidated Financial Report.</p> <p>3. Approval of the proposal of the Company's 2022 surplus earning distribution.</p> <p>4. Approval of the 2022 effectiveness assessment of the Company's Internal Control System and Internal Control Statement.</p> <p>5. Approval of the remuneration for the Company's appointed CPAs in 2023 and the evaluation of the independence and suitability of the appointed CPAs.</p> <p>6. Approval of the pre-approval for auditors, their firms, and affiliated firms to provide non-assurance services to the company and its subsidiaries.</p> <p>7. Approval of the construction project for the expansion of the machinery room in the company's engineering department, with a total budget of up to NTD 200 million.</p> <p>8. Approval of the acquisition of equipment for business use from the subsidiary company, SYN-TECH.</p> <p>9. Approval of the appointment of the financial and accounting manager of the Company.</p> <p>10. Approval of the appointment of the "Corporate Governance Officer" of the Company.</p> <p>11. Approval of the election of the Chairman of the Company.</p> <p>12. Approval of the addition of one director seat and one independent director of the Company.</p> <p>13. Approval of the lifting of the non-competition clause for the newly appointed director of the Company.</p> <p>14. Approval of the nomination list of directors and independent director candidates for the Company.</p> <p>15. Approval of convening the 2023 Regular Shareholders' Meeting.</p> <p>16. Approval of matters related to the acceptance of shareholders' nomination list for director candidates.</p>
February 21, 2023	Approval of the Company's 2023 operating plan.
November 01, 2022	<p>1. Approval of the Company's consolidated financial report for the third quarter of 2022.</p> <p>2. Approval of the formulation of the "2023 Internal Audit Annual Audit Plan".</p> <p>3. Approval of amendment to "Internal Audit System" (including Internal Audit Procedures and Internal Audit Implementation Rules, Internal Audit Operation Instructions).</p> <p>4. Approval of the principle of the Company's 2022 year-end bonus distribution for the Chairman and managers.</p> <p>5. Approval of the appointment of the "Corporate Governance Officer" of the</p>

Date	Major Resolutions
	<p>Company.</p> <ol style="list-style-type: none"> <li>Approval of the project of new finished product warehouse, the total budget of the project is within NT\$300 million (inclusive).</li> <li>Approval of the amendment of part of provisions of the Company's "Internal Material Information Processing Procedures".</li> <li>Approval of the amendment of part of provisions of the Company's "Rules of Procedure for Board of Directors Meetings"</li> <li>Approval of the name change of the Company's "Corporate Social Responsibility Code of Practice" to " Sustainable Development Best Practice Principles", and "Corporate Social Responsibility Policy" to "Sustainable Development Policy", and the amendment of part of provisions.</li> </ol>
August 02, 2022	<ol style="list-style-type: none"> <li>Approval of the proposal to change the Company's CPAs from the second quarter of 2022 and the evaluation of the independence and suitability of accountants.</li> <li>Approval of the Company's Consolidated Financial Report for the second quarter of 2022.</li> <li>Approval of the removing of the non-competition of the Company's managers.</li> <li>Approval of amendment to the Company's 2022 business plan.</li> </ol>
July 12, 2022	<ol style="list-style-type: none"> <li>Setting the 2021 cash dividend distribution record date.</li> <li>Approval of changing the Company's organizational chart.</li> <li>Approval of purchasing the part of the equity of Souriree Biotech &amp; Pharm. Co., Ltd.</li> </ol>
May 10, 2022	<ol style="list-style-type: none"> <li>Approval of the Company's Consolidated Financial Report for the first quarter of 2022.</li> <li>Approval of the stock sale and buyback of Rossmax International Ltd. (OTC code: 4121).</li> <li>Amendment of part of provisions of the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>Amendment of part of provisions of the Company's "Operating Procedures for Lending Funds to Others".</li> <li>Amendment of part of provisions of the Company's ""Operating Procedures for Endorsement Guarantee".</li> <li>Amendment of part of provisions of the Company's "Rules for Performance Evaluation of Board of Directors".</li> </ol>
March 15, 2022	<ol style="list-style-type: none"> <li>Approval of the distribution ratio and method of the 2021 remuneration for employees, directors and supervisors.</li> <li>Approval of the review of the Company's 2021 Business Report, Parent Financial Report and Consolidated Financial Report.</li> <li>Approval of the proposal of the Company's 2021 surplus earning distribution.</li> <li>Approval of the 2021 effectiveness assessment of the Company's Internal Control System and Internal Control Statement.</li> <li>Approval of the Company's 2022 operating plan and the ratification of the adjustment of operating plan in 2021.</li> <li>Approval of the amendment of part of provisions to the Company's "Articles of Incorporation".</li> <li>Approval of the removing of the non-competition of the Company's directors.</li> <li>Approval of the removing of the non-competition of the Company's</li> </ol>

Date	Major Resolutions
	<p>managers.</p> <p>9. Approval of the remuneration for the Company's appointed CPAs in 2022 and the evaluation of the independence and suitability of the appointed CPAs.</p> <p>10. Approval of convening the 2022 Regular Shareholders' Meeting.</p> <p>11. Approval of the amendment of part of provisions to the Company's "Rules of Procedure for Board of Directors Meetings".</p>

(12) In the Latest Year and as of the Date of Publication of the Annual Report, Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

The Company has no such situation.

(13) In the Latest Year and as of the Date of Publication of the Annual Report, Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, General Manager, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D

The Company has no such situation.

### 3.5 Information Regarding the Company's Audit Fee

Grading Table of Audit Fee of CPAs

Unit : NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note)	Total	Note
PwC Taiwan	Tien, Chung-Yu	01.01.2022 	3,680	4,047	7,727	The accounting firm's internal administrative organization adjustment
	Lin, Tzu-Shu	03.31.2022				
	Tien, Chung-Yu	04.01.2022 				
	Yeh, Fang-Ting	12.31.2022				

Note : The non-audit fees were tax compliance services, transfer pricing report services, tax advisory services, preparation of draft financial statements, five-year tax exemption refund project services, and transaction negotiation and transaction security consulting services, etc.

(1) If the accounting firm was changed and the audit fee paid in the replacement year was less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement should be disclosed:

The Company has no such situation.

(2) If the audit fees have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in audit fees shall be disclosed:

The Company has no such situation.

### 3.6 Information of Replacement of CPAs

The Company has no such situation.

### 3.7 Information Regarding the Company's Chairman, General Manager, Manager in Charge of Financial or Accounting Affairs Has Worked in the Firm of the Certified Accountant or Its Affiliated Companies in the Most Recent Year

The Company has no such situation.



### 3.8 The Status in the Most Recent Year and as of the Publication Date of the Annual Report, Directors, Supervisors, Managers, and Shareholders Holding More Than 10% of the Shares Have Been Transferred and Pledged

#### (1) Change status in shareholding of directors, managers, and shareholders holding more than 10% of the shares

Unit : thousands; share

Title	Name	2022		Current Year as of April 21	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Fan Dao Nan Foundation (Note 1)	0	0	0	0
	Representative: Tzu-Ting, Fan	0	0	0	0
Director	Chin-Tsai, Fan (Note 2)	0	0	0	(1,100)
Director	Yuan-Teh, Lee	0	0	0	0
Director	Tsuey-Wen, Yeh	0	0	0	0
Independent Director	Hwei-Jiung, Wang	0	0	0	0
Independent Director	Lin-Yu, Li	0	0	0	0
Independent Director	Shao-Zong, Liu	0	0	0	0
Deputy General Manager	Wei-Ren, Chen	0	0	0	0
Associate	Shu-Hui, Hsu	0	0	0	0
Associate	Bing-Qin, Huang	0	0	0	0
CFO	Jui-Hung, Hsu (Note 3)	0	0	0	0
CFO	Chin-Wen, Chang (Note 4)	0	0	0	0
Major Shareholder	Tzu-Bin, Fan	0	0	0	0

Note 1: Tzu-Ting, Fan, the representative of Fan Dao Nan Foundation, served as the newly appointed chairman on 14th March, 2023.

Note 2: Chin-Tsai, Fan resigned as chairman of the board on 14th March, 2023.

Note 3: Jui-Hung, Hsu resigned on April 1, 2023.

Note 4: Chin-Wen, Chang was newly appointed on April 1, 2023.

#### (2) Information on Equity Transfer:

The Company has no such situation.

#### (3) Shares Pledge with Related Parties:

The Company has no such situation.

### 3.9 Information Regarding the Shareholding Ratio of the Top Ten Shareholders, Their Relationship With Each Other, Spouse, or Relatives Within the Second Degree

Name	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chin-Tsai, Fan	20,786,813	11.63	14,584,781	8.16	0	0	Tzu-Bin, Fan Tzu-Ting, Fan Mei-Rong, Fan Huang Tsuey-Wen, Yeh Fan Dao Nan Foundation	Son Son Spouse Daughter-in-law Chairman	-
Tzu-Bin, Fan	19,518,084	10.92	0	0	0	0	Chin-Tsai, Fan Mei-Rong, Fan Huang Tzu-Ting, Fan Tsuey-Wen, Yeh Fan Dao Nan Foundation	Father Mother Brother Sister-in-law Son of the Chairman	-
Mei-Rong, Fan Huang	14,584,781	8.16	20,786,813	11.63	0	0	Chin-Tsai, Fan Tzu-Ting, Fan Tzu-Bin, Fan Tsuey-Wen, Yeh Fan Dao Nan Foundation	Spouse Mother Mother Mother-in-law Spouse of the Chairman	-
Tzu-Ting, Fan	11,766,604	6.58	9,124,669	5.11	0	0	Chin-Tsai, Fan Tzu-Bin, Fan Mei-Rong, Fan Huang Tsuey-Wen, Yeh Fan Dao Nan Foundation	Father Brother Mother Spouse Son of the Chairman	-
Sen-Hao, Cheng	9,178,888	5.14	0	0	0	0	None	None	-
Tsuey-Wen, Yeh	9,124,669	5.11	11,766,604	6.58	0	0	Chin-Tsai, Fan Tzu-Bin, Fan Mei-Rong, Fan Huang Tzu-Ting, Fan Fan Dao Nan Foundation	Father-in-law Brother-in-law Mother-in-law Spouse Daughter-in-law of the Chairman	-
Yingsheng Investment Co., Ltd.	7,080,323	3.93	0	0	0	0	None	None	-
Representative: Zhen-Ming, Hsiao	0	0	15,225	0.01	0	0	None	None	-
Fan Dao Nan Foundation	5,523,881	3.09	0	0	0	0	Chin-Tsai, Fan	Chairman	-
Representative: Chin-Tsai, Fan	20,786,813	11.63	14,584,781	8.16	0	0	Mei-Rong, Fan Huang Tzu-Ting, Fan Tzu-Bin, Fan Tsuey-Wen, Yeh	Spouse Son Son Daughter-in-law	-
HSBC Trustee Mitsubishi UFJ Morgan Stanley Securities Trading Account	3,106,000	1.73	0	0	0	0	None	None	-
Citigroup Trustee UBS Europe SE Investment Fund.	2,120,517	1.18	0	0	0	0	None	None	-

3.10 The Number of Shares Held by the Company, Its Directors, Supervisors, Managers, and Enterprises Directly or Indirectly Controlled by the Company in the Same Reinvested Enterprise, and Combined to Calculate the Comprehensive Shareholding Ratio

March 31, 2023; Unit: Shares; %

Reinvested Enterprise	Ownership by the Company		Direct or Indirect Ownership by Directors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Standard Pharmaceutical Co., Ltd.	13,000,000	100.00	0	0	13,000,000	100.00
Chia Scheng Investment Co., Ltd.	14,553,000	100.00	0	0	14,553,000	100.00
Standard Chem. & Pharm. Philippines, Inc.	192,195	100.00	0	0	192,195	100.00
Inforight Technology Co., Ltd.	500,000	100.00	0	0	500,000	100.00
Souriree Biotech & Pharm.Co., Ltd.	5,673,908	93.58	389,492	6.42	6,063,400	100.00
Multipower Enterprise Corp.	19,840,600	90.72	6,111	0.03	19,846,711	90.75
Advpharma Inc.	53,226,806	88.71	2,540,000	4.23	55,766,806	92.94
Syngen Biotech Co., Ltd.	12,651,146	46.68	2,072,719	7.65	14,723,865	54.33
SYN-TECH Chem. & Pharm. Co., Ltd.	12,675,959	28.43	1,270,714	2.85	13,946,673	31.28
We Can Medicines Co., Ltd.	13,155,909	32.89	0	0	13,155,909	32.89
Taiwan Biosim Co. Ltd.	4,990,000	49.90	0	0	4,990,000	49.90
Ho Yao Biopharm Co., Ltd.	3,680,000	84.99	0	0	3,680,000	84.99
Shanghai Standard Pharmaceuticals Co., Ltd.	It's a limited company without shares.	100.00	It's a limited company without shares.	0	It's a limited company without shares.	100.00

## IV. Capital Overview

### 4.1 Capital and Shares

#### (1) Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Note		
		Shares (Thousands Shares)	Amount (NT\$ thousands)	Shares (Thousands Shares)	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Others
10.2005	10	150,000	1,500,000	138,675.9	1,386,759	Conversion by Corporate Bond	-	Note 1
01.2006	10	150,000	1,500,000	145,756.4	1,457,564	Conversion by Corporate Bond	-	Note 2
04.2006	10	150,000	1,500,000	147,170.6	1,471,706	Conversion by Corporate Bond	-	Note 3
09.2006	10	160,000	1,600,000	151,570.7	1,515,707	Turn Surplus into Capital Increase	-	Note 4
08.2009	10	200,000	2,000,000	156,111.4	1,561,114	Turn Surplus into Capital Increase	-	Note 5
01.2011	10	200,000	2,000,000	157,614.9	1,576,149	Conversion by Corporate Bond	-	Note 6
09.2011	10	200,000	2,000,000	168,633.0	1,686,330	Turn Surplus into Capital Increase	-	Note 7
01.2012	10	200,000	2,000,000	168,419.0	1,684,190	Capital Reduction of Treasury Stocks	-	Note 8
01.2013	10	200,000	2,000,000	168,422.9	1,684,229	Conversion by Corporate Bond	-	Note 9
04. 2013	10	200,000	2,000,000	168,426.9	1,684,229	Conversion by Corporate Bond	-	Note 10
07. 2013	10	200,000	2,000,000	173,083.0	1,730,830	Conversion by Corporate Bond	-	Note 11
10. 2013	10	200,000	2,000,000	178,696.1	1,786,961	Conversion by Corporate Bond	-	Note 12

Note 1 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 10.27.2005 with the letter No. 09401215680.

Note 2 : The capital increase was approved by the Commercial Department of the Ministry of

- Economic Affairs on 01.23.2006 with the letter No. 09501008980.
- Note 3 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 04.20.2006 with the letter No. 09501069790.
- Note 4 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 09.15.2006 with the letter No. 09501210050.
- Note 5 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 08.10.2009 with the letter No. 09801177830.
- Note 6 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 01.17.2011 with the letter No. 10001007920.
- Note 7 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 09.13.2011 with the letter No. 10001209200.
- Note 8 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 01.05.2012 with the letter No. 10101002430.
- Note 9 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 01.18.2013 with the letter No. 10201008570.
- Note 10 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 04.12.2013 with the letter No. 10201065570.
- Note 11 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 07.22.2013 with the letter No. 10201145960.
- Note 12 : The capital increase was approved by the Commercial Department of the Ministry of Economic Affairs on 10.29.2013 with the letter No. 10201218460.

Unit : Shares

Type of Stock	Authorized Capital			Note
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Ordinary Shares	178,696,089	21,303,911	200,000,000	-

Note : The shares of the Company are listed shares.

## (2) Structure of Shareholders

April 21, 2023

Type of Shareholders Holding	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Amount						
Number of Shareholders	0	16	81	16,494	68	16,659
Shareholding	0	3,910,291	19,235,399	138,661,746	16,888,653	178,696,089
Holding Percentage (%)	0	2.19	10.76	77.60	9.45	100.00

(3) Shareholding Distribution Status

A. Ordinary Shares

April 21, 2023

Class of Shareholding	Number of Shareholders	Shareholding	Holding Percentage (%)
1 ~ 999	6,207	930,018	0.52
1,000 ~ 5,000	8,606	16,216,591	9.07
5,001 ~ 10,000	947	7,413,539	4.15
10,001 ~ 15,000	301	3,765,491	2.11
15,001 ~ 20,000	187	3,421,252	1.91
20,001 ~ 30,000	144	3,619,446	2.03
30,001 ~ 40,000	69	2,458,245	1.38
40,001 ~ 50,000	38	1,761,798	0.99
50,001 ~ 100,000	73	5,351,636	2.99
100,001 ~ 200,000	33	4,687,078	2.62
200,001 ~ 400,000	21	5,842,981	3.27
400,001 ~ 600,000	8	4,088,367	2.29
600,001 ~ 800,000	4	2,888,026	1.62
800,001 ~ 1,000,000	6	5,224,813	2.92
1,000,001 or over	15	111,026,808	62.13
Total	16,659	178,696,089	100.00

B. Preference Shares : The Company has not issued preference shares.

(4) List of Major Shareholders

April 21, 2023

Shareholding Shareholder's Name	Shares	Holding Percentage (%)
Chin-Tsai, Fan	20,786,813	11.63
Tzu-Bin, Fan	19,518,084	10.92
Mei-Rong, Fan Haung	14,584,781	8.16
Tzu-Ting, Fan	11,766,604	6.58
Sen-Hao, Cheng	9,178,888	5.14
Tsuey-Wen, Yeh	9,124,669	5.11
Yingsheng Investment Co., Ltd.	7,080,323	3.96
Fan Dao Nan Foundation	5,523,881	3.09
HSBC Trustee Mitsubishi UFJ Morgan Stanley Securities Trading Account	3,106,000	1.73
Citigroup Trustee UBS Europe SE Investment Fund.	2,120,517	1.18

(5) The Related Information on Market Price, Net Worth, Earnings and Dividends per Share in the last two years

Unit : NT\$

Items \ Year			2021	2022	Current Year as of April 30, 2023
Market Price Per Share (Note 1)	Highest		43.70	65.10	76.60
	Lowest		35.10	41.30	53.10
	Average		39.23	54.36	62.46
Net Worth per Share (Note 2)	Before Distribution		24.30	26.60	25.96
	After Distribution		21.80	24.10	NA
Earnings per Share	Weighted Average Shares	Before Retroactive Adjustment	178,696	178,696	178,696
		After Retroactive Adjustment	178,696	178,696	NA
	Earnings per Share (Note 3)	Before Retroactive Adjustment	3.95	4.56	1.18
		After Retroactive Adjustment	3.95	4.56	NA
Dividends per Share	Cash Dividends (Note 7)		2.5	2.5	-
	Stock Dividends	Dividends from Retained Earnings (Note 7)	0	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated Undistributed Dividends		0	0	-
ROI Analysis	Price / Earnings Ratio (Note 4)		9.93	11.92	-
	Price / Dividends Ratio (Note 5)		15.69	21.74	-
	Cash Dividend Yield Rate (Note 6)		6.37	4.60	-

Note 1 : List the highest and lowest market prices for each year and current year as of April 30, 2023, and calculate the average market price for each year based on each year's transaction value and volume.

Note 2 : Net worth per share is based on the number of issued shares at the end of the year, and is filled in according to the distribution of the resolutions of the Board of Directors or the next year's shareholders' meeting.

Note 3 : If retroactive adjustment is required due to circumstances such as stock dividends, the earnings per share before and after adjustments shall be listed. The earnings per share

for March 31, 2023 have been audited by accountants.

Note 4 : Price / Earnings Ratio = Average Market Price per Share for the Year / Earnings per Share

Note 5 : Price / Dividend Ratio = Average Market Price per Share for the Year / Cash Dividends per Share

Note 6 : Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price per Share for the Year

Note 7 : The 2022 cash dividend distribution has been approved by resolution of the Board of Directors.

#### (6) Dividend Policy and Implementation Status

A. The Dividend Policy stated in the Articles of Incorporation is as follows:

「The Company's industrial environment is changing, and the life cycle of the Company is in the stage of stable growth. Considering the Company's future capital needs and long-term financial planning, and meeting the shareholders' needs for cash inflow, if the Company has a surplus after the annual final accounts, it will be in accordance with the following order to distribute:

(a) Pay taxes.

(b) Offset losses.

(c) Set aside 10% as legal reserve.

(d) Set aside or reverse the special reserve according to law.

(e) The balance together with the accumulated undistributed earnings of the previous year shall be allocated at least 10% as shareholders' dividends, of which cash dividends shall not be less than 20% of the total dividends. However, if the cash dividend per share is less than NT\$0.5, the shareholders' meeting may approve a resolution to distribute as stock dividends.

When the above-mentioned shareholders' dividends are obtained by issuing new shares, it shall be submitted to the shareholders' meeting for resolution before distribution.

The Company authorizes the Board of Directors by using resolutions with the attendance of more than two-thirds of the directors and the consent of more than half of the directors present to distribute all or part of the dividends and bonuses, capital reserve or legal reserve in the form of cash, and report to the shareholders' meeting. 」

B. Status of Proposed Distribution of Dividends at the Shareholders' Meeting

The Company's 2022 annual profit distribution statement as follows has been approved by the Board of Directors on March 14, 2023:

#### Profit Distribution Statement 2022

Unit : NT\$

Item	Amount
Net Income after Tax for the Current Period	815,408,565
Add: Adjustment for Actuarial Benefits	26,107,711
Add: Disposal of Financial Assets Measured at Fair Value through other Comprehensive Income	5,957,640
Minus: Set aside of Legal Reserve	(84,747,392)
Minus: Set aside of Special Reserve	(5,605,665)



Item	Amount
Distributable Earnings for the Year	757,120,859
Opening Undistributed Earnings	1,110,363,065
Accumulated Distributable Earnings	1,867,483,924
Minus: Shareholders' Dividends - Cash (NT\$2.5 per share) (Resolution of Board of Directors on March 14, 2023; Shareholders' Meeting Report)	(446,740,223)
Undistributed Earnings at the End of the Period	1,420,743,701

Note 1: The dividends to be distributed this year will be distributed based on the undistributed earnings in 2022.

Note 2: The actual distribution amount per share shall be based on the number of shares recorded in the shareholders list on the dividend distribution record date.

(7) Impact of the Proposed Stock Dividends on the Company's Operating Performance and Earnings per Share

The Company plans to distribute cash dividends in 2022, and the stock dividends will have no impact on the Company's operating performance and earnings per share.

(8) Compensation of Employees and Directors

A. The percentage or scope of compensation for employees and directors stated in the Company's Articles of Incorporation is as follows:

The Company shall distribute the remaining balance in the following manner, according to the current year's profit status (that is, the pre-tax profit after deducting the profit before the distribution compensation of employees and directors as described below), and after making up losses:

- a. Appropriate 1% to 10% of the balance as compensation for employees.
- b. Appropriate no more than 3% of the balance as compensation for directors.

Employees' compensation may be issued in stock or cash, and the recipients of the stock or cash may include employees of affiliated companies who meet certain criteria.

The compensation of directors mentioned above can only be paid in cash.

The distribution of compensation to employees and directors shall be submitted to the Board of Directors by the Remuneration Committee, and shall be implemented by a resolution with more than two-thirds of the directors present and the consent of more than half of the directors present, and reported to the shareholders' meeting.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimated compensation of employees and directors in this year is based on the percentage stipulated in the Articles of Incorporation, and the amount of compensation for employees and directors is provided in a certain proportion, and recognized as operating expenses of the current period. Afterwards, if there is a discrepancy between the actual distribution amount resolved by the Board of Directors and the estimated amount, it will be listed as profit or loss for the next year.

C. Status of distribution of compensation approved by the Board of Directors:

- (a) Compensation of employees and directors paid in shares or cash. If there is any discrepancy from the estimated amount in the year of recognized expenses, the

number of discrepancies, reasons and handling status:

- ① The employee's cash compensation resolved to be distributed in 2022 was NT\$9,406,590. The estimated amount listed in the 2022 account was NT\$9,435,917. The overestimated difference of NT\$29,327 will be listed as profit and loss in 2023.
  - ② The compensation of directors resolved to be distributed in 2022 was NT\$3,010,110. The estimated amount listed in the 2022 account was NT\$3,000,000. The underestimated difference of NT\$10,110 will be listed as profit and loss in 2023.
- (b) Employees' compensation paid in shares as a percentage of the total amount of the current net profit after tax in the current individual financial report and the total employees' compensation: None.

D. Information of the Distribution of Compensation of Employees and Directors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) in the previous year and, if there is any discrepancy between the actual distribution and the recognized employee, or director compensation, additionally the discrepancy, cause, and how it is treated:

Unit : NT\$ thousands

Distribution Item	The Distribution Amount Approved by the Board of Directors	Estimated Amount for Recognized Expense Year	Difference Amount	Discrepancy Reason and How it is Treated
Employees' Compensation	8,341	8,339	2	(Note)
Directors' Compensation	3,003	3,000	3	(Note)

Note : It was the estimated difference in 2021, and the amount of the difference had been listed as profit or loss in 2022.

#### (9) Status of Buy-back of The Company's Stock

The Company has no such situation.

#### 4.2 Corporate Bonds

The Company has no such situation.

#### 4.3 Special Shares

The Company has no such situation.

#### 4.4 Global Depositary Receipts

The Company has no such situation.

#### 4.5 Employee Stock Options

The Company has no such situation.

#### 4.6 Restricting Employees' Rights to Deal with New Shares

The Company has no such situation.

#### 4.7 Mergers and Acquisitions (Including Mergers, Acquisitions & Divisions) or Transfer of Shares from other Companies to Issue New Shares

The Company has no such situation.

#### 4.8 Financing Plans and Implementation

The Company has no such situation.

## V. Operations Profile

### 1. Business Scope

#### (1) Scope of Business

The scope of our company business mainly includes: manufacturing and sales of western medicine, health supplements, and pharmaceutical raw materials; sales of medical devices, veterinary medicine, cosmetics, and milk powder.

A. The main business scope and the respective business portions are shown in the following table :

Unit: NT\$ thousand

Product Category	Sales Revenue	Percentage
Pharmaceuticals for Human Use	2,527,248	43.2%
Health Supplements	1,933,562	33.0%
Others	1,390,558	23.8%
Total	5,851,368	100.0%

B. The Company's current product offerings include:

- (a) Western Pharmaceutical Formulations
- (b) Health Supplements
- (c) Pharmaceutical Raw Materials
- (d) Veterinary Medicine
- (e) Medical Devices

C. New products planned to develop include:

- (a) Development of new formulation products
- (b) Development of new pharmaceutical raw materials
- (c) Development of new health supplements

#### (2) Industry Overview

A. Current Status and Development of the Industry

Based on the statistics from a presentation from the Industrial Development Bureau of the Ministry of Economic Affairs, it is estimated that the total annual output value of Taiwan's pharmaceutical industry in 2021 was NT\$91.7 billion, a decrease of 3.0% compared to 2020. Among them, the output value of Western medicine formulations was NT\$47.5 billion, accounting for 52%. The output value of Taiwan's pharmaceutical industry has a very low market share in the global market and has been in a trade deficit situation for a long time. However, the market is fiercely competitive, with international companies leveraging their abundant resources to seize the domestic pharmaceutical market. The products produced and marketed by the international markets are mostly high-priced new drugs under patent protection, with high market share. On the other hand, the drug price covered by Taiwan's National Health Insurance has been decreasing year by year, leading to a decline in the profitability of the pharmaceutical industry. Taiwan has become one of the countries with the lowest drug prices in the world. In accordance with the data from the 2022 Biotechnology Industry White Paper, from 2017 to 2021, the annual payment ratio of National Health Insurance for domestically produced generic drugs decreased to 19.2% in 2021, while the ratio of brand drugs reached as high as 67.4%, and the ratio of agents was 13.1%. Overall, imported drugs accounted for 80.5% of the market, limiting the production of domestically produced generic drugs in Taiwan and hindering the expansion of output value. Therefore, pharmaceutical companies are all eyeing the international market, striving to obtain international certifications such as overseas factory inspections by health authorities of

advanced countries to obtain licenses and enter the international market.

### **The percentage of National Health Insurance payment for drug expenditure from 2017 to 2021**

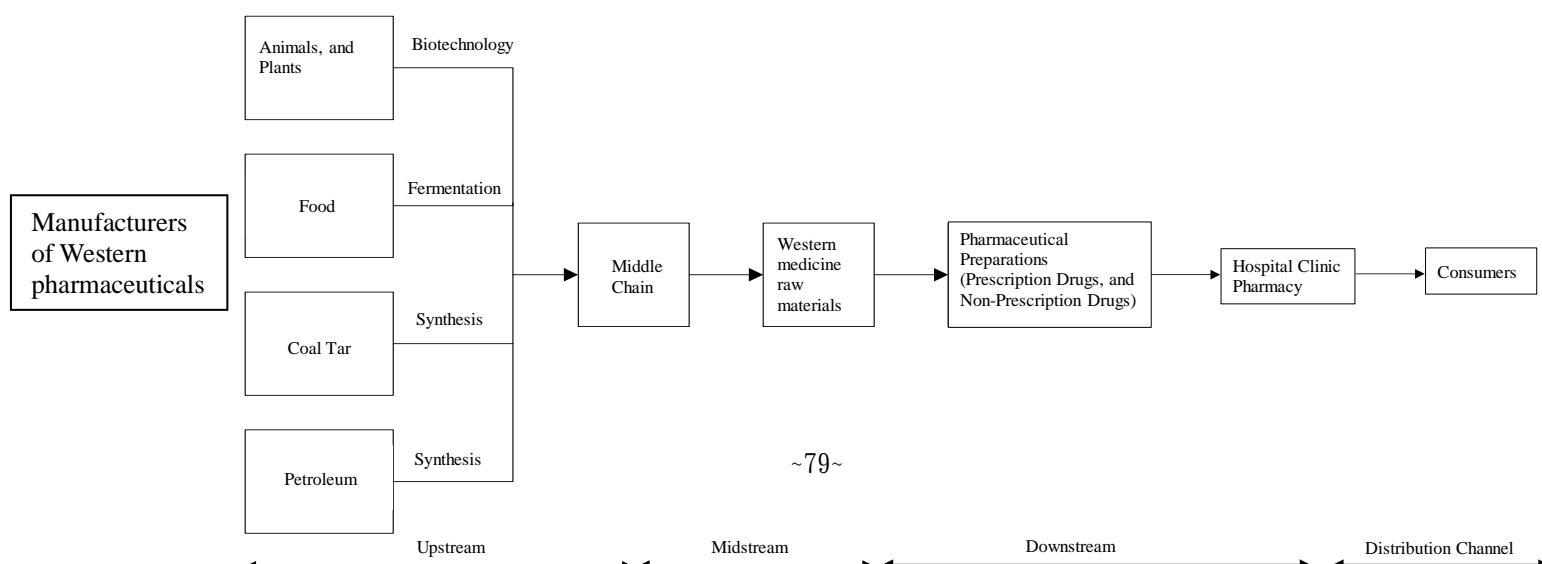
Classification of Pharmaceutical Companies	2017	2018	2019	2020	2021
R&D Companies	65.1	66.1	67.0	67.1	67.4
Agencies	14.0	13.3	12.8	13.1	13.1
Domestic Producers	21.0	20.6	20.2	19.8	19.2

Source: National Health Insurance Administration, Ministry of Health and Welfare, Taiwan. "2022 Biotechnology Industry White Paper." May 10, 2022.

The pharmaceutical industry has emerged as an industrial sector for nearly a century. Due to the critical nature of pharmaceuticals to human health and safety, extensive R&D efforts and technical expertise are required throughout the entire process. From raw material manufacturing, new drug development, patenting, and pre-clinical and clinical trials, to regulatory approval and market launch, it is a highly technology-intensive and capital-intensive industry that is closely monitored by regulatory authorities to ensure drug safety and prevent abuse.

In Taiwan, the main sources of pharmaceutical supplies are domestic pharmaceutical companies, foreign pharmaceutical companies, and imported drugs. Domestic pharmaceutical companies primarily sell their products in Taiwan. In terms of marketing channels, pharmaceutical distribution channels can be categorized into hospitals, pharmacies, and clinics. Hospitals are the most important channel for pharmaceutical sales, but due to the factors of the National Health Insurance system, patients tend to go to large hospitals. In consequence, hospitals mainly rely on imported drugs and foreign pharmaceutical companies as their primary sources of pharmaceutical products. Despite the outcome of the implementation of the prescription release policy is still note obvious, the proportion of pharmaceutical sales through hospitals continues to increase. As domestic pharmaceutical companies mainly target clinics and pharmacies as their main markets, they face disadvantages in terms of drug prices and sales channels. Uneven distribution of medical resources further hinders the expansion of hospital channels for domestic pharmaceutical companies, posing hidden concerns for their future development.

### **B. The interconnectivity among the upstream, midstream, and downstream sectors of the industry**



The upstream of the pharmaceutical industry refers to the stage of raw materials used to produce pharmaceuticals, including chemicals, natural plants, minerals, microbial strains, and related tissue cells, with chemicals being the major bulk. The midstream mainly consists of the production of APIs (containing Pharmaceutical Ingredients).

The API industry is mostly organic chemical industry, and the processes vary depending on the source. For example, processes for obtaining natural materials include fermentation, extraction, and purification, while processes for general chemicals involve organic fermentation process for cultivation, extraction and separation, and purification. Genetic engineering equipment may also be used for the purification and recovery of drug intermediates.

The downstream is the pharmaceutical manufacturing sector, where raw materials are processed with excipients (such as binders, disintegrants, adhesives, lubricants, etc.) to produce convenient dosage forms, such as tablets, liquids, powders, capsules, ointments, and injections.

Our company has both a raw material synthesis plant and a Western medicine formulation plant, which directly manufacture raw materials using synthetic technology or produce pharmaceutical intermediates using biotechnology fermentation. These are then supplied to the formulation plant to manufacture various dosage forms of Western medicine. Finally, our products are delivered to customers through our marketing system and reach consumers. Therefore, our company is an integrated pharmaceutical manufacturer covering the upstream, midstream, and downstream sectors of the pharmaceutical industry.

#### C. Trends in Product Development

##### (a) Western Pharmaceutical Preparations:

The pharmaceutical industry in our country is facing a period of transformation, and companies must make breakthroughs in industry integration, marketing strategies, and new product development in order to face international competition and create new opportunities for the industry. R&D is the lifeblood of the pharmaceutical industry. An important challenge for domestic pharmaceutical companies at this stage is not only to increase R&D funding but also to accelerate the alignment of domestic technology with international standards through strategic alliances, CDMO (Contract Development and Manufacturing Organization) or mergers and acquisitions. Furthermore, it is important for domestic pharmaceutical companies to choose product categories and directions that have relative niche advantages to avoid duplication of R&D and market competition with international pharmaceutical companies. In addition, the domestic pharmaceutical market is small and there are many small-scale pharmaceutical companies with a diverse range of products. It is difficult to compete with international pharmaceutical giants. Moreover, the excessive issuance of drug licenses by regulatory authorities has led to wastage of production resources, which is detrimental to the operation of local pharmaceutical companies. Therefore, expanding into international markets outside of Taiwan and international contract manufacturing has become an important trend for the growth and development of the pharmaceutical industry in Taiwan.

The development trend of pharmaceuticals is shifting towards the transformation of the traditional chemical synthesis industry into the biotechnology industry, including areas such as tissue biochemistry, cell biochemistry, and further advancement into molecular biomedicine technologies, entering the era of molecular drugs. This involves the production of chemically

specific drugs with molecular mechanisms and drug targets, tailored to the individual needs of patients with different symptoms, for personalized medicine. Moreover, biopharmaceuticals will focus on the development of highly efficient and low-toxicity drugs, as well as the development of drugs for the treatment of chronic diseases or diseases with complex pathological mechanisms, targeting diseases caused by genetic inheritance for treatment.

(b) Health Supplements :

In recent years, with technological advancements and increased awareness of national health, along with improvements in healthcare leading to longer life expectancy, the aging population has been growing. Health supplements have shifted from being luxury items to essential products for the general public. The market size of health supplements in Taiwan has been steadily enlarging. Based on the data released by the Department of Statistics of the Ministry of Economic Affairs, with the rising health awareness and the aging and declining birthrate population structure, healthcare prevention and the health of children have become particularly important, resulting in an increasing demand for functional health supplements and nutritional supplements. According to ITIS's statistics, the production value of nutrition and health supplements in Taiwan reached NT\$160.8 billion in 2021, with a growth rate of 6.3%. Due to global factors such as the Russia-Ukraine war and inflation, which have led to higher costs and weakened consumption power, some segments of the food market have experienced reduced growth momentum. It is estimated that the growth rate for 2022 will be 6.2%

The sales of nutritional supplements are closely related to economic conditions. Also, the intense competition in the market was due to the wide selection of products available. In recent years, the recurring COVID-19 pandemic has led to measures such as lockdowns, travel restrictions, and school and work suspensions. As China is a major export market for health supplements in our country, transportation and delivery limitation has affected the operations of the food and biotech industries. However, crises can also be a sign of opportunities. The COVID-19 pandemic has heightened public awareness of health prevention and wellness, which drives the demand for nutritional supplements that promote immunity and enhance physical strength.

With advancements in medical care and improved sanitation, the average life expectancy of the population has been steadily increasing. Coupled with declining birth rates, and the significant aging population, the National Development Council predicted that Taiwan will enter a "super-aged society" (where the proportion of the elderly exceeds 20%) by 2025, and become an "ultra-aged country" with a proportion of elderly reaching 28% by 2036.

According to United Nations population statistics, it is projected that by 2050, 1/6 of the global population will be over the age of 65. The median age is also predicted to increase from 29.6 years in 2015 to 36.2 years in 2050. Aging society has become a common challenge worldwide, with an increasing population of people with chronic diseases. Among them, hypertension, cataracts, and heart disease are the most common chronic diseases among the elderly, posing significant financial burdens on government healthcare systems.

The aging population has also expanded the business opportunities for health food products, as the trend of health consciousness and the concept of elderly health care have risen in recent years. The main demand for domestic health food products has focused on joint maintenance, blood lipid regulation, gastrointestinal function improvement, immune system modulation, liver protection, and blood sugar regulation. In the future, there is potential for the development of health food products with efficacy claims in anti-aging or antioxidation, blood pressure

regulation, anti-fatigue, blood sugar regulation, and beauty/skin care. Therefore, the concept of preventive medicine, combined with scientifically validated health food products, has gradually formed a trend of self-health management to reduce medical expenses and maintain health and quality of life. The market for health food products with a concept of preventive medicine is expected to be stable and grow steadily year by year.

With the widespread use of the internet and the development of social media, coupled with the advent of the post-pandemic era, there has been an increased awareness of health among the public. People are seeking to enhance their immunity, improve their physical fitness and quality of life through the use of nutritional supplements, and manage their own body shape, which has become a modern trend. Sports and health, as well as nutrition supplements, will become a new blue ocean in the future. Due to the impact of the COVID-19 pandemic, remote work and distance learning are expected to be future trends. The excessive use of computers and smartphones has become common, and with the influence of the 3C intelligent era, excessive eye use has become a common issue among modern people. This has led to an increased awareness of eye health among the public, and the related health market is continuously growing.

According to the Consumer Index (Kantar Worldpanel Taiwan), the most commonly purchased health supplements include those for joint health, eyes care, beauty and skincare, and gastrointestinal health. A survey by the Directorate-General of Budget, Accounting and Statistics of Executive Yuan, showed that in 2020, healthcare and medical expenses accounted for 17.1% of household consumption expenditure in Taiwan, compared to 14.4% in 2019, reaching a new high. The increased expenditure can be attributed to the longer life expectancy of Taiwanese people and the strengthening of health care awareness.

#### D. The Competitiveness of the Products

##### (a) Western Pharmaceutical Preparations:

For domestic pharmaceutical manufacturers, the implementation of the National Health Insurance of drug pricing, and drug price surveys, compressed profit margins and limited the development of the domestic pharmaceutical industry and the free market mechanism. This has resulted in a vicious cycle of price competition, as the high homogeneity of pharmaceutical products and price constraints have shortened product life cycles and increased product obsolescence, highlighting the importance of new product research and development.

International pharmaceutical companies are expanding their global footprint through mergers and acquisitions to expand their market presence and production capacity. Taiwan has internationally recognized GMP quality for pharmaceutical manufacturing, but compared to the low production costs in international markets, local pharmaceutical manufacturers have limited opportunities for international contract manufacturing. Therefore, a short-term reliance on domestic demand-based business models may not improve the situation for local pharmaceutical manufacturers. The Taiwanese pharmaceutical industry urgently needs to consider transformation, international market development, and strengthening competitiveness for sustainable business operations.

##### (b) Health Supplements :

As the society becomes more refined and aging, chronic diseases are gradually becoming a global pandemic. Compared to pharmaceuticals, there is an increasing trend in the development of the market for health supplements that aim to prevent or delay the onset of diseases. The Taiwan Food and Drug Administration has already announced 13 methods for evaluating the efficacy of health supplements and their advertising claims, indicating the necessity for the

development of health supplements, and relevant regulations have become more comprehensive.

Due to lower regulations in terms of cost and benefits compared to pharmaceuticals, the market for health supplements is highly competitive with numerous competitors and products. Our company positions itself as a producer of high-priced, high-technology, innovative products with new efficacy and applications, to differentiate ourselves and avoid excessive competition in the market.

(3) Overview of Technology and Research & Development

A. The R&D expenses incurred in the recent years up to the date of printing of the annual report.

Unit : NT\$ thousand

Item	2021	2022	For the period ending March 31, 2023
R&D Expenditure	241,788	251,878	56,724
Percentage of Revenue	5.25%	4.30%	3.80%

B. Successful Technological or Product Developments

Our company has strong R&D teams with years of accumulated experience in research and development. We have successfully launched new products in various therapeutic areas, including hypertension, diabetes, psychiatric drugs, gastrointestinal drugs, and circulatory system drugs. In recent years, we have focused on the development of special generic drugs (Better Than Generics) to lower side effects and improve patient compliance. We have developed special dosage forms such as injectables, sustained-release formulations, laser-drilled sustained-release formulations, and orally disintegrating formulations to create unique product differentiators for "single-source new drugs" and "branded generic drugs". Several niche products have obtained drug licenses and are on the market. We have designed orally disintegrating dosage forms for easy administration to elderly patients with swallowing difficulties, and we have applied for patents for laser-drilling technology and processes for Zero-Order drug release mechanism to achieve stable and sustained drug release.

In addition to the domestic market, Standard Chem. & Pharm. also actively explores international markets and invests in R&D resources to apply for Abbreviated New Drug Applications (ANDA) in the United States. Our diabetes drugs have been shipped to the United States for several years, and we have started shipping drugs for amyotrophic lateral sclerosis (ALS) in 2020, with lipid-lowering drugs obtaining drug approvals and awaiting market launch after patent expiration. With our technical capabilities in obtaining US drug approvals, we have also successfully entered the Japan and China market, accelerating the timeline for expanding international markets and increasing export sales.

In recent years, we have launched dozens of new products in the booming market of biochemical nutrition products, including ODM (Original Design Manufacturer) and our own branded products. In addition to R&D and production commissioned by major retailers, our own branded products, such as natto kinase red yeast rice, anti-allergic lactobacillus, menopause support, and eye protection, have gained popularity.

(4) Long-term and Short-term Business Development Plans

A. Short-term Business Development Plans

In response to the transformation of the health insurance system, organizational restructuring, strengthening of education and training, and strategic planning are urgent tasks. The key focus of business development includes the development of specialty drugs



for chronic diseases with high technological barriers, promotion of the business of health insurance pharmacies, development of the over-the-counter (OTC) market, and expansion into international markets. With the growing concept of prevention over treatment and the popularity of health products, our company will uphold the rigorous spirit of pharmaceuticals and actively develop and produce nutritional supplements, leveraging our established market channels for sales, and exploring opportunities in supermarkets and general food channels.

In addition to the domestic National Health Insurance market, to enhance competitiveness and seek sources of revenue growth, Standard Chem. & Pharm. actively expands into international markets, from exporting APIs in early years to exporting Western pharmaceutical products. Standard Chem. & Pharm. has obtained over 150 import licenses for pharmaceuticals in ASEAN Plus Three countries (including Singapore, Malaysia, Thailand, Philippines, Indonesia, Brunei, Vietnam, Laos, Myanmar, Cambodia, China, Japan, and South Korea), ranking first in the export of Western pharmaceuticals to ASEAN Plus One countries. Stable shipments to the United States, Japan, and China markets have also been achieved. In recent years, Standard Chem. & Pharm. has actively entered overseas markets, strengthened international market layout, and expanded its internationalization strategy from product exports to gradually include strategic collaborations, joint development, and contract manufacturing services as part of the strategic partnership models.

#### B. Long-term Business Developments Plans

##### (a) Production Aspect :

- ① Continuous expansion of production capacity, as well as construction of production facilities that comply with international standards set by the U.S. Food and Drug Administration (FDA), to increase production capacity and pursue international contract manufacturing opportunities.
- ② Integrating resources within our company and affiliated enterprises, engaging in vertical integration, and maximizing economic benefits.

##### (b) Marketing Aspect :

###### ① Western Medicine

- i. Product: Strengthening the research and development of single-source drugs, development of new drugs as the first generic drug product in the United States, foreign drug registration and inspection, and importation of special drugs as an agent.
- ii. Distribution Channels: Promoting pharmaceutical sales to major medical centers domestically, exporting to advanced countries such as Europe, the United States, and Japan, and establishing marketing points in Southeast Asia, China, and other countries.

###### ② Health Supplements

- i. Product: Establishing private brand, increasing certified health food items, implementing food Good Manufacturing Practices (GMP) to enhance production standards.
- ii. Distribution Channels: Promoting the placement of our products in medical institutions, pharmacies, and hypermarkets.

###### ③ Raw material

- i. Product: Update manufacturing processes to improve production efficiency and accept commissioned production from advanced countries.
- ii. Distribution channels: Integrate marketing efforts and establish a professional contract manufacturing model for active pharmaceutical ingredients (APIs) to expand into advanced markets such as Europe, the United States, and Japan.

##### (c) Research and Development (R&D) Aspect:

- ① Development of new dosage forms: sustained-release formulations,

- fast-dissolving tablets, long-acting injections, specialized formulations, etc.
- ② New drug development: development of branded new drugs and drugs with new active ingredients.
- ③ Continued promotion of opportunities for consistency evaluation in Mainland China: leveraging successful registration experiences in the US and Japan, increasing technology transfer and shared income, as well as seeking import approvals for proprietary brands to collaborate with pharmaceutical companies for sales and expand the market in Mainland China.

## 2. Market and Sales Overview

### (1) Market Analysis

#### A. Sales regions of major products:

Standard Chem. & Pharm. sells products including Western medicine, health supplements, APIs, medical equipment, veterinary medicine, cosmetics, infant formula, etc. The sales regions cover not only the domestic market but also China, South Korea, Southeast Asia, Europe, the United States, and other regions. Sales distribution of Standard Chem. & Pharm. exports to different countries in 2022:

- (a) China : 13%
- (b) Southeast Asia : 19% °
- (c) Other Asian Countries : 20% °
- (d) Japan : 24% °
- (e) Other Countries in Americas : 3% °
- (f) Europe : 14% °
- (g) Africa : 3% °
- (h) United States : 4% °

Standard Chem. & Pharm. has over a hundred sales personnel engaged in direct sales in the domestic market, and has established four regional offices in the northern, central, southern, and Kaohsiung-Pingtung areas for sales and business personnel education, training, and management. For overseas sales, Standard Chem. & Pharm. has subsidiary companies in Jiangsu and Taizhou of China, and the Philippines. We also have representative offices in Vietnam for customer service. The Company actively develops markets in mainland China, the Middle East, Southeast Asia, Japan, the Americas, Europe, and Australia, adopting international professional division of labor to overcome barriers to entry into international markets. Standard Chem. & Pharm. is committed to enhancing its international competitiveness, expanding its international marketing network, and increasing sales in international markets to address production challenges such as the small domestic demand market, difficult market segmentation, and price reductions of health insurance drugs in Taiwan.

#### B. Market Share, Future Market Supply-Demand Conditions, and Growth Potential

The pharmaceutical industry not only promotes human welfare but also has significant economic development potential. Additionally, as it is closely related to human health, the industry is less impacted by overall economic conditions. In recent years, due to declining birth rates, the global population has shown a noticeable aging trend, with an increasing proportion of elderly people. Aging-related factors such as physical and functional deterioration make the elderly more susceptible to diseases, resulting in higher medication usage compared to the general population. Therefore, it can be anticipated that the pharmaceutical market will continue to expand in the future, driven by increasing health awareness, innovative developments in biotechnology, the use of new drugs for elderly diseases, and the growing global demand for new medical therapies.

The analysis of the top six featured products/therapeutic areas and their revenue contribution by Standard Chem. & Pharm. is as follows:

- (a) Central nervous system and orthopedic medications is the Company's top therapeutic area, accounting for the highest proportion of revenue. This includes various pain-relief medications, muscle relaxants, dementia medications, Parkinson's disease medications, and calcium supplements for osteoporosis. The Company not only meets the demand for basic pain-relief medications in various levels of healthcare institutions, but also addresses the needs of an aging society with dementia medications, Parkinson's disease medications, and calcium supplements for osteoporosis. The oral suspension calcium supplement All-Right Calcium is a well-known product in the market, known for its pleasant taste, the convenience of use, and high market share. It's worth mentioning that the Company also has the only acetaminophen-based injectable medication in the domestic market, providing clinicians with a safer and more effective option for pain relief and fever reduction, allowing for more diversified treatment strategies for clinicians in different medical specialties. In recent years, the role and application of acetaminophen injectable medication have also been emphasized in mainstream multimodal analgesia (MMA) and enhanced recovery after surgery (ERAS) in the field of anesthesia. The role and application of acetaminophen injectable medication are also highly valued. This provides safer and better care for postoperative pain control and recovery. Central nervous system and orthopedic medications have accounted for 25% of company's revenue in 2022.
- (b) Cardiovascular medication accounts for the second largest proportion of our company's revenue in the therapeutic area. Our product range includes various classes of antihypertensive medications and cardiovascular risk management drugs, including popular ARB medications and long-standing beta-blocker medications. Our Propranolol, which is a main ingredient in our products, holds the highest market share in the domestic market and is widely recognized and adopted by various medical institutions. Our Co-Midis Tab. product, which utilizes special processing and excipients to overcome moisture susceptibility issues seen in other products, has gained recognition from physicians and achieved sustained sales growth. In 2021, it was awarded the Golden Quality Award for Pharmaceutical Technology Research and Development, and the formulation technology has also been granted a patent in Taiwan. Additionally, our Adapine S.R.F.C. Tab. 30 mg and Dustbin XL Tab. 4 mg are sustained-release formulations that utilize laser-drilled technology, allowing for a smooth and gradual release of medication to achieve stable blood pressure control. Our laser-drilling pharmaceutical technology has also been patented. Cardiovascular medication accounted for 24% of our company's revenue in 2022, demonstrating customer recognition and preference.
- (c) Gastrointestinal medication is the core specialty of our company which is also the product since the inception of our company. We have continuously invested in the development of gastrointestinal drugs, living up to our reputation as the "kingdom of gastric medicines." It remains our third largest therapeutic area, with many of our foundational drugs such as Omezol Cap. and Fading Tab. holding a significant market share. Our ulcer medication, Panzolec Gastro-Resistant Tab., also holds a brilliant sales performance. Gastrointestinal medication not only performs well in the domestic market but also has multiple exports to international markets. We have several unique formulations of gastrointestinal drugs, such as the only oral suspension in the country, Scat Suspension, which effectively treats upper gastrointestinal ulcers and symptoms related to gastroesophageal reflux using its unique formulation. We also produce various stable and unique frozen crystal injectable formulations using freeze-drying

technology, such as Emazole Lyo-Injection and Panzolec Lyo-Injection. In 2022, gastrointestinal medication accounted for 15% of our company's revenue.

- (d) Metabolic system medication, including diabetes medication and uric acid-lowering medication, is also one of the major therapeutic areas that our company focuses on. Keeping up with clinical trends and patient medication needs, we continue to invest in new drug development, with a comprehensive product line of blood glucose-lowering drugs with various mechanisms of action and next-generation uric acid-lowering drugs. Our well-known brands for clinical diabetes medication include Lotion Tab. 500 mg and 850 mg, Acarose Tab., and Pioglit Tab., which have helped many diabetic patients achieve better blood glucose control. In response to the aging population and the increasing demand for multiple medications used by patients, we have developed many combination products for the convenience of patients and to improve medication adherence, such as Lodiglit Tablets and Grumed-M Tablets. We have also completed multicenter clinical trials for Migbose (Miglitol) Tab. 50mg. In the uric acid-lowering medication segment, Febuton F.C. Tab. 40mg and 80mg are new-generation products that have been selling well in recent years, with continued revenue growth and recognition for use in various levels of medical institutions in the country. In 2022, metabolic system medication accounted for 14% of our company's revenue.
- (e) Urinary system medication, includes medication for benign prostatic hyperplasia (BPH), sexual dysfunction, and urinary incontinence. For the treatment of BPH, our company has developed medication Tamlosin (Tamsulosin) in multiple dosage forms to meet the clinical needs of patients. This includes Tamlosin SR Cap., which is a sustained-release capsule, Tamlosin D Tab., which is a sustained-release orally disintegrating tablet, and Tamlosin PR Tab., which is a sustained-release film-coated tablet. These products are commonly prescribed in the market for clinical use. For medication related to sexual dysfunction, we have the well-known product Wellnitin ODT, which is an orally disintegrating tablet, and Lonfilis F.C. Tab., which is a film-coated tablet. In 2022, urinary system medication accounted for 8% of our company's revenue.
- (f) Respiratory system medication, which includes expectorants, cough suppressants, antihistamines, bronchodilators, and medication for treating cold and nasal congestion, is another important area for our company. Our main medications in this category are used for treating respiratory tract infections related to the common cold. We have well-known expectorants and cough suppressants such as Cough Mixture Solution, Colin Solution, Musco Tab, and Coheal Cap., which are widely used in various medical institutions. We also have popular antihistamines such as Levozine Tab and Fexodine Tab. In 2022, respiratory system medication accounted for 7% of our company's revenue.

Our company has undergone years of development and has established a solid foundation. With our excellent research and development talents, strong financial capabilities, and a comprehensive supply chain structure spanning upstream, midstream, and downstream products, our operational scale continues to expand. We have also obtained numerous domestic and international certifications and patents. Therefore, despite the ongoing growth of the global pharmaceutical market and the gradual elimination of small-scale pharmaceutical companies domestically, our company still has ample room for business development.

#### C. Competitive Advantages and Development Prospects, Favorable and Unfavorable Factors, and Countermeasures.

##### (a) Competitive Advantages:

- ①The aging population and the continuous growth of medication usage for chronic

diseases, which align with the core products of our company, will be favorable for our development.

- ② Possessing a research and development team and pharmaceutical regulatory experts, with successful registration experiences in the US and Japan, will facilitate product development and registration, shortening the time to market.
- ③ Our company is actively developing special dosage forms such as sustained-release formulations, orally disintegrating tablets, effervescent tablets, etc., through internal research and development as well as seeking foreign technology collaborations or agency sales, in order to enhance our market competitiveness.
- ④ For existing high-value products that are already on the market, we will improve dosage forms, dosages, and packaging to extend their product life cycles.
- ⑤ As part of the Standard Chem. & Pharm., which is a vertically integrated enterprise with the capabilities of research, production, and sales from raw materials to finished formulations, we are more competitive than pharmaceutical companies with production or sales-oriented approaches.
- ⑥ Technological innovation, product innovation, and service innovation are maintaining our price competitiveness.
- ⑦ High-quality, professional, and attentive services are the key factors that contribute to the high added value of Standard Chem. & Pharm.'s products.

(b) Favorable Factors

- ① Actively participating in international pharmaceutical exhibitions to promote the sales of imported generic drugs in Taiwan.
- ② Collaborating with pharmaceutical companies in Europe, North America, or Japan to share research and development costs, expedite the introduction of products into the domestic market, and absorb foreign research and development experience for future reference in the Company's own product development and export products.
- ③ Actively developing markets in Europe, America, Japan, and other countries to expand sales volume and reduce costs.
- ④ The Company has obtained multiple official inspections and international certifications, such as FDA, PIC/S GMP, Japan Ministry of Health, ISO9001, ISO14001, and ISO 45001, which provide clear guarantees for technology and quality. The positive international reputation is conducive to obtaining international contract manufacturing opportunities.
- ⑤ Non-reimbursed items of National Health Insurance, including over-the-counter drugs, self-medication, and health food, are expected to be the main sources of future growth in the out-of-pocket market. The Company will continue to develop this market through its existing extensive customer channels.
- ⑥ Biotechnology and pharmaceutical industries are among the ten emerging industries listed by the government for national development and support. The affiliated companies under the LifeTech Group cover both biotechnology and pharmaceutical industries, which have great potential for future development.
- ⑦ Due to medical advancements and extended life expectancy, the elderly population is increasing rapidly, and governments of various countries are actively encouraging the use of generic drugs to reduce the financial burden on healthcare systems. Therefore, the market for generic drugs is expected to continue to grow.

(c) Unfavorable Factors

① Increasing Labor Costs

Due to the rising awareness of labor rights and the improvement of various benefits, the operational costs of the Company have gradually increased. In

order to cope with the rising labor costs, the Company actively strengthens process control, and process improvement to enhance production efficiency, and replaces inefficient equipment with new ones to increase production capacity and productivity, thereby reducing product costs and enhancing competitive advantages.

②Difficulty in Finding Professional Talents

The pharmaceutical industry is constantly evolving in terms of technology, requiring high-tech, highly educated, and professionally qualified talents. The government and related agencies have formulated subsidy measures to incentivize overseas talents to return to the country and implement national defense training measures and cooperate with the industry which actively promotes talent cultivation, retention, and recruitment. It has gradually attracted talents from overseas to Taiwan.

③Consumer Preference for Foreign Original Brand Drugs

State-owned pharmaceutical factories can produce products with the same therapeutic effect as foreign original brand drugs, but due to the preference of consumers for foreign brands, they are at a disadvantage in competition. Taiwan has become a member of the Pharmaceutical Inspection Cooperation Scheme (PIC/S), and pharmaceutical factories have fully complied with PIC/S GMP regulations, improving the overall quality and competitiveness of state-owned pharmaceutical factories.

④The proliferation of Small-scale Factories, Leads to vicious competition

Many pharmaceutical companies in Taiwan are small and medium-sized, with a wide variety of products, which can easily result in vicious competition. Therefore, the Company has been committed to research and development and improving product quality, reducing product varieties, expanding international markets, and hoping to develop a production economy with fewer varieties and larger quantities in product planning, in order to break away from vicious competition with competitors.

(d) Countermeasures

①Actively engage in product R&D, technological improvements, and channel development in line with the government's promotion of industry upgrades. Foster a global perspective within the Company and enhance the frequency of interaction between internal resources and external environment to promote stable business growth and increase international competitiveness.

②Accelerate market expansion in international markets, particularly in the rapidly growing pharmaceutical markets in China and neighboring Japan. The United States has the most rigorous pharmaceutical regulations in the world, with ongoing submissions, inspections, and registrations by the FDA being proof of improving pharmaceutical standards. The Company has a strong presence in the Southeast Asian market for 20 years, continuously registering new products to seek stable growth.

③The Company owns an API synthesis plant and has a strategic investment in Syn-Tech Chem. & Pharm., ensuring the stable supply of key raw materials.

④Strengthen the product line by actively seeking technical cooperation or acting as an agent for generic drugs from well-known pharmaceutical companies in Europe, the United States, and Japan to expand the Company's product portfolio.

⑤Strengthen services and information provided to medical and pharmaceutical professionals to offer more effective products and medical information. Enhance the professionalism of sales personnel through specialized training, establish various forms of cooperative relationships with medical professionals, and assist them in raising awareness of patient services, improving medical quality, and

optimizing management systems and efficiency to solidify the market for grassroots medical institutions and community pharmacies.

- ⑥ Comply with consumer protection laws, promote public relations, set up a toll-free service hotline, educate the public on correct medication knowledge, and promptly handle customer complaints.

## (2) The Main Uses and Manufacturing Processes of Our Company's Products

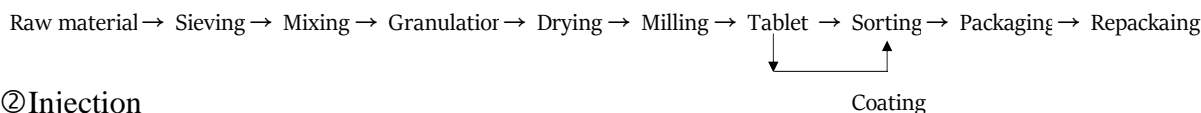
### A. Our products can be categorized into the following uses:

- (a) Circulatory system medication:  
Enhancing blood vessel dilation and circulation, improving cerebral metabolism, dilating coronary arteries, reducing blood lipids, lowering blood pressure and promoting diuresis, and stopping bleeding.
- (b) Digestive system medication:  
Reducing gastric acid secretion, controlling diarrhea, treating gastric and duodenal ulcers, promoting digestion, and enhancing gastrointestinal motility.
- (c) Respiratory system medication:  
Suppressing cough and promoting expectoration, and bronchial dilation.
- (d) Nervous system medication:  
Antiallergic, antipyretic and analgesic, sedative, and skeletal muscle relaxant.
- (e) Metabolic medication:  
Hormone preparations, liver disease treatment, and diabetes management.
- (f) General food and health food:  
Health maintenance and well-being.

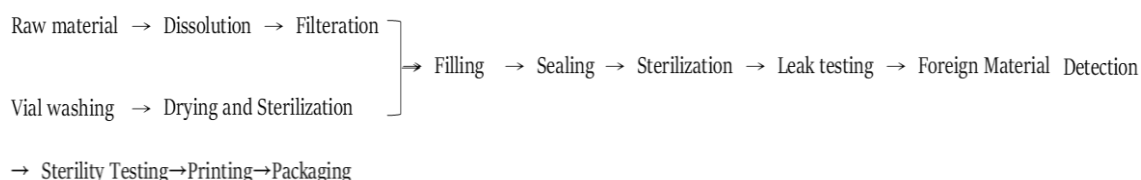
### B. Manufacturing Processes

#### (a) The process of pharmaceutical formulation

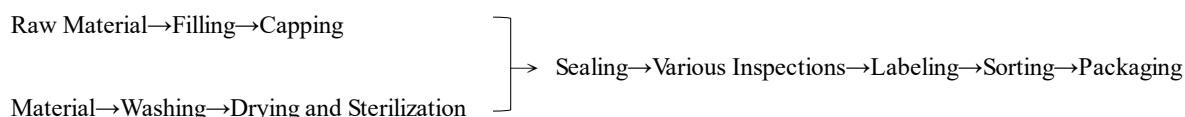
##### ① Tablet



##### ② Injection



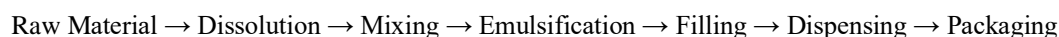
##### ③ Powdered Formulation



##### ④ Capsule Formulation



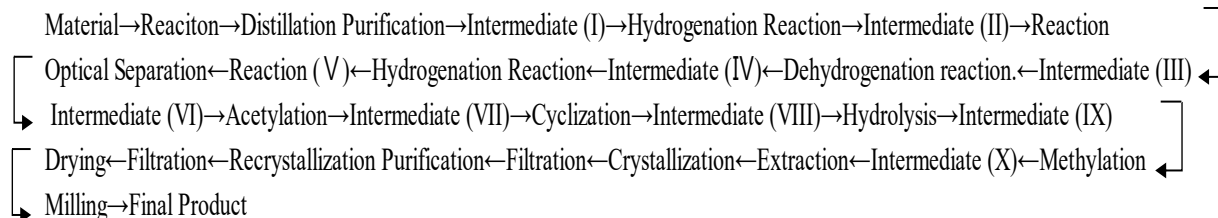
##### ⑤ Ointment formulation



## ⑥ Liquid Formulation

Raw Material → Dissolution → Filtration → Filling → Sealing → Inspection → Labeling → Packaging

### (b) Synthetic raw material manufacturing process:



### (3) Supply Status of Main Raw Materials

Our company sources raw materials from domestic and foreign suppliers. To ensure a stable supply chain, we maintain close cooperative relationships with our suppliers and actively explore new potential suppliers. Additionally, our synthetic department collaborates with our affiliated companies, Syn-Tech Chem. & Pharm., Ltd. and Syngen Biotech to secure the necessary raw materials.



(4) Names of customers who accounted for more than 10% of the total amount of goods purchased/sold in any of the most recent two years, and the amounts and percentages of the goods purchased/sold

A. Names of customers who accounted for more than 10% of the total amount of goods sold in any of the most recent two years:

Unit: NT\$ thousands

	2021				2022				2023 as of the Previous Quarter			
Item	Name	Amount	Ratio of Annual Net Sales [%]	Relationship with Issuer	Name	Amount	Ratio of Annual Net Sales [%]	Relationship with Issuer	Name	Amount	Ratio of Annual Net Sales [%]	Relationship with Issuer
1	G Company	459,454	9.98	None	G Company	583,002	9.96	None	G Company	175,248	11.74	None
2	Others	4,144,628	90.02	-	Others	5,268,366	90.04	-	Others	1,317,777	88.26	-
3	Net Sales	4,604,082	100.00	-	Net Sales	5,851,368	100.00	-	Net Sales	1,493,025	100.00	-

Note: Because the contract stipulates that the name of the customer shall not be disclosed or if the transaction object is an individual and not a related party, it can be code-named.

The Reasons for the Increase or Decrease : The Group's overall consolidated revenue increased due to the increase in consolidated entities in 2022. Although sales to major customers increased, on the contrary, the proportion of sales to the total decreased.

B. Names of customers who accounted for more than 10% of the total amount of goods purchased in any of the most recent two years :

None.

(5) Production Value in the Last Two Years

Unit : NT\$ thousands

Category	Year		2021			2022		
	Item	Unit	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Medicines for Human Purposes	Tablets	Thousands Grain	1,319,032	1,167,888	721,895	1,319,032	1,353,903	760,062
	Injections	Thousands Needle	54,350	11,145	263,582	54,350	7,333	181,333
	Capsules	Thousands Grain	194,364	183,887	141,640	194,364	210,737	164,058
	Liquid	Liter	2,924,000	453,776	95,096	2,924,000	653,606	128,765
	Others		-	-	34,298	-	-	29,251
	Sub-total		4,491,746	1,816,696	1,256,511	4,491,746	2,225,579	1,263,469
Health supplements			-	-	790,107	-	-	1,031,988
Others			-	-	185,882	-	-	689,774
Totals			4,491,746	1,816,696	2,232,500	4,491,746	2,225,579	2,985,231

(6) Value of Sales Volume in the Last Two Years

Unit : NT\$ thousands

Category	Year		2021				2022			
	Item	Unit	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Medicines for Human Purposes	Tablets	Thousands Grain	1,062,321	1,391,510	104,734	211,032	1,185,561	1,428,614	117,295	193,401
	Injections	Thousands Needle	5,243	121,031	6,216	252,801	6,106	130,062	1,888	79,959
	Capsules	Thousands Grain	155,304	240,920	21,488	39,746	126,937	200,447	14,192	34,976
	Liquid	Liter	453,977	221,340	6,612	2,080	639,845	267,685	10,970	2,400
	Others		-	33,110	-	23,604	-	153,935	-	35,769
	Sub-total		1,676,845	2,007,911	139,050	529,263	1,958,449	2,180,743	144,345	346,505
Health supplements			-	1,430,808	-	144,750	-	1,788,110	-	145,452
Others			-	277,666	-	213,684	-	639,987	-	750,571
Totals			1,676,845	3,716,385	139,050	887,697	1,958,449	4,608,840	144,345	1,242,528

### 5.3 Human Resources

Employee Information for the Past Two Years and as of the Publication of the Annual Report

Year		2021	2022	Current Year as of March 31
Number of Employees	Business Personnel	310	323	320
	Administration Personnel	244	272	283
	Manufacturing Personnel	664	872	890
	Researchers	122	129	126
	Total	1,340	1,596	1,619
Average Age		40	40	40
Average Years of Service		10	10	10
Academic Distribution	Ph.D.	1.7%	1.8%	1.8%
	Masters	20.3%	19.3%	19.3%
	Bachelor's Degree	55.1%	54.2%	53.8%
	Senior High School	20.6%	22.3%	22.7%
	Below Senior High School	2.3%	2.4%	2.4%

### 5.4 Environmental Protection Expenditure

In the most recent year and up until the date of this annual report, regarding losses incurred due to environmental pollution (including compensation and violations of environmental protection regulations resulting from inspections), their dates, reference numbers, specific violations, violation details, and penalty outcomes are as follows:

The Company has no such situation

The Group has invested approximately NT\$26 million to establish a wastewater treatment facility, ensuring the continuous compliance with emission standards and the improvement of emission quality. Additionally, an exhaust gas scrubber has been installed to collect and reduce air pollutants. The company has implemented daily self-monitoring of wastewater discharge COD (Chemical Oxygen Demand) and regularly replaced the activated carbon filter media in the wastewater treatment system.

### 5.5 Labor Relations

#### (1) Welfare Measures and Implementation Status

In order to benefit all employees' welfare and promote harmony between labor and management, the Group has formulated a comprehensive welfare system and established an Employee Welfare Committee. The Company appropriates welfare funds according to the law and hands them over to the Welfare Committee to handle various welfare measures. In addition to the employee welfare measures of the Welfare Committee, the Company also has marriage subsidies, maternity subsidies, funeral subsidies, scholarship subsidies for employees and their children, emergency loans for employees, trust savings grant for employee, group insurance, performance bonuses, holiday cash gift for Dragon Boat, Mid-Autumn and Chinese New Year, pure gold coins and prizes for senior and excellent employees, rental assistance, home purchase congratulations bonus, and employee dormitory etc. And the Company organizes various leisure activities for employees, such

as providing sports and leisure venues, sports day, local tour activities and various club activities. The Company also provides staff cafeteria and nursery rooms for employees to use, one free health check per year, transportation, etc. The implementation is going well and the employees are enthusiastically involved.

**(2) Continuing Education and Training System, and the Status of their Implementation**

The Company has established "Employee Training Program" to provide employees with the skills and information they need to perform their jobs, and according to different grade of employees, design different training courses and formulate medium and long-term training plans, and searches for lecturers internally or outsourcing training, and even promoted and implemented E-learning and Knowledge Management in 2006.

The implementation status in 2022 is as follows:

Category	Number of People	Hours	Fee (NT\$ thousands)
Departmental Training	112,040	46,522	1,885
GMP Training			
Outsourcing Training	346	2,909	
Total	112,386	49,431	

In 2022, the Company's managers participated in the trainings related to Corporate Governance as follows:

Title	Name	Organizer	Course Title	Training Hours
Accounting Supervisor	Jui-Hung, Hsu (Note)	Taiwan Institute of Ethical Business (TIEB)	2022 Securities Trading Act - Judgment Selection for False Financial Reports: Starting from How Directors Fulfill Their Duties	3 hours
		Accounting Research and Development Foundation	Continuous Professional Development Course for Issuers, Securities Dealers, and Exchange Accounting Supervisors	12 hours
Audit Supervisor	Jun-Ren, Chen	The Institute of Internal Auditors , R.O.C.	Facing the Waves of Climate Change and Sustainable Development: Exploring the Impact on Corporate Internal Controls and Response Measures from an ESG Risk Perspective	6 hours
			Practical Analysis of Cross-Strait Tax Audit and Regulatory Interpretation	6 hours

Note: Jui-Hung, Hsu resigned on April 1, 2023.

**(3) Retirement System and Implementation Status :**

- A. Since the implementation of the "Labor Pension Act" on July 1, 2005, employees can choose to apply the provisions of the labor pension system stipulated in the "Labor Standards Act" or the "Labor Pension Act".
- B. Employees who choose to apply the "Labor Standards Act", according to the Company's Employee Retirement Regulations, where the employee attains the age of fifty-five and has worked for fifteen years or has worked for more than twenty-five years or attains the age of sixty and has worked for ten years may apply for voluntary retirement; if the

employee attains the age of sixty-five or is unable to perform his/her duties due to disability, the Company may force the employee to retire. For each retired employee, two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months. The total number of bases shall be no more than 45 and the retirement pension base shall be six months' average wage of the employee at the time when his or her retirement is approved, and the calculation of the average salary is handled in accordance with the relevant provisions of the Labor Standards Act.

C. For employees who choose to apply the "Labor Pension Act", the Company will contribute the labor pension no less than six percent of the employee's monthly wage to the employee's personal account in the Labor Insurance Bureau. The principal and accrued dividends from the employee's individual labor pension account are to be paid in monthly pension payment or lump-sum payment upon retirement.

D. The implementation of the retirement system is going well.

(4) The Agreements between Labor and Management and the Status of Protection Measures for Various Employees' Rights

A. The Company has established the Employee Welfare Committee to conduct extensive and in-depth discussions with management on employee welfare measures to enhance the harmonious atmosphere between labor and management.

B. The Company has established suggestion mailbox appeal hotline, proposal improvement platform and line@ platform, which allow employees to have a variety of smooth appeal channels and reflect suggestions and opinions related to work and employee care, and allow the Company to understand and improve, and protect the legal rights of employees and provide comprehensive care, and jointly create greater positive development of the Company to improve labor relations.

C. The Company formulated work rules and personnel management rules, and clearly stipulated matters related to the rights, obligations and management matters of both labor and management, so that employees can fully understand and protect their own rights and interests.

D. The Company launched the Employee Assistance Program (EAP) in 2020 to provide psychological and work consultation through professional counselors to reduce the pressure of employees and help employees and their families solve various psychological and behavioral problems, to maintain the physical and mental health of employees.

(5) Any Loss due to Labor Disputes in the Past Year and as of the Date of Publication of the Annual Report (Including the Results of Labor Inspection that Violate the Labor Standards Act, the Sanction Date, Sanction Number, Violated Laws and Regulations, Violated Regulatory Content, and Sanction Content Should Be Listed)

The Group adheres to the business philosophy of promoting labor-management harmony and creating a favorable working environment for employees. In the most recent year and up until the printing date of the annual report, no losses have been incurred due to labor disputes.

(6) Estimated Amounts and Countermeasures That May Occur at Present and in the Future

The Group adheres to the business philosophy of promoting labor-management harmony and creating a favorable working environment for employees. In the most recent year and up until the printing date of the annual report, the likelihood of labor disputes occurring has been low.

## 5.6 Information Security Management

### (1) Risk Management Framework, Policies and Specific Management Plans of Information Security, and Resources Invested in Information Security Management

- A. The responsible unit of the Company's information security is the Information Section, which is responsible for formulating internal information security policies, planning and implementing information security operating procedures and promoting and implementing information security policies. The Audit Office is the supervisory unit of information security supervision and responsible for supervising the implementation status of internal information security. If any deficiencies are found in the inspection, the Audit Office will immediately ask the inspected unit to propose relevant specific improvement measures, regularly track the improvement results to reduce the risk of internal information security, and report the audit results to the Board of Directors regularly.
- B. The Company's information security policy and specific management plan contains the following three aspects:
- (a) System Specification: Formulate the Company's Information Security Policy and Information Security Operating Procedures, standardize personnel's information security behavior, regularly review whether the relevant systems are in line with changes in the operating environment, and make timely adjustments according to the needs. Internal audits are carried out on a regular basis to strengthen the operation management of the Company's information security.
  - (b) Technology Application: In order to prevent various external information security threats, various information security protection systems have been established to enhance the security of the overall information environment. In addition, in order to ensure that the operation behavior of internal personnel complies with the standards of the Company's system, the tools of the information security system are introduced to implement personnel information security management measures.
  - (c) Personnel Training: The Company implements the information security training practical course for new employees when newcomers arrive, and builds several information security E-Learning courses, and promotes information security to employees through the Company's intranet every month in order to enhance the knowledge and professional skills of the internal personnel's information security.
- C. The Company regularly reviews the regulations of internal information security, analyzes internal risk levels, and formulates strengthening projects for information security management measures based on the results of the risk assessments, so as to refine and enhance the overall information security environment. It is assessed not to be a major operational risk.
- D. In order to strengthen the technology and the protection of information security, our company has successively invested about NT\$8,146 thousands in information security protection since 2020, and has also prepared a related budget for information security of more than NT\$3,786 thousands in 2023.

### (2) In the Most Recent Year and as of the Date of Publication of the Annual Report, Losses, Possible Impacts and Countermeasures Due to Major Information Security Incidents

The Company has no such situation.

## 5.7 Important Contracts

As of the publication date of the annual report, the counterparties, major contents, restrictive clauses, and dates of commencement and expiration of supply and marketing contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other important contracts that are sufficient to affect shareholders' equity

Type of Contract	Counterparty	Period of Contract	Major Contents	Restrictions
Financing Contract	KGI Bank	January 15, 2021   January 15, 2026	Medium-term secured loan limit	-
Lease Contract	Southern Taiwan Science Park Bureau, NSTC	January 1, 2018   July 19, 2040	Land Lease Contract of Southern Taiwan Science Park Plant	-
Technology Transfer Contract	Sichuan Zangbaochongcao Biotechnology Co., Ltd.	December 31, 2013   December 31, 2033	Transfer of patented technology to the Group	Duty of Confidentiality
Engineering Contract	Yun Cheng Construction Co., Ltd.	According to construction progress	The expansion project of Southern Taiwan Science Park Plant	-
Entrusted Operation Contract	Tainan City Government Agriculture Bureau	January 1, 2021   December 31, 2024	Contract for entrusted operation and management of Taikang Organic Agriculture Zone in Tainan City	-
Engineering Contract	Ke Shi Construction Co., Ltd.	December 1, 2021 ~ Warranty for three years from the date of acceptance	C.D plants new civil engineering	-
		February 17, 2022 Warranty for three years from the date of acceptance	Construction of Synthetic Office and Stability Testing Laboratory Civil Engineering.	
Engineering Contract	Chu Hsin Machinery Engineering Contract	December 8, 2021 ~ Warranty for two years from the date of acceptance	Contract for the new steel structure engineering of C.D.E.F plants and heat medium boiler room	-
Working Capital Loan Contract	Taiwan Business Bank	September 2, 2021   September 2, 2026	Medium-term secured loan	Levy the real estate under the name of the Company as guarantee

Type of Contract	Counterparty	Period of Contract	Major Contents	Restrictions
Establishment of Superficies Contract	Fu Shan Industrial Co., Ltd.	October 1, 2011   October 1, 2041	For the leased land, the rent will be increased every 10 years to reflect the rental market, and there is a right to renew the lease when the lease period expires.	Sublease Prohibited
Purchase Contract	TOKO Co., LTD	November 30, 2021 ~ Warranty for a year from the date of acceptance	C, D, E, and F Plant Reactors, Condensers, and Other Equipment	-
Engineering Contract	Ming Kun Engineering Co., Ltd.	October 6, 2022 Warranty for a year from the date of acceptance	E Plant Cleanroom Air Conditioning Engineering	-
Engineering Contract	Bao Fa Yi Engineering Co., Ltd.	November 10, 2022 Warranty for q year from the date of acceptance	C Plant Cleanroom Air Conditioning System Installation Engineering	-
Engineering Contract	Yuan Mao Enterprise Co., Ltd.	November 29, 2022 Warranty for two years from the date of acceptance	C, E, and F Plant Waste Gas Treatment Tower Installation Engineering	-
Engineering Contract	Ding Xin Development Technology Co., Ltd.	November 30, 2022 Warranty for a year from the date of acceptance	EI-01 Chilled Water System Installation Engineering	-
Engineering Contract	Ju Peng Machinery Co., Ltd.	March 7, 2023 Warranty for three years from the date of acceptance	E Plant Main Pipeline and Reactor Connection Piping Engineering	-
Engineering Contract	Fu Yu Construction Co., Ltd.	November 23, 2021 ~ Warranty for fifteen years from the date of acceptance	Plant project of raw material medicine plant C	-
Engineering Contract	Energy Engineering Co., Ltd.	May 11, 2021~ Warranty for one year from the date of acceptance	Expansion project of the laboratory of the QC Department	-



## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### (1) Five-Year Condensed Balance Sheet

##### Consolidated Condensed Balance Sheet – Based on IFRS

Unit : NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Current Assets		3,298,984	3,614,017	3,601,595	5,784,251	5,589,493	5,511,394
Property, Plant and Equipment		2,134,253	2,116,644	2,125,207	2,658,198	2,658,581	3,743,178
Intangible Assets		111,326	96,586	88,963	232,600	224,986	221,473
Other Assets		894,550	1,100,757	1,233,682	1,428,972	1,495,199	1,523,610
Total Assets		6,439,113	6,928,004	7,049,447	10,095,039	10,968,259	10,999,655
Current Liabilities	Before Distribution	1,687,530	1,813,056	1,650,616	2,716,097	2,879,832	3,237,065
	After Distribution (Note 3)	1,955,574	2,081,100	1,972,269	3,162,837	3,326,572	NA
Non-Current Liabilities		505,271	468,527	492,996	579,328	652,826	625,987
Total Liabilities	Before Distribution	2,192,801	2,281,583	2,143,612	3,295,425	3,532,658	3,863,052
	After Distribution (Note 3)	2,460,845	2,549,627	2,465,265	3,742,165	3,979,398	NA
Equity Attributable to Shareholders of the Parent		3,681,225	3,764,212	3,965,932	4,341,876	4,753,174	4,536,776
Capital Stock		1,786,961	1,786,961	1,786,961	1,786,961	1,786,961	1,786,961
Capital Surplus		197,315	204,514	203,274	204,313	220,484	221,372
Retained Earnings	Before Distribution	1,607,339	1,702,216	1,946,392	2,460,931	2,861,664	2,625,902
	After Distribution (Note 3)	1,434,172	1,434,172	1,624,739	2,014,191	2,414,924	NA
Other Equity Interest		89,610	70,521	29,305	(110,329)	(115,935)	(97,459)
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interest		565,087	882,209	939,903	2,457,738	2,682,427	2,599,827
Total Equity	Before Distribution	4,246,312	4,646,421	4,905,835	6,799,614	7,435,601	7,136,603
	After Distribution (Note 3)	3,978,268	4,378,377	4,584,182	6,352,874	6,988,861	NA

Note 1 : The financial information of each of the above years has been certified by the CPAs.

Note 2 : The financial information for the first quarter of 2023 has been reviewed by accountants.

Note 3 : The amount for 2022 is after the special resolution of the Board of Directors on March 14, 2023.

Individual Condensed Balance Sheet – Based on IFRS

Unit : NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		2,212,187	2,125,365	1,968,725	2,070,222	2,199,178
Property, Plant and Equipment		1,141,224	1,069,039	1,013,896	966,414	1,003,055
Intangible Assets		15,263	10,911	6,110	6,625	6,374
Other Assets		1,951,278	2,276,389	2,465,366	2,945,841	3,296,454
Total Assets		5,319,952	5,481,704	5,454,097	5,989,102	6,505,061
Current Liabilities	Before Distribution	1,227,480	1,408,520	1,181,622	1,374,554	1,527,484
	After Distribution (Note 2)	1,495,524	1,676,564	1,503,275	1,821,294	1,974,224
Non-Current Liabilities		411,247	308,972	306,543	272,672	224,403
Total Liabilities	Before Distribution	1,638,727	1,717,492	1,488,165	1,647,226	1,751,887
	After Distribution (Note 2)	1,906,771	1,985,536	1,809,818	2,093,966	2,198,627
Equity Attributable to Shareholders of the Parent		3,681,225	3,764,212	3,965,932	4,341,876	4,753,174
Capital Stock		1,786,961	1,786,961	1,786,961	1,786,961	1,786,961
Capital Surplus		197,315	204,514	203,274	204,313	220,484
Retained Earnings	Before Distribution	1,607,339	1,702,216	1,946,392	2,460,931	2,861,664
	After Distribution (Note 2)	1,339,295	1,434,172	1,624,739	2,014,191	2,414,924
Other Equity Interest		89,610	70,521	29,305	(110,329)	(115,935)
Treasury Stock		-	-	-	-	-
Non-Controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	3,681,225	3,764,212	3,965,932	4,341,876	4,753,174
	After Distribution (Note 2)	3,413,181	3,496,168	3,644,279	3,895,136	4,306,434

Note 1 : The financial information of each of the above years has been certified by the CPAs.

Note 2 : The amount for 2022 is after the special resolution of the Board of Directors on March 14, 2023.

Note 3 : No individual financial report has been prepared for the first quarter of 2023.

**(2) Five-Year Condensed Statement of Comprehensive Income**

**Consolidated Condensed Statement of Comprehensive Income – Based on IFRS**

Unit : NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating Revenue	3,573,093	3,937,129	4,305,400	4,604,082	5,851,368	1,493,025
Gross Profit	1,554,610	1,709,131	1,919,838	2,067,873	2,487,613	681,510
Operating Income	388,258	515,844	706,587	876,682	1,118,421	335,798
Non-operating Income and Expenses	129,208	69,966	66,340	137,068	281,512	23,398
Income before Tax	517,466	585,810	772,927	1,013,750	1,399,933	359,196
Net Income of Continuing Business Units	427,936	470,433	625,560	836,802	1,153,620	296,321
Loss of Suspended Business Unit	-	-	-	-	-	-
Net Income (Loss)	427,936	470,433	625,560	836,802	1,153,620	296,321
Other Comprehensive Income (Income after Tax )	(75,579)	(25,278)	(53,363)	(10,048)	33,043	18,452
Total Comprehensive Income	352,357	445,155	572,197	826,754	1,186,663	314,773
Net Income Attributable to Shareholders of the Parent	374,359	376,482	524,172	706,734	815,408	210,978
Net Income Attributable to Non-controlling Interests	53,577	93,951	101,388	130,068	338,212	85,343
Total Comprehensive Income Attributable to Shareholders of the Parent	298,244	351,286	471,004	696,558	841,867	229,454
Total Comprehensive Income Attributable to Non-controlling Interests	54,113	93,869	101,193	130,196	344,796	85,319
Earnings per Share	2.09	2.11	2.93	3.95	4.56	1.18

Note 1 : The financial information of each of the above years has been certified by the CPAs.

Note 2 : The financial information for the first quarter of 2023 has been reviewed by accountants.

**Individual Condensed Statement of Comprehensive Income – Based on IFRS**

Unit : NT\$ thousands

<div>Year</div> <div>Item</div>	Financial Summary for The Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	2,385,819	2,403,678	2,738,561	2,837,930	2,772,204
Gross Profit	1,098,567	1,085,330	1,296,837	1,366,241	1,319,113
Operating Income	359,343	350,153	540,207	624,416	587,565
Non-operating Income and Expenses	88,618	89,853	83,606	198,070	340,654
Income before Tax	447,961	440,006	623,813	822,486	928,219
Net Income of Continuing Business Units	374,359	376,482	524,172	706,734	815,408
Loss of Suspended Business Unit	-	-	-	-	-
Net Income (Loss)	374,359	376,482	524,172	706,734	815,408
Other Comprehensive Income (Income after Tax )	(76,115)	(25,196)	(53,168)	(10,176)	26,459
Total Comprehensive Income	298,244	351,286	471,004	696,558	841,867
Net Income Attributable to Shareholders of the Parent	-	-	-	-	-
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive Income Attributable to Shareholders of the Parent	-	-	-	-	-
Total Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per Share	2.09	2.11	2.93	3.95	4.56

Note 1 : The financial information of each of the above years has been certified by the CPAs.

Note 2 : No individual financial report has been prepared for the first quarter of 2023.

**(3) Name of CPAs and Audit Opinion in the Past Five Years**

Item \ Year	2018	2019	2020	2021	2022
Accounting Firm	PwC Taiwan	PwC Taiwan	PwC Taiwan	PwC Taiwan	PwC Taiwan
CPA	Chung-Yu, Tien Tzu-Shu, Lin	Chung-Yu, Tien Tzu-Shu, Lin	Chung-Yu, Tien Tzu-Shu, Lin	Chung-Yu, Tien Tzu-Shu, Lin	Chung-Yu, Tien Fang-Ting, Yeh
Audit Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

Note: Reason for changing accountants in the last five years: due to the internal organization adjustment of PwC Taiwan.

## 6.2 Five-Year Financial Analysis

### Consolidated Financial Analysis – Based on IFRS

Year Item (Note 3)		Financial Analysis for The Last Five Years (Note 1)					As of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt to Asset Ratio	34.05	32.93	30.41	32.7	32.21	35.12
	Long Term Capital to Fixed Assets Ratio	222.63	241.65	254.04	277.93	221.08	207.38
Solvency (%)	Current Ratio	195.49	199.33	218.20	212.96	194.09	170.26
	Quick Ratio	138.43	139.22	139.65	154.24	135.95	119.91
	Interest Coverage Ratio	57.91	56.34	100.53	134.01	66.61	63.94
Operating Capacity	Accounts Receivable Turnover Rate (Times)	3.95	4.28	4.64	4.35	4.77	4.78
	Average Cash Recovery Day	92	85	78	83	76	76
	Inventory Turnover Rate (Times)	2.44	2.51	2.54	2.30	2.47	2.17
	Accounts Payable Turnover Rate (Times)	5.89	5.69	5.69	4.96	5.60	5.29
	Days Sales Outstanding	149	145	143	158	147	168
	Fixed Assets Turnover Rate (Times)	1.67	1.85	2.03	1.93	1.85	1.61
	Total Assets Turnover Rate (Times)	0.56	0.59	0.62	0.54	0.56	0.54
Profitability	Return on Assets (%)	6.79	7.16	9.04	9.82	11.10	2.74
	Return on Equity (%)	10.13	10.58	13.10	14.3	16.21	4.07
	Pre-Tax Net Profit to Paid-in Capital Ratio (%) (Note 7)	28.96	32.78	43.25	56.73	78.34	20.10
	Net Profit Rate (%)	11.98	11.95	14.53	18.18	19.72	19.85
	Earnings per Share (NT\$)	2.09	2.11	2.93	3.95	4.56	1.18
Cash Flow	Cash Flow Ratio (%)	28.74	35.19	55.89	30.45	42.64	7.60
	Cash Flow Adequacy Ratio (%)	94.80	106.16	106.62	122.92	101.43	99.84
	Cash Reinvestment Ratio (%)	3.10	5.48	9.18	5.44	7.29	2.36
Leverage	Operating Leverage	1.90	1.81	1.62	1.92	1.61	1.52
	Financial Leverage	1.02	1.02	1.01	1.01	1.02	1.02

Those whose financial ratios have changed by 20% in the last two years:

1. The decrease in the ratio of long-term funds to property, plant, and equipment is mainly due to an increase in property, plant, and equipment.
2. The decrease in the interest coverage ratio is mainly due to an increase in interest expenses.
3. The increase in the ratio of Pre-tax net profit to paid-up capital is mainly due to an increase in pre-tax net profit.
4. The decrease in the cash flow adequacy ratio is mainly due to an increase in net cash flows from operating activities and an increase in capital expenditures.
5. The increase in the cash reinvestment ratio is mainly due to the increase in net cash flow from operating activities.

Note 1 : The financial information of each of the above years has been certified by the CPAs.

Note 2 : The consolidated financial information for the first quarter of 2023 has been reviewed by accountants.

Note 3 : The calculation formula listed is as follows:

1. Financial Structure

(1) Debt to asset ratio = total liabilities/total assets.

(2) Long term capital to Fixed Assets ratio = (total equity + non-current liabilities/ net Fixed Assets).

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense)/current liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense/interest expense in the current period

3. Operating capacity

(1) Receivable (including account receivable and notes receivable due to business) turnover rate = net sales/average receivables for each period (including accounts receivable and notes receivable due to business).

(2) Average cash recovery day = 365/receivables turnover rate

(3) Inventory turnover rate = sales cost/average inventory.

(4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales/average balance payable on each period (including accounts payable and notes payable due to business)

(5) Days sales outstanding= 365/inventory turnover rate.

(6) Fixed Assets turnover = net sale/net average Fixed Assets value.

(7) Total asset turnover rate = net sales/average total assets.

4. Profitability

(1) Return on assets = [after tax profit and loss = interest expense x (1 – tax rate)]/average total assets.

(2) Return on equity = after tax profit and loss/average equity

(3) Net profit rate = after tax profit and loss/net sales.

(4) Earnings per share = (profit or loss attributable to parent company owner – special dividend)/weighted average number of issued shares. (Note 4)

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities

(2) Cash flow adequacy ratio = net cash flow from operating activities in the last five year/ (capital expenditure = inventory increase = cash dividend) in the last five years

(3) Cash reinvestment ratio = (net cash flow from operating activities – cash dividends)/ (gross Fixed Assets + long term investment + other non-current assets + working capital). (Note 5)

6. Leverage :

(1) Operating leverage = (net operating income – changing operating costs and expenses)/operating profit. (Note 6)

(2) Financial leverage = operating profit/(operating profit – interest expense)

Note 4 : When measuring the above formula for calculating earnings per share should pay special attention to the following items:

1. Based on weighted average common shares, not year-end outstanding shares.

2. Those who have cash capital increase or treasury stock transactions should consider their circulation period and calculate the weighted average number of shares.

3. For those who convert surplus into capital increase or capital surplus into capital increase, when calculating earnings per share for previous years and semi-annual years, it should be adjusted retroactively according to the capital increase ratio, regardless of the issuance period of the capital increase.

4. If the preference shares are non-convertible cumulative preference shares, the current annual dividends (whether paid or not) shall be deducted from the net profit after tax or increase the net loss after tax. If the preference shares are non-cumulative, where there is a net profit after tax, dividends on preference shares shall be deducted from net profit after tax; if it is a loss, no adjustment is required.

Note 5 : When measuring the analysis of cash flow should pay special attention to the following matters:

1. Net cash flow from operating activities refers to the amount of net cash inflow from operating activities in the statement of cash flow.

2. Capital expenditure refers to the amount of cash outflow of the annual capital investment.

3. The increase in inventory will only be calculated when the balance at the end of the period is greater than

the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.

4. Cash dividends include cash dividends on common shares and preference shares.

5. The gross amount of fixed assets refers to the total amount of fixed assets before deducting accumulated depreciation.

Note 6 : Issuers should classify various operating costs and operating expenses into fixed and variable according to their characteristic. If estimates or subjective judgments are involved, issuers should pay attention to their reasonableness and maintain consistency.

Note 7 : If the Company's stock has no par value or the par value of each share is not NT\$10, the previous calculation of the paid-in capital ratio shall be calculated based on the ratio of the balance sheet's equity attributable to shareholders of the parent.

### Individual Financial Analysis – Based on IFRS

Year Item (Note 3)		Financial Analysis for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to Asset Ratio	30.80	31.33	27.29	27.50	26.93
	Long Term Capital to Fixed Assets Ratio	358.60	381.01	421.39	477.49	496.24
Solvency (%)	Current Ratio	180.22	150.89	166.61	150.61	143.97
	Quick Ratio	132.77	102.00	93.16	109.26	102.43
	Interest Coverage Ratio	64.57	65.98	124.42	214.98	110.66
Operating Capacity	Accounts Receivable Turnover Rate (Times)	4.20	4.14	4.59	4.49	4.31
	Average Cash Recovery Day	86	88	79	81	84
	Inventory Turnover Rate (Times)	2.42	2.36	2.52	2.66	2.59
	Accounts Payable Turnover Rate (Times)	6.37	6.05	6.07	5.52	5.15
	Days Sales Outstanding	150	154	144	137	140
	Fixed Assets Turnover Rate (Times)	2.04	2.18	2.63	2.87	2.82
	Total Assets Turnover Rate (Times)	0.45	0.45	0.50	0.50	0.44
Profitability	Return on Assets (%)	7.15	7.07	9.66	12.40	13.15
	Return on Equity (%)	10.18	10.11	13.56	17.01	17.93
	Pre-Tax Net Profit to Paid-in Capital Ratio (%) (Note 7)	25.07	24.62	34.91	46.03	51.94
	Net Profit Rate (%)	15.69	15.66	19.14	24.90	29.41
	Earnings per Share (NT\$)	2.09	2.11	2.93	3.95	4.56
Cash Flow	Cash Flow Ratio (%)	43.39	28.26	64.32	46.90	49.71
	Cash Flow Adequacy Ratio (%)	115.96	122.35	130.40	143.08	133.52
	Cash Reinvestment Ratio (%)	4.62	2.40	8.61	5.30	4.81
Leverage	Operating Leverage	2.63	2.65	2.13	2.08	2.05
	Financial Leverage	1.02	1.02	1.01	1.01	1.01
Those whose financial ratios have changed by 20% in the last two years: 1. The decrease in interest coverage ratio was mainly due to the increase in interest expense.						

Note 1 : The financial information of each of the above years has been certified by the CPAs.

Note 2 : No individual financial report has been prepared for the first quarter of 2023.

Note 3 : The calculation formula listed is as follows:

1. Financial Structure

(1) Debt to asset ratio = total liabilities/total assets.

(2) Long term capital to Fixed Assets ratio = (total equity + non-current liabilities/ net Fixed Assets.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense)/current liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense/interest expense in the current period



### 3. Operating capacity

- (1) Receivable (including account receivable and notes receivable due to business) turnover rate = net sales/average receivables for each period (including accounts receivable and notes receivable due to business).
- (2) Average cash recovery day = 365/receivables turnover rate
- (3) Inventory turnover rate = sales cost/average inventory.
- (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales/average balance payable on each period (including accounts payable and notes payable due to business)
- (5) Days sales outstanding= 365/inventory turnover rate.
- (6) Fixed Assets turnover = net sale/net average Fixed Assets value.
- (7) Total asset turnover rate = net sales/average total assets.

### 4. Profitability

- (1) Return on assets = [after tax profit and loss = interest expense x (1 – tax rate)]/average total assets.
- (2) Return on equity = after tax profit and loss/average equity
- (3) Net profit rate = after tax profit and loss/net sales.
- (4) Earnings per share = (profit or loss attributable to parent company owner – special dividend)/weighted average number of issued shares. (Note 4)

### 5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities/current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five year/ (capital expenditure = inventory increase = cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities – cash dividends)/ (gross Fixed Assets + long term investment + other non-current assets + working capital). (Note 5)

### 6. Leverage :

- (1) Operating leverage = (net operating income – changing operating costs and expenses)/operating profit. (Note 6)
- (2) Financial leverage = operating profit/(operating profit – interest expense)

Note 4 : When measuring the above formula for calculating earnings per share should pay special attention to the following items:

1. Based on weighted average common shares, not year-end outstanding shares.
2. Those who have cash capital increase or treasury stock transactions should consider their circulation period and calculate the weighted average number of shares.
3. For those who convert surplus into capital increase or capital surplus into capital increase, when calculating earnings per share for previous years and semi-annual years, it should be adjusted retroactively according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preference shares are non-convertible cumulative preference shares, the current annual dividends (whether paid or not) shall be deducted from the net profit after tax or increase the net loss after tax. If the preference shares are non-cumulative, where there is a net profit after tax, dividends on preference shares shall be deducted from net profit after tax; if it is a loss, no adjustment is required.

Note 5 : When measuring the analysis of cash flow should pay special attention to the following matters:

1. Net cash flow from operating activities refers to the amount of net cash inflow from operating activities in the statement of cash flow.
2. Capital expenditure refers to the amount of cash outflow of the annual capital investment.
3. The increase in inventory will only be calculated when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends on common shares and preference shares.
5. The gross amount of fixed assets refers to the total amount of fixed assets before deducting accumulated depreciation.

Note 6 : Issuers should classify various operating costs and operating expenses into fixed and variable according to their characteristic. If estimates or subjective judgments are involved, issuers should pay attention to their reasonableness and maintain consistency.

Note 7 : If the Company's stock has no par value or the par value of each share is not NT\$10, the previous calculation of the paid-in capital ratio shall be calculated based on the ratio of the balance sheet's equity attributable to shareholders of the parent.

6.3 Audit Committee Review Report on the Financial Statements of the  
Most Recent Year

Standard Chem. & Pharm. Co., Ltd.  
Audit Committee's Review Report

The Company's Operating Report, Individual and Consolidated Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2022. Among them, the Individual and Consolidated Financial Statements have been audited by PwC Taiwan, and an audit report has been issued. The undersigned has duly audited the abovementioned Operating Report, Individual and Consolidated Financial Statements and Schedule of Earnings Distribution and found the same to be true and correct. Therefore, the Audit Committee's Review Report is hereby issued in accordance with Article 14-5 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely to,

The Company's 2023 Regular Shareholders' Meeting

Standard Chem. & Pharm. Co., Ltd.

Convener of Audit Committee: Lee, Lin-Yu



March 14, 2023

6.4 Financial Statements of the Most Recent Year:

For details, please refer to P129 – P227.

6.5 The Company's Individual Financial Statements and Independent Auditors' Report of the Most Recent Year:

For details, please refer to P228 – P306.

6.6 In the Most Recent Year and Up to the Date of Publication of the Annual Report, if the Company and Its Affiliated Companies Have Financial Turnover Difficulties, Their Impact on the Company's Financial Status:

The Company has no such situation.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Financial Status

#### Comparative Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	5,589,493	5,784,251	(194,758)	-3.4
Fixed Assets	3,658,581	2,658,198	1,000,383	37.6
Other Non-current Assets	1,720,185	1,652,590	67,595	4.1
Total Assets	10,968,259	10,095,039	873,220	8.6
Current Liabilities	2,879,832	2,716,097	163,735	6.0
Non-current Liabilities	652,826	579,328	73,498	12.7
Total Liabilities	3,532,658	3,295,425	237,233	7.2
Capital Stock	1,786,961	1,786,961	0	0.0
Capital Surplus	220,484	204,313	16,171	7.9
Retained Earnings	2,861,664	2,460,931	400,733	16.3
Other Equity Interest	(115,935)	(110,329)	(5,606)	5.1
Non-controlling Interests	2,682,427	2,457,738	224,689	9.1
Total Equity	7,435,601	6,799,614	635,987	9.4
<p>(1) Analysis of the change in the ratio of increase and decrease:</p> <ol style="list-style-type: none"> <li>1. Decrease in Property, Plant, and Equipment: It is mainly due to the need to rebuild the factory and purchase equipment after the fire incident of SYN-TECH, as well as SYNGEN's acquisition of a new factory in Yunlin and related auxiliary equipment for future operational needs.</li> <li>2. Increase in Non-Current Liabilities: It is mainly due to the increase in long-term loan.</li> <li>3. Increase in Retained Earnings: It is mainly due to the continued profitability of the Company.</li> </ol> <p>(2) Future Response Actions: Not applicable.</p>				

## 7.2 Financial Performance

### Comparative Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2022	2021	Increase (Decrease) Amount	% of Change
Net Operating Revenue	5,851,368	4,604,082	1,247,286	27.1
Operating Costs	(3,363,755)	(2,536,209)	(827,546)	32.6
Gross Profit from Operations	2,487,613	2,067,873	419,740	20.3
Operating Expenses	(1,369,192)	(1,191,191)	(178,001)	14.9
Operating Income	1,118,421	876,682	241,739	27.6
Non-operating Revenue and Expenses	281,512	137,068	144,444	105.4
Profit from Continuing Operations before Tax	1,399,933	1,013,750	386,183	38.1
Income Tax Expense	(246,313)	(176,948)	(69,365)	39.2
Net Profit for Current Period	1,153,620	836,802	316,818	37.9
Other Comprehensive Income (after Tax)	33,043	(10,048)	43,091	(428.9)
Total Comprehensive Income	1,186,663	826,754	359,909	43.5

(1) Analysis of the changes in the ratio of increase and decrease in the last two years:

1. Increase in Operating Revenue, Operating Net Profit, and Net Income: It is mainly due to the consolidation of the operating performance of SYN-TECH Chem. & Pharm. after the merger.
2. Increase in Operating Costs: It is primarily driven by the increase in sales revenue.
3. Increase in Operating Margin: It is mainly due to a larger growth rate of operating margin compared to the increase in operating expenses.
4. Increase in Non-Operating Income and Expenses: It is mainly due to the appreciation of the US dollar, resulting in higher foreign exchange gains.
5. Increase in Current Income Tax Expense: It is primarily due to the improved operating performance of the group, resulting in higher taxable income.
6. Increase in other Comprehensive Income: It is mainly due to changes in actuarial assumptions leading to the re-measurement of defined pension liabilities and an increase in accumulated translation adjustments.
7. Increase in total comprehensive income: It is mainly due to the increase in net profit for the period.

(2) The reason for the change in the company's main business content: There are no such circumstances.

(3) The expected sales quantity for the next fiscal year and the main factors that are expected to contribute to the continuous growth of the company's sales: Please refer to pages 2-3 and 87-90.

### 7.3 Cash Flow

#### (1) Analysis of Cash Flow Changes in Recent Years

Item \ Year	2022	2021	Increase (Decrease) Ratio (%)
Cash Flow Ratio (%)	42.64	30.45	12.19
Cash Flow Adequacy Ratio (%)	101.43	122.92	(21.49)
Cash Reinvestment Ratio (%)	7.67	5.44	2.23
Explanation of the increase and decrease ratio changes: 1. The increase in the cash flow ratio was mainly due to the increase in net cash flow from operating activities. 2. The decrease in the cash adequacy ratio is primarily due to an increase in capital expenditures, which means more cash is being utilized for investments in property, plant, and equipment. 3. The increase in the cash reinvestment ratio is mainly due to an increase in net cash flow from operating activities and a decrease in operating working capital, indicating that more cash is being reinvested into the business operations.			

#### (2) The Improvement Plan for Insufficient Liquidity

The Company has no such situation.

#### (3) Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Cash Balance at the Beginning of the Year (1)	Net Cash Flow from Operating Activities Throughout the Year (2)	Cash Outflow (Inflow) Throughout the Year (3)	Cash Surplus (Deficit) Amount (1)+(2)-(3)	Remedial Measures for Cash Deficit	
				Investment Plans	Financing Plans
2,259,381	790,297	1,833,670	1,216,008	-	-
Analysis of cash flow changes in this year: 1. Operating Activities: Operating Activities: Continued increase in operating revenue will generate net cash inflow. 2. Investment Activities: Net cash outflow will be generated due to plant expansion and purchase of equipment. 3. Financing Activities: Issuing cash dividends and repaying loans will generate net cash outflows.					

### 7.4 Impact of Major Capital Expenditures on Financial Business in the Most Recent Year

#### (1) Major Capital Expenditure Items and Source of Capital

Unit: NT\$ thousands

Project Item	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure	
				2021	2022
Purchase Equipment	Equity Funds or Financial Loans	2022. 12	681,988	-	681,988

(2) Expected Possible Benefits:

1. In order to expand the development of production capacity, the Company's subsidiary Syngen Biotech acquired land, factory buildings, and equipment located in Douliu City, Yunlin County through a bidding process in 2022. Due to the steady growth in revenue and stable profitability in recent years, we were able to finance this acquisition using our own funds and short-term working capital. The impact of the purchase of the factory buildings is still in the stage of restructuring and planning, and currently, it has not generated significant benefits for the financial operations of the Group.
2. Except for the above-mentioned, the Group has no major capital expenditures in recent years. The larger capital expenditures are the addition of real estate, plant and equipment, which is the normal replacement and maintenance of various production assets of the Group. Moreover, the cash inflows from daily operating activities are sufficient to cover related expenses and continue to make profits.

7.5 Reinvestment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

(1) Reinvestment Policy in the Most Recent Year, Main Causes for Profits or Losses and Improvement Plans:

A. The Company's Reinvestment Policy

The Company reinvests based on factors such as operational needs or consideration of the Company's future growth, and mainly related to the industry. In addition to drafting an investment plan, the Company evaluates the organizational type, investment purpose, market conditions, business development, etc. of the subject of investment, and makes an investment evaluation analysis as the basis for investment decision-making; In addition, the Company also keeps abreast of the operating status of the invested businesses and analyzes the effectiveness of the investment, so as to facilitate the follow-up management of the investment.

B. The Reinvested Company Whose Investment Amount Has Been Increased by the Company in the Most Recent Year:

Ho Yao Biopharm Co., Ltd. suffered a loss: the business situation is still under adjustment.

Shanghai Standard Pharmaceuticals Co., Ltd. suffered a loss: the business situation is still under adjustment.

Syn-Tech Chem. & Pharm. Co., Ltd. suffered a gain: stable and consistent profit growth.

Souriree Biotech & Pharm. Co., Ltd. suffered a loss: Continuously planning the business model.

(2) The Investment Plans for the Coming Year:

In order to expand the international business, the Company will actively invest overseas in the future, including the United States, Japan, Mainland China, Southeast Asia, etc.

7.6 Analysis of Risk Issues

(1) The Impact of the Changes in Interest Rates, Foreign Exchange Rates and Inflation on the Company's Profit and Loss, and Future Countermeasures:

A. The Impact of the Changes in Interest Rates on the Company's Profit and Loss in the Most Recent Year, and Future Countermeasures:

The Group's interest rate risk mainly comes from long-term and short-term loans. The loans issued at floating rates make the Group bear the interest rate risk of cash flow, part of which is offset by cash and cash equivalents held at floating rates. The loans issued at fixed rates make the Group bear the interest rate risk of fair value. If the borrowing rate increases or decreases by 1% and all other factors remain unchanged, the interest expense will increase or decrease by NT\$150 thousands, which will not have a significant impact on the Group.

B. The Impact of the Changes in Foreign Exchange Rates on the Company's Profit and Loss in the Most Recent Year, and Future Countermeasures:

Some of the Group's purchases and sales are denominated in foreign currencies such as US dollars. At present, the positions of foreign currency assets and liabilities held and the period of receipt and payment are equivalents, and the market risks are offset by natural hedging. It is expected that there will be no significant exchange rate risk. For the rest, in consideration of the risk of exchange rate fluctuations, the Group holds foreign currency in a timely manner or converts the foreign currency in hand into NT dollars at an appropriate time, or uses appropriate hedging tools according to the situation to reduce the risk of exchange rate. If the New Taiwan dollar appreciates or depreciates by 1% against foreign currencies, and all other factors remain unchanged, the net profit after tax will increase or decrease by NT\$13,866 thousands.

C. The Impact of the Changes in Inflation on the Company's Profit and Loss in the Most Recent Year, and Future Countermeasures:

According to the announcement by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate of the consumer price index in 2022 was increased by 2.95%. The Company observes price fluctuations in the raw material market at any time, and maintains a good relationship with suppliers and customers to reduce the impact of inflation. In the future, the Company will continue to observe the trend of price changes of raw materials. If the purchase cost increases due to inflation, the Group will appropriately adjust the sales price and the inventory of raw materials in response.

(2) Policies, Main Causes of Profit and Loss and Future Countermeasures with Respect to High-risk, High-leverage Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:  
As of March 31, 2023, the Company has not engaged in high-risk, high-leverage investments, capital lending to others, endorsement guarantees for others, and derivatives transactions.

(3) Future R&D Plans and Projected R&D Expenses. :

A. The current pharmaceutical industry in our country still primarily focuses on producing generic drugs and targeting the domestic market in Taiwan. This is due to the strict quality inspections required by international markets, as well as the fierce competition from international manufacturers, particularly in the advanced pharmaceutical industry in the United States, where the FDA conducts rigorous quality reviews. As a company, we uphold the principles of customer first and quality first, and have implemented a robust quality assurance (QA) system for pharmaceuticals. We have also obtained FDA inspection approval for our manufacturing facilities, elevating our formulation technology and quality to international standards, and expanding our business to international markets. With continuous improvement in our formulation technology and quality, our company has not only focused on developing generic drugs but also embarked on research and development of new dosage forms, new drugs unique to Taiwan, and Taiwan single-source drugs, aiming for higher formulation technology and value-added pharmaceutical development. Research and development have always been a core focus of our company, and we are also committed to elevating our international Good Manufacturing Practice (GMP) standards.

B. The average time required for research and development of each Western medicine formulation product is about 2-5 years. Standard Chem. & Pharm. invests more than NT 200 million annually in formulation research, and new products will be gradually launched in the future.

C. Our company has accumulated 55 years of R&D experience, with the main technologies being developed internally in Taiwan. We also collaborate with academia, foundations, and occasionally introduce foreign technologies.

(4) The Impact of Domestic and International Important Policy and Legal changes on the Financial and Business Operations of the Company and the Corresponding Measures are Included as Follows:

A. Impact on the Company's financial and business operations:

(a) Pharmaceutical pricing investigation and adjustments: The National Health Insurance



Administration conducts ongoing investigations and adjustments to control the budget, which may affect the prescribing patterns of healthcare institutions and result in price compression for pharmaceutical products.

- (b) Health Food Control Act: With the promotion of the concept of prevention over treatment and the improvement of health food regulations, there may be an impact on both consumers and manufacturers.

B. Countermeasures:

- (a) It is anticipated that future product prices will continue to be constrained and impacted by pharmaceutical pricing restrictions. Standard Chem. & Pharm. is a professional pharmaceutical manufacturer that has experienced continuous growth over the past 55 years. In the past, the Company has invested heavily in research and development annually, and in the future, the speed of developing and launching new drugs will be accelerated in order to replace products with shortened price life cycles and sustain the growth of sales performance in Western medicine.
- (b) Furthermore, the Company has passed facility inspections in advanced countries such as the United States, Japan, and Australia, establishing a superior production quality system. The Company has also obtained over 150 import licenses for pharmaceutical products in Southeast Asian countries. The overall export value has been continuously growing, and in the future, Standard Chem. & Pharm. will continue to expand international markets and increase the proportion of international revenue to reduce the impact of domestic pharmaceutical pricing investigations on the Company's financial profitability.

(5) Impact and Measures to Address Technological Changes (including Information Security Risks) and Industry Changes on the Company's Financial Operations:

A. The Company invests significant research and development funds each year to develop various types of drugs, and its annual revenue continues to grow without being impacted by technological changes on the Company's financial operations.

B. Information security risk assessment and analysis:

- (a) The Information Technology Department is responsible for setting internal information security policies, planning and implementing IT security operations, and promoting and implementing IT security policies. The Audit Department supervises the implementation of internal IT security and requests relevant improvement measures from audited units if deficiencies are found, and regularly monitors the effectiveness of improvements to reduce internal information security risks, reporting the audit results to the Board of Directors on a regular basis.
- (b) The Company's information security policies and specific management plans include the following three aspects:
  - ① Institutional norms:  
Establishing company-wide information security policies and IT security operations procedures, regulating personnel's information security behaviors, regularly reviewing relevant systems to ensure they comply with changes in the operating environment, and adjusting them as needed. Conduct regular internal audits to strengthen the operational management of the Company's information security.
  - ② Technology utilization:  
Implementing various information security protection systems to prevent external information security threats and introducing information security system tools to ensure that employees' operational behaviors comply with company policy, and implementing personnel information security management measures.
  - ③ Personnel training:  
The company provides new employees with practical training on information security when they join, and establishes several online information security E-Learning courses to enhance internal employees' knowledge and professional

skills in information security

- C. The Company regularly reviews internal information security norms, analyzes internal risk levels, and formulates information security management measures and enhancement projects based on the results of risk assessment to improve the overall information security environment. After assessment, it is determined that it is not a significant operational risk.
- D. In order to strengthen the information security technology and protection of the group, the Company has invested approximately NT\$8,146 thousand in information security protection-related expenses in 2020 and has budgeted approximately NT\$ 3,786 thousand for information security-related expenses in 2023.

(6) Impact of Corporate Image Changes on Crisis Management and Response Measures:

Our company is committed to fulfilling corporate social responsibilities, including strengthening environmental protection and workplace safety. In addition, we regularly organize various social and educational charity activities, such as health and medical seminars, art competitions, table tennis invitational tournaments, and donations of medicines, which have helped build a positive corporate image.

(7) Expected Benefits, Potential Risks, and Countermeasures of Merger and Acquisition:

- A. To implement professional division of labor and resource integration, share technology, and intellectual property rights to enhance competitiveness and operational performance, the Company resolved at the board meeting on March 16, 2021, to spin off and transfer the R&D, production, quality control, quality assurance, and business related to the synthetic department of Standard Chem & Pharm. to Syn-Tech Chem. & Pharm., and issue new shares to Syn-Tech Chem. & Pharm. as consideration. This spin-off proposal was discussed at the shareholders' meeting held on August 24, 2021. The value of this spin-off and transfer transaction was evaluated by evaluation agencies and independent experts, and the fair value assessment range was agreed upon by both parties as NT\$341,000,000. Syn-Tech Chem. & Pharm. Company will issue 4,532,163 common shares to Standard Chem. & Pharm. Pharmaceuticals at a price of NT\$75.24 per share for the synthetic division acquired in this transaction. The transaction target of this transaction was postponed to July 1, 2022, as the result of the fire at Syn-Tech Chem. & Pharm., as resolved at the shareholders' meeting on August 24, 2021.
- B. After the spin-off and transfer, Standard Chem & Pharm. holding of Syn-Tech Chem. & Pharm.'s shares is estimated to increase from the original 20.33% to 28.43%, making Standard Chem & Pharm. the largest shareholder of Syn-Tech Chem. & Pharm. company. Standard Chem & Pharm CO. has included Syn-Tech Chem. & Pharm. in the preparation of consolidated financial statements, in addition to recognizing the operating performance of Syn-Tech Chem. & Pharm., it also retains the operating profit and benefits of the original synthetic division and will be able to maintain a stable supply of raw materials from Syn-Tech Chem. & Pharm., which is conducive to vertical integration from raw materials to formulations, and achieves advantages in leading development and large-scale production.
- C. Standard Chem & Pharm CO. focuses on the operation of Western pharmaceutical formulations, while Syn-Tech Chem. & Pharm. specializes in the planning and development of raw materials, expanding the economic scale and reducing costs. Both parties will jointly explore the markets of Europe, America, China, and Japan, expecting to achieve synergistic effects where the one is greater than the sum of its parts, and create a mutually beneficial and win-win situation, while considering environmental protection, corporate social responsibility, and environmental, social, and governance (ESG), to continue creating reasonable returns for shareholders.

(8) Expected benefits, potential risks, and corresponding measures for expanding the factory premises:

The subsidiary of our company, Syngen Biotech, has obtained approval from the

Financial Supervisory Commission, as stated in their letter numbered 1080328501, dated August 30, 2019, to carry out a cash capital increase through the issuance of common shares. In response to the future business growth requirements, the total amount of funds required for this plan is NT\$480 million. Among which, NT\$215.94 million will be used for expanding the factory premises and acquiring production equipment. The expansion project and installation of production equipment are expected to be completed in the first quarter of 2020. Once completed, production will commence immediately, and the estimated payback period for the investment is approximately 1.76 years.

The expected benefits that may arise are as follows:

Unit: Ton; NT\$ thousands

Year	Item	Production	Sales	Sales Value	Gross Profit	Operating Net Profit
2020	Solid Formulation	470	470	505,163	288,280	101,033
2021	Solid Formulation	548	548	588,998	336,122	117,800

Expected Payback Period Table

Unit: NT\$ thousands

Year	Operating Net Profit	Depreciation Expense	Cash Inflows	Cumulative Cash Inflows
2020	101,033	12,383	113,416	113,416
2021	117,800	17,117	134,917	248,333

The proposed repayment amount for the KGI Bank loan is NTD\$100 million, which was initially used to support the purchase of the Nankang factory premises. The Company is primarily engaged in the manufacturing and sales of health supplements and raw materials, as well as the agency sales of preventive medical devices and animal healthcare products. Revenue from health supplements accounts for nearly 80% of the overall revenue. In addition to our existing production center in Xinying, considering the insufficient capacity and space of the Xinying plant to meet the expanding demand for health supplement business, we planned to purchase the existing Nankang factory premises and production equipment in 2015, with a total price of NTD\$253 million, to serve as an expansion base for health supplement production. The funds were sourced through medium- to long-term bank loans and cash capital increase conducted in 2016. In recent years, there has been a rise in health consciousness, leading to the flourishing development of the healthcare industry, with health supplements being a mainstream product. Our company's operations have also expanded accordingly. Due to the auxiliary functions of health supplements in preventive care and the diversified consumer demands in terms of consumption patterns, it was deemed necessary to purchase the factory premises and production lines located in the Nankang Science Park to meet future customer orders and expand the business scale, considering the industry's development trends and to mitigate operational risks.

The original plan was to complete the construction of the plant in 2022 and commence large-scale production. However, due to the impact of the pandemic, the actual progress of the construction was delayed, and the current existing plant premises are sufficient to support our operations.

**(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:**

The largest customer of the Group accounted for approximately 9.96% of the annual consolidated net turnover. The Group has a large number of customers and there is no risk of excessive concentration. The largest suppliers of the Group accounted for 4.04% of the total purchases. The Group has a large number of suppliers and has been actively looking for suppliers from secondary sources in recent years, so there is no risk of excessive

concentration.

(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The Company has no such situation.

(11) Effects of, Risks Relating to and Response to the Changes in Management Rights:

The Company has no such situation.

(12) Litigation or Non-litigation Matters:

The significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's directors, supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates and the result may have a significant impact on the shareholders' equity or the price of the Company's shares, and the facts in dispute, the amount of the subject matter, the start date of the lawsuit, the main parties involved in the lawsuit, and the handling status as of the publication date of the annual report:

No major litigation, non-litigation or administrative disputes.

(13) Other Major Risks and Countermeasures:

None.

7.7 Other Important Matters: None.

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### (1) Affiliated Companies' Consolidated Business Report

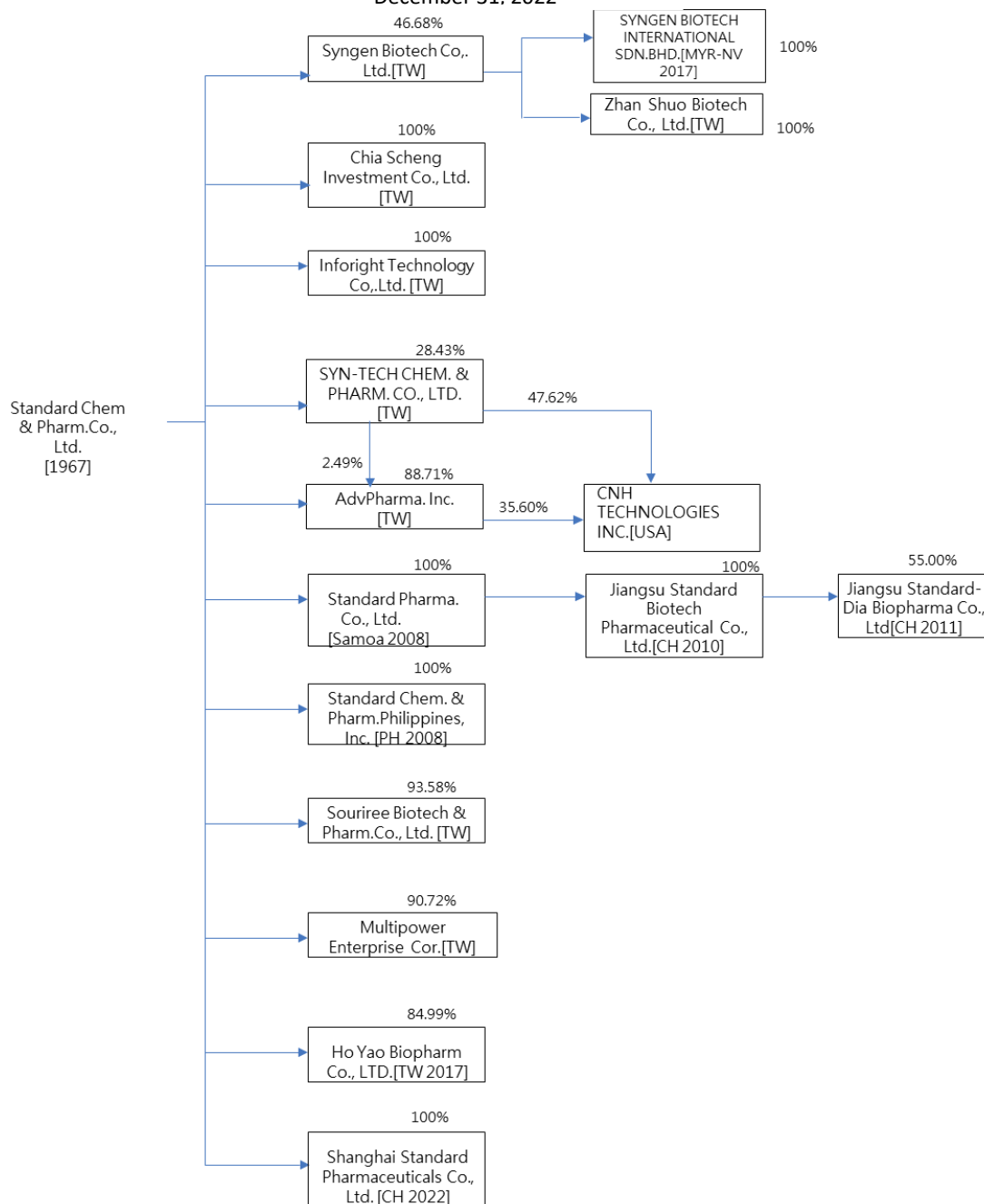
##### A. Affiliated Companies' Profile

##### (a) Organization Chart of Affiliated Companies

- ① According to Article 369-3 of the Company Act, Presume to Have a Controlling and Subordinate Relationship: None.
- ② According to Article 369-2, Paragraph 2 of the Company Act, the Subsidiary Companies Directly or Indirectly Controlled by the Company in Terms of Personnel, Finance, or Business Operations: None.

Organization Chart of Affiliated Companies

December 31, 2022



## (b) Basic Information of Affiliated Companies

Affiliates	Date of Establishment	Address	Paid-in Capital (thousands)	Major Business or Product Items
Syngen Biotech Co., Ltd.	April 28, 1999	Building A, No. 154, Kaiyuan Road, Xinying District, Tainan City	271,009	Research, development, production, manufacturing and sales of biomedical raw materials, biological pesticides, fertilizers and biochemical nutrients, and sales of preventive medicine
Chia Scheng Investment Co., Ltd.	February 18, 1998	No. 319-1, Kaiyuan Road, Tuku Village, Xinying District, Tainan City	145,530	General Investment
Inforight Technology Co., Ltd.	July 6, 2000	2F, No.319-3, Kaiyuan Road, Tuku Village, Xinying District, Tainan City	5,000	Retailing of business equipment and information software
SYN-TECH Chem. & Pharm. Co., Ltd.	November 9, 1982	No. 168, Kaiyuan Road, Xinying District, Tainan City	4458,917	Manufacturing and sales of biopharmaceutical raw materials, various reagents, surfactants, and Chinese, Western, and animal's medicines
Advpharma Inc.	December 3, 1999	No. 207, Xialiao, Fuan Village, Houbi District, Tainan City	600,000	R&D, manufacturing and sales of various medicines
Standard Pharmaceutical Co., Ltd.	July 14, 2008	Equity Trust Chambers P.O. Box 3269, Apia, Samoa	USD 13,000	R&D, trading, investment and other related businesses of medical products
Standard Chem. & Pharm. Philippines, Inc.	April 29, 2009	30/F Burgundy Corp. Tower 252 Sen. Gil Puyat Ave. Hakati City, Manila, Philippines	USD 200	Import and export of various medical products, medicines, health food and other related businesses
Souriree Biotech & Pharm. Co., Ltd.	July 26, 2002	4F, No. 158, Songjiang Road, Zhongshan District, Taipei City	60,634	Manufacture of western medicine and retail and wholesale business of various medicines, etc.
Multipower Enterprise Corp.	January 17, 1981	3F, No. 72, Songjiang Road, Zhongshan District, Taipei City	218,701	Import and export business of western medicine, nutritional products, functional food, etc. and processing, manufacturing and sales of food

Ho Yao Biopharm Co., Ltd.	December 8, 2021	2F, No. 6-2, Duxing Road, East District, Hsinchu City, Hsinchu Science Park	43,300	R&D of new medicines
Shanghai Standard Pharmaceuticals Co., Ltd.	February 7, 2022	Room 2703, No. 398, Caoxi North Road, Xuhui District, Shanghai	USD 1,000	Sales of various medicines and food
Syngen Biotech International SDN.BHD.	June 8, 2017	3-4-2 NO.14, Persiaran Anggerik Vanilla, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Malaysia.	MYR1,000	Research, development, production, manufacturing and sales of microbial pharmaceutical raw materials and biochemical nutritional products, and sales of preventive medicines, etc.
Zhan Shuo Biotech Co., Ltd.	July 14, 2022	No. 319-1, Kaiyuan Road, Tuku Village, Xinying District, Tainan City	100,000	Western medicine manufacturing, wholesale, and sales operations.
CNH Technologies, Inc.	July 3, 2000	10 Henshaw St, Woburn, MA 01801, USA	USD 1	R&D of various medicines
Standard Chem. & Pharm.(Jiangsu) Co., Ltd.	September 14, 2010	No. 8, Peilan Road, Taizhou City, Jiangsu Province	RMB 57,670	R&D, technical consultation and technical services of medicines
Jiangsu Standard-Dia Biopharma Co., Ltd.	October 14, 2011	No. 8, Peilan Road, Taizhou City, Jiangsu Province	RMB 42,395	R&D, manufacturing and sales of various medicines

(c) Information of Common Shareholders of Entities Presumed to Have a Controlling and Subordinate Relationship : None.

(d) Overview of the Operations of the Affiliates

The businesses operated by the Company and its affiliated companies include: pharmaceutical research and development manufacturing, biotechnology industry, pharmaceutical sales industry, investment company and network technology industry, etc.

(e) The Names of the Directors, Supervisors and General Managers of each Affiliated Companies and their shareholding or capital contribution to the companies

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Syngen Biotech Co., Ltd.	Chairman	Wei-Ren, Chen (Note)	June, 2020	3 years	12,651,146	46.68%
	Director	Chin-Tsai, Fan (Note)	June, 2020	3 years	12,651,146	46.68%
	Director	Tzu-Ting, Fan (Note)	June, 2020	3 years	12,651,146	46.68%
	Director	Wu-Xiong, Zhuang	June, 2020	3 years	0	0
	Independent Director	A-Qing, Tu	June, 2020	3 years	0	0
	Independent Director	Shi-Jie, Lee	June, 2020	3 years	0	0
	Independent Director	Sheng-Shi, Wang	June, 2020	3 years	0	0

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Chia Scheng Investment Co., Ltd.	Chairman	Tzu-Ting, Fan (Note)	July, 2022	3 years	14,553,000	100%

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Inforight Technology Co., Ltd.	Chairman	Tzu-Ting, Fan (Note)	July, 2019	3 years	500,000	100%

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
SYN-TECH Chem. & Pharm. Co., Ltd.	Chairman	Zhen-Ming, Hsiao (Note1)	August, 2021	3 years	12,675,959	28.43%
	Director	Tzu-Ting, Fan (Note2)	August, 2021	3 years	4,845,902	10.87%
	Director	Jun-Ze, Tsai	August, 2021	3 years	523,312	0.12%
	Director	Shui-Qing, Chen	August, 2021	3 years	868,598	0.19%
	Independent Director	Qi-Ming, Chen	August, 2021	3 years	0	0
	Independent Director	Ying-Ji, Wang	August, 2021	3 years	0	0
	Independent Director	Wu, Yi-Yan	August, 2021	3 years	0	0



Note1 : Representative of Standard Chem. & Pharm. Co., Ltd.

Note2 : Representative of Mastercard Investment Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Advpharma Inc.	Chairman	Chin-Tsai, Fan (Note 1)	June, 2020	3 years	53,226,806	88.71%
	Director	Zhen-Ming, Hsiao (Note 2)	June, 2020	3 years	1,495,414	2.49%
	Director	Jia-Nong, Chen (Note 1)	June, 2020	3 years	53,226,806	88.71%
	Supervisor	Rong-Zhan, Hsieh	June, 2020	3 years	1,900	0

Note 1 : Representative of Standard Chem. & Pharm. Co., Ltd.

Note 2 : Representative of SYN-TECH Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Standard Pharmaceutical Co., Ltd.	Chairman	Tzu-Ting, Fan (Note)	July, 2008	-	13,000,000	100%

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Standard Chem. & Pharm. Philippines, Inc.	Chairman	Tzu-Ting, Fan (Note)	April, 2021	1 year	192,200	100%

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Souriree Biotech & Pharm. Co., Ltd.	Chairman	Shu-Hua, Chen (Note)	May, 2022	3 years	5,673,908	93.58%
	Director	Tzu-Ting, Fan (Note)	May, 2022	3 years	5,673,908	93.58%
	Director	Wei-Ren, Chen (Note)	May, 2022	3 years	5,673,908	93.58%
	Supervisor	Tsuey-Wen, Yeh	May, 2022	3 years	0	0

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Multipower Enterprise Corp.	Chairman	Tzu-Ting, Fan (Note)	May, 2022	3 years	19,840,600	90.72%
	Director	Wei-Ren, Chen (Note)	May, 2022	3 years	19,840,600	90.72%
	Director	Shu-Hua, Chen (Note)	May, 2022	3 years	19,840,600	90.72%
	Supervisor	Tsuey-Wen, Yeh	May, 2022	3 years	0	0

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Ho Yao Biopharm Co., Ltd.	Chairman	Zhen-Ming, Huang (Note)	February, 2022	3 years	3,680,000	84.99%
	Director	Tzu-Ting, Fan (Note)	February, 2022	3 years	3,680,000	84.99%
	Director	Chin-Wen, Chang (Note)	February, 2022	3 years	3,680,000	84.99%
	Supervisor	Tsuey-Wen, Yeh	February, 2022	3 years	0	0

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Investment Capital	
					Amount (USD)	Investment Ratio
Shanghai Standard Pharmaceuticals Co., Ltd.	Executive Director	Tzu-Ting, Fan (Note)	February, 2022	-	146,890	100%
	Supervisor	Shu-Hua, Chen	February, 2022	-	0	0

Note : Representative of Standard Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Investment Capital	
					Amount (MYR)	Investment Ratio
Syngen Biotech International SDN.BHD.	Director	Wei-Ren, Chen	June, 2017	-	0	0%
	Director	Tzu-Ting, Fan	June, 2017	-	0	0%
	Director	NURFITRI BINTI MANAF	December, 2021	-	0	0%

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
Zhan Shuo Biotech Co., Ltd.	Chairman	Wei-Ren, Chen (Note)	July, 2022	-	10,000	100%
	Supervisor	Jie-Zun, Wu (Note)	July, 2022	-	10,000	100%

Note : Representative of Syngen Biotech Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Shareholding	
					Share	%
CNH Technologies, Inc.	Chairman	Yi-Feng, Wang	July, 2000	-	186,628	16.61%
	Director	Chin-Tsai, Fan (Note 1)	July, 2000	-	400,000	35.60%
	Director	Zhen-Ming, Hsiao (Note 2)	July, 2000	-	535,050	47.62%

Note1 : Representative of Advpharma Inc.

Note2 : Representative of SYN-TECH Chem. & Pharm. Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Investment Capital	
					Amount (USD)	Investment Ratio
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Executive Director	Tzu-Ting, Fan (Note)	September, 2013	-	9,000,000	100%

Note : Representative of Standard Pharmaceutical Co., Ltd.

Affiliated Company	Title	Name (or Representative)	Date of Appointment	Term of Office	Investment Capital	
					Amount (USD)	Investment Ratio
Jiangsu Standard-Dia Biopharma Co., Ltd.	Chairman	Tzu-Ting, Fan (Note 1)	October, 2017	-	3,729,000	55.0%
	Director	Wei-Ren, Chen (Note 1)	October, 2017	-	3,729,000	55.0%
	Director	Zi-Lang, Lin (Note 1)	October, 2017	-	3,729,000	55.0%
	Director	Moriyoshi Makoto (Note 2)	October, 2017	-	2,373,000	35.0%
	Director	Morikane Daisō (Note 2)	October, 2017	-	2,373,000	35.0%
	Supervisor	Zhong-Yuan, Lu (Note 1)	October, 2017	-	3,729,000	55.0%
	Supervisor	Kido Mikio (Note 2)	October, 2017	-	2,373,000	35.0%

Note 1 : Representative of Jiangsu Standard Biotech Pharmaceutical Co., Ltd.

Note 2 : Representative of DIA Pharmaceutical Co., Ltd.

B. Operating Overview of Affiliated Companies :

Business Overview of Affiliated Companies

Unit: NT\$ thousands

Affiliated Company	Paid-in Capital	Total Assets	Total Liabilities	Equity	Operating Revenues	Operating Profit (Loss)	Profit (Loss) for the year	Earnings per Share (NT\$) (After Tax)
Syngen Biotech Co., Ltd.	271,009	3,070,647	1,079,105	1,991,543	1,927,209	363,166	321,236	11.85
Chia Scheng Investment Co., Ltd.	145,530	11,003	0	11,003	0	(164)	72	
Inforight Technology Co., Ltd.	5,000	7,609	3,397	4,212	13,868	727	515	
SYN-TECH CHEM. & PHARM. CO., LTD.	445,917	2,779,720	580,129	2,199,591	898,473	215,236	239,422	5.36
Advpharma Inc.	600,000	312,580	4,149	308,431	15,659	(4,713)	(11,061)	
Standard Pharmaceutical Co., Ltd.	399,230	181,720	0	181,720	0	(212)	(17,013)	
Standard Chem. & Pharm. Philippines, Inc.	12,284	5,871	5,558	3,14	248	(852)	(224)	
Souriree Biotech & Pharm. Co., Ltd.	60,634	101,624	25,063	76,561	80,785	11,335	11,709	1.93
Multipower Enterprise Corp.	218,701	416,818	120,110	296,708	330,768	(12,483)	(4,037)	(0.18)
Ho Yao Biopharm Co., Ltd.	43,300	40,070	8,610	31,460	4,294	(12,119)	(10,406)	
Shanghai Standard Pharmaceuticals Co., Ltd.	4,440	4,424	1,150	3,274	805	(1,243)	(1,179)	
Syngen Biotech International SDN.BHD.	7,323	1,205	227	978	0	(791)	(789)	
Zhan Shuo Biotech Co., Ltd.	100	100	0	100	0	0	0	
CNH Technologies, Inc.	31	3,443	1,524	1,920	10,107	(24,230)	(24,332)	
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	254,208	164,478	112,170	52,308	48,397	1,201	(17,426)	
Jiangsu Standard-Dia Biopharma Co., Ltd.	186,878	42,327	54,936	(12,609)	9,921	(13,350)	(14,099)	

Note : Exchange Rate on December 31, 2022 USD=30.71、PH=0.5443、RMB=4.4080、MYR=6.9954

Average Exchange Rate on 2022, USD=29.85、PH=0.5398、RMB=4.4218、MYR=6.7835

(2) Consolidated Financial Statements of Affiliated Companies : Please refer to P129 ~ P227 for the details.

(3) Relationship Report: None.

8.2 Private Placement Securities in the Most Recent Year and Up to the Date of Publication of the Annual Report

None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year and Up to the Date of Publication of the Annual Report

None.

8.4 Other Necessary Supplementary Explanations

None.

**IX. In the Most Recent Year and Up to the Date of Publication of the Annual Report, There Have Been Events That Have a Significant Impact on Shareholders' Equity or Securities Prices as Specified in Article 36.3.2 of the Securities Exchange Act:**

None.

STANDARD CHEM. & PHARM CO., LTD. AND SUBSIDIARIES  
Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022 pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the companies that are required to be included in the consolidated financial statements of affiliates, are the same as those required to be included in the consolidated financial statements under International Financial Reporting Standards No.10, Consolidated Financial Statements. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. As a result, STANDARD CHEM. & PHARM CO., LTD. and subsidiaries are not required to prepare consolidated financial statements of affiliates.

Hereby declare

STANDARD CHEM. & PHARM CO., LTD.

March 14, 2023

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of STANDARD CHEM. & PHARM. CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of STANDARD CHEM. & PHARM. CO., LTD. and its subsidiaries (collectively referred herein as the “Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

### **Valuation of inventories**

#### Description

Refer to Note 4(11) for accounting policies on the valuation of inventories, Note 5(2) for the uncertainty of significant accounting estimations and assumptions relating to valuation of inventories, and Note 6(6) for the details of allowance for inventory valuation loss. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation loss are \$1,448,846 thousand and \$62,363 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of human medicine and dietary supplement. Due to the influence of market demand and short expiration date of medicines, there is a risk of market price decline and obsolescence of inventories. The Group measures inventories at the lower of cost and net realisable value. The net realisable values of obsolete inventories are determined based on the historical information on the selling price.

Given that the valuation of inventories is subject to uncertainty of assumptions and the accounting estimations will have significant influence on the inventory values, we considered the valuation of inventories a key audit matter.

#### How our audit addressed the matter

We performed the following key audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Tested whether the basis of inventory aging used in calculating the net realisable value of inventory is consistent with the Group's policy.
4. Validated the net realisable value of inventories and the adequacy of allowance for inventory valuation loss.



## **Existence of domestic sales revenue from human medicines and dietary supplements**

### Description

Refer to Note 4(27) for accounting policies on revenue recognition. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Group is primarily engaged in the manufacturing and sales of human medicines and dietary supplements. The Group's sales is mainly domestic-based and its customers are numerous, including hospitals, clinics, pharmacies, food and drug administrations all over the country. Since the sales transactions are numerous and would require a longer period for verification, we considered the existence of domestic sales revenue from human medicines and dietary supplements a key audit matter.

### How our audit addressed the matter

We performed the following key audit procedures for the above matter:

1. Assessed the consistency and effectiveness of internal control relevant to sales recognition.
2. Assessed basic information of the major customers, including the details of the chairman and major shareholders, registered address, principal place of business, capital and main business activities, etc.
3. Selected samples of sales transactions and checked against related supporting documentation, including unit prices, quantities, reasonableness of sales allowance recognition, waybill and subsequent cash collection.

## **Other matter –Reference to the audits of other auditors**

We did not audit the financial statements of certain investments accounted for under equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under equity method amounted to \$235,502 thousand and \$205,362 thousand, constituting 2.15% and 2.03% of consolidated total assets as of December 31, 2022 and 2021, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method amounted to \$33,360 thousand and (\$11,473) thousand, constituting 2.81% and (1.39%) of consolidated total comprehensive income for the years then ended, respectively.

**Other matter – Parent company only financial reports**

We have audited and expressed an unmodified opinion on the parent company only financial statements of STANDARD CHEM. & PHARM. CO., LTD. as of and for the years ended December 31, 2022 and 2021.

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

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

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

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

**Auditors' responsibilities for the audit of the consolidated financial statements**

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Tien, Chung-Yu

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2023

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

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

**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	2,259,381	21	\$	2,564,395	25
1110	Financial assets at fair value through profit or loss - current	5(2) and 6(2)		176,148	2		134,907	1
1136	Financial assets at amortised cost - current	6(1) and 8		163,510	1		289,932	3
1150	Notes receivable, net	6(4), 7 and 12		276,995	2		277,426	3
1170	Accounts receivable, net	6(4), 7 and 12		985,985	9		880,823	9
1200	Other receivables	6(5) and 7		216,601	2		331,809	3
1220	Current income tax assets	6(29)		67	-		13	-
130X	Inventories	5(2), 6(5)(6)(9)		1,386,483	13		1,217,528	12
1410	Prepayments			95,208	1		86,621	1
1479	Other current assets			29,115	-		797	-
11XX	Total current assets			5,589,493	51		5,784,251	57
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	5(2) and 6(2)		15,581	-		15,152	-
1517	Financial assets at fair value through other comprehensive income - non-current	5(2) and 6(3)		251,532	2		228,345	2
1550	Investments accounted for under equity method	6(7)(8) and 7		577,338	5		525,839	5
1600	Property, plant and equipment	6(5)(7)(9), 7 and 8		3,658,581	33		2,658,198	26
1755	Right-of-use assets	6(10) and 7		293,700	3		297,147	3
1780	Intangible assets	6(11)(12)(32)		224,986	2		223,618	2
1840	Deferred income tax assets	6(29)		128,373	1		141,445	2
1915	Prepayments for equipment	6(9)		156,517	2		139,240	1
1920	Guarantee deposits paid			32,002	-		42,710	1
1990	Other non-current assets	6(17)		40,156	1		39,094	1
15XX	Total non-current assets			5,378,766	49		4,310,788	43
1XXX	TOTAL ASSETS		\$	10,968,259	100	\$	10,095,039	100

(Continued)

**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13) and 8	\$ 1,350,003	12	\$ 1,067,989	11
2110	Short-term notes and bills payable	6(14)	-	-	290,000	3
2130	Contract liabilities - current	6(22)	83,997	1	79,115	1
2150	Notes payable	7	457,858	4	301,940	3
2170	Accounts payable	7	228,512	2	322,406	3
2200	Other payables	6(15)	515,552	5	454,443	4
2230	Current income tax liabilities	6(29)	222,038	2	164,066	2
2280	Lease liabilities - current	6(10) and 7	21,205	-	20,351	-
2310	Receipts in advance		667	-	1,013	-
2365	Current refund liabilities	6(22)	-	-	14,774	-
21XX	Total current liabilities		2,879,832	26	2,716,097	27
Non-current liabilities						
2540	Long-term borrowings	6(16) and 8	182,000	2	50,000	1
2570	Deferred income tax liabilities	6(29)	84,666	1	83,845	1
2580	Lease liabilities - non-current	6(10) and 7	236,696	2	239,637	2
2640	Net defined benefit liability - non-current	6(17)	149,053	1	205,314	2
2645	Guarantee deposits received		411	-	532	-
25XX	Total non-current liabilities		652,826	6	579,328	6
2XXX	Total liabilities		3,532,658	32	3,295,425	33
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(18)	1,786,961	16	1,786,961	18
3200	Capital surplus	6(8)(19)	220,484	2	204,313	2
	Retained earnings	6(3)(20)(21)				
3310	Legal reserve		793,498	7	709,879	7
3320	Special reserve		110,329	1	-	-
3350	Unappropriated retained earnings		1,957,837	18	1,751,052	17
3400	Other equity interest	6(3)(8)(21)	( 115,935 )	( 1 )	( 110,329 )	( 1 )
31XX	Equity attributable to owners of the parent		4,753,174	43	4,341,876	43
36XX	Non-controlling interest	4(3), 6(19)(31)(32)	2,682,427	25	2,457,738	24
3XXX	Total equity		7,435,601	68	6,799,614	67
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	TOTAL LIABILITIES AND EQUITY		\$ 10,968,259	100	\$ 10,095,039	100

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

**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

			For the years ended December 31,			
			2022		2021	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	\$ 5,851,368	100	\$ 4,604,082	100
5000	Operating costs	6(6)(10)(11)(17)( 27)(28) and 7	( 3,363,755)	( 58)	( 2,536,209)	( 55)
5900	Net operating margin		2,487,613	42	2,067,873	45
	Operating expenses	6(9)(10)(11)(17)( 27)(28) and 7				
6100	Selling expenses		( 746,173)	( 13)	( 675,925)	( 15)
6200	General and administrative expenses		( 353,329)	( 6)	( 272,547)	( 6)
6300	Research and development expenses		( 251,878)	( 4)	( 241,788)	( 5)
6450	Expected credit losses	12	( 17,812)	-	( 931)	-
6000	Total operating expenses		( 1,369,192)	( 23)	( 1,191,191)	( 26)
6900	Operating profit		1,118,421	19	876,682	19
	Non-operating income and expenses					
7100	Interest income	6(23)	29,594	-	4,247	-
7010	Other income	6(3)(5)(24) and 7	51,615	1	170,182	4
7020	Other gains and losses	6(2)(5)(6)(7)(10) (12)(25), 7 and 12	157,712	3	( 23,954)	( 1)
7050	Finance costs	6(9)(10)(26) and 7	( 18,775)	-	( 7,250)	-
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(7)(8)	61,366	1	( 6,157)	-
7000	Total non-operating income and expenses		281,512	5	137,068	3
7900	Profit before income tax		1,399,933	24	1,013,750	22
7950	Income tax expense	6(29)	( 246,313)	( 4)	( 176,948)	( 4)
8200	Profit for the year		\$ 1,153,620	20	\$ 836,802	18

(Continued)

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items		Notes	For the years ended December 31,			
			2022		2021	
			AMOUNT	%	AMOUNT	%
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Remeasurement of defined benefit plans	6(17)	\$ 37,658	-	\$ 19,657	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	( 14,140)	-	( 21,903)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(8)	1,047	-	73	-
8349	Income tax related to components of other comprehensive income	6(29)	( 7,532)	-	( 3,931)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(21)	15,785	-	( 1,283)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(8)	225	-	( 2,661)	-
8300	<b>Total other comprehensive income (loss) for the year</b>		<u>\$ 33,043</u>	<u>-</u>	<u>(\$ 10,048)</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 1,186,663</u>	<u>20</u>	<u>\$ 826,754</u>	<u>18</u>
	Profit attributable to:					
8610	Owners of the parent		\$ 815,408	14	\$ 706,734	15
8620	Non-controlling interest		338,212	6	130,068	3
			<u>\$ 1,153,620</u>	<u>20</u>	<u>\$ 836,802</u>	<u>18</u>
	Total comprehensive income attributable to:					
8710	Owners of the parent		\$ 841,867	14	\$ 696,558	15
8720	Non-controlling interest		344,796	6	130,196	3
			<u>\$ 1,186,663</u>	<u>20</u>	<u>\$ 826,754</u>	<u>18</u>
	Earnings per share (in dollars)	6(30)				
9750	Basic		<u>\$ 4.56</u>		<u>\$ 3.95</u>	
9850	Diluted		<u>\$ 4.56</u>		<u>\$ 3.95</u>	

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



STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Equity attributable to owners of the parent													
Notes	Capital Surplus					Retained Earnings			Other Equity Interest			Total	Non-controlling interest
	Common stock	Additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Change in net equity of associates and joint ventures accounted for under equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains or losses from financial assets measured at fair value through other comprehensive income			
<b>For the year ended December 31, 2021</b>													
Balance at January 1, 2021	\$ 1,786,961	\$ 143,353	\$ 57,454	\$ 2,273	\$ 194	\$ 658,657	\$ -	\$ 1,287,735	(\$ 16,788)	\$ 46,093	\$ 3,965,932	\$ 939,903	\$ 4,905,835
Profit for the year	-	-	-	-	-	-	-	706,734	-	-	706,734	130,068	836,802
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	-	15,100	( 4,186)	( 21,090)	( 10,176)	128	( 10,048)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	721,834	( 4,186)	( 21,090)	696,558	130,196	826,754
Difference between proceeds from acquisition or disposal of subsidiaries and book value	6(31)	-	-	( 77)	-	-	-	-	-	-	( 77)	( 185)	( 262)
Adjustment to non-proportional acquisition of associates and joint ventures accounted for under equity method	6(8)(19)	-	-	-	1,068	-	-	-	-	-	1,068	1,219	2,287
Overdue cash dividends payable	6(19)	-	-	-	-	48	-	-	-	-	48	-	48
Disposal of financial assets at fair value through other comprehensive income	6(3)(21)	-	-	-	-	-	-	114,358	-	( 114,358)	-	-	-
Appropriations of 2020 earnings:													
Legal reserve	-	-	-	-	-	51,222	-	( 51,222)	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	-	-	( 321,653)	-	-	( 321,653)	-	( 321,653)
Effect on business combinations	6(32)	-	-	-	-	-	-	-	-	-	-	1,437,179	1,437,179
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	( 50,574)	( 50,574)
Balance at December 31, 2021	\$ 1,786,961	\$ 143,353	\$ 57,377	\$ 3,341	\$ 242	\$ 709,879	\$ -	\$ 1,751,052	(\$ 20,974)	(\$ 89,355)	\$ 4,341,876	\$ 2,457,738	\$ 6,799,614
<b>For the year ended December 31, 2022</b>													
Balance at January 1, 2022	\$ 1,786,961	\$ 143,353	\$ 57,377	\$ 3,341	\$ 242	\$ 709,879	\$ -	\$ 1,751,052	(\$ 20,974)	(\$ 89,355)	\$ 4,341,876	\$ 2,457,738	\$ 6,799,614
Profit for the year	-	-	-	-	-	-	-	815,408	-	-	815,408	338,212	1,153,620
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	-	26,107	14,492	( 14,140)	26,459	6,584	33,043
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	841,515	14,492	( 14,140)	841,867	344,796	1,186,663
Difference between proceeds from acquisition or disposal of subsidiaries and book value	6(31)	-	-	3,521	-	-	-	-	-	-	3,521	( 305)	3,216
Adjustment to non-proportional acquisition of associates and joint ventures accounted for under equity method	6(8)(19)	-	-	-	3,744	-	-	-	-	-	3,744	2,735	6,479
Overdue cash dividends payable	6(19)	-	-	-	-	171	-	-	-	-	171	52	223
Disposal of financial assets at fair value through other comprehensive income	6(3)(21)	-	-	-	-	-	-	5,958	-	( 5,958)	-	-	-
Appropriations of 2021 earnings:													
Legal reserve	-	-	-	-	-	83,619	-	( 83,619)	-	-	-	-	-
Special reserve	6(20)	-	-	-	-	-	110,329	( 110,329)	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	-	-	( 446,740)	-	-	( 446,740)	-	( 446,740)
Effect of organisational restructuring	6(19)	-	8,735	-	-	-	-	-	-	-	8,735	( 8,735)	-
Effect on business combinations	6(32)	-	-	-	-	-	-	-	-	-	-	6,199	6,199
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	( 120,053)	( 120,053)
Balance at December 31, 2022	\$ 1,786,961	\$ 152,088	\$ 60,898	\$ 7,085	\$ 413	\$ 793,498	\$ 110,329	\$ 1,957,837	(\$ 6,482)	(\$ 109,453)	\$ 4,753,174	\$ 2,682,427	\$ 7,435,601

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

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31,	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,399,933	\$ 1,013,750
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss		( 1,083 )	( 1,449 )
Expected credit losses	12	17,812	931
Provision for loss on inventory market price decline	6(6)	7,030	7,658
Fire loss - inventories	6(6)(25)	-	4,608
Gain on disposal of non-current assets held for sale, net	6(7)(25)	-	( 80,498 )
Share of (profit) loss of associates and joint ventures accounted for under equity method	6(8)	( 61,366 )	6,157
Depreciation	6(9)(10)(27)	278,138	200,758
Net loss on disposal of property, plant and equipment	6(25)	1,632	846
Property, plant and equipment transferred to expenses	6(9)	378	963
Fire loss - property, plant and equipment	6(9)(25)	-	61,693
Gain from lease modification	6(10)(25)	( 8 )	-
Net loss on disposal of other non-current assets	6(25)	6,147	5,872
Amortisation	6(27)	20,467	20,306
Impairment loss on non-financial assets	6(11)(25)	-	1,810
Interest income	6(23)	( 29,594 )	( 4,247 )
Dividend income	6(24)	( 9,860 )	( 20,738 )
Interest expense	6(26)	18,775	7,250
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 41,000 )	2,000
Notes receivable		535	( 97,161 )
Accounts receivable		( 123,104 )	( 42,003 )
Other receivables		78,146	( 129,624 )
Inventories		( 187,629 )	( 41,143 )
Prepayments		( 8,587 )	17,914
Other current assets		( 28,036 )	765
Other non-current assets		1,506	( 2,195 )
Changes in operating liabilities			
Contract liabilities - current		4,882	( 56,576 )
Notes payable		121,473	( 29,305 )
Accounts payable		( 93,894 )	105,314
Other payables		48,414	2,029
Receipts in advance		( 346 )	984
Refund liabilities - current		( 14,774 )	( 111 )
Net defined benefit liability - non-current		( 28,272 )	( 11,837 )
Cash inflow generated from operations		1,377,715	944,721
Dividends received		21,860	21,735
Interest received		28,292	4,303
Interest paid		( 17,999 )	( 7,242 )
Income tax received		17,487	-
Income tax paid		( 199,521 )	( 136,483 )
Net cash flows from operating activities		1,227,834	827,034

(Continued)

**STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in financial assets at amortised cost - current		\$ 126,422	\$ 181,625
Cash received from withdrawal of capital on financial assets at fair value through profit or loss- non-current	6(2) and 12(3)	413	-
Acquisition of financial assets at fair value through other comprehensive income - non-current		( 60,632 )	( 121,205 )
Proceeds from disposal of financial assets at fair value through other comprehensive income - non-current	6(3)	23,305	18,921
Acquisition of investments accounted for under equity method	6(7)	-	( 288,810 )
Proceeds from disposal of investments accounted for under equity method	6(8)	9,156	-
Cash paid for aquisition of property, plant and equipment	6(33)	( 681,988 )	( 126,817 )
Interest paid for acquisition of property, plant and equipment	6(9)(26)(33)	( 2,523 )	( 369 )
Proceeds from disposal of property, plant and equipment		720	88
Proceeds from disposal of non-current assets held for sale, net	6(7)	-	245,553
Acquisition of intangible assets	6(11)	( 4,009 )	( 4,808 )
Increase in prepayments for equipment		( 511,545 )	( 86,291 )
Decrease (increase) in guarantee deposits paid		10,708	( 17,496 )
Proceeds from disposal of other non-current assets	6(33)	38,364	-
Increase in other non-current assets		( 4,899 )	( 9,734 )
Cash (paid) received from business combinations	6(32)	( 24,323 )	1,028,466
Net cash flows (used in) from investing activities		( 1,080,831 )	819,123
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(34)	2,806,682	390,213
Decrease in short-term borrowings	6(34)	( 2,524,668 )	( 165,992 )
Decrease in short-term notes and bills payable	6(34)	( 290,000 )	-
Payments of lease liabilities	6(34)	( 22,445 )	( 18,482 )
Increase in long-term borrowings	6(34)	132,000	50,000
Decrease in guarantee deposit received	6(34)	( 121 )	( 839 )
Overdue cash dividends payable	6(19)	223	48
Payments of cash dividends	6(20)	( 446,740 )	( 321,653 )
Cash paid for transaction with non-controlling interests	6(31)	( 322 )	( 262 )
Decrease in non-controlling interests		( 120,053 )	( 50,574 )
Net cash flows used in financing activities		( 465,444 )	( 117,541 )
Effects of foreign exchange		13,427	( 404 )
Net (decrease) increase in cash and cash equivalents		( 305,014 )	1,528,212
Cash and cash equivalents at beginning of year	6(1)	2,564,395	1,036,183
Cash and cash equivalents at end of year	6(1)	\$ 2,259,381	\$ 2,564,395

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

STANDARD CHEM. & PHARM. CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Standard Chem. & Pharm. Co., Ltd. (the ‘Company’) was incorporated on June 30, 1967 under the provisions of the Company Act of the Republic of China (R.O.C.) and other regulations. The Company is primarily engaged in the manufacturing and sales of Chinese and western medicine, cosmetics, beverage, normal instruments and medical instruments. Refer to Note 4(3), ‘Basis of consolidation’ for the main business activities of the Company’s subsidiaries.

(2) The Company has been listed on the Taiwan Stock Exchange starting from December 1995.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

(a) Financial assets at fair value through profit or loss.

- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY'.

### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. The fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses

would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investors	Name of subsidiaries	Main business activities	Ownership (%) December 31, 2022	Ownership (%) December 31, 2021	Description
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Research and development, trading, investment and other business of medical products	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Chia Scheng Investment Co., Ltd.	General investment	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Import and export of various medical products, medicine, supplements	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Inforight Technology Co., Ltd.	Wholesale of multi-function printers and information software	100.00	100.00	—
Standard Chem & Pharm. Co., Ltd.	Souriree Biotech & Pharm. Co., Ltd.	Manufacturing of western medicine and retail and wholesale of various medicine	93.58	93.17	—
Standard Chem & Pharm. Co., Ltd.	Multipower Enterprise Corp.	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	90.72	90.72	—

Name of investors	Name	Main business	Ownership (%)	Ownership (%)	Description
	of subsidiaries	activities	December 31, 2022	December 31, 2021	
Standard Chem & Pharm. Co., Ltd.	Advpharma Inc.	Research and development, manufacturing and sale of various medicines	88.71	88.71	—
Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicines	46.68	46.68	(Note 1)
Standard Chem & Pharm. Co., Ltd.	SYN-TECH CHEM. & PHARM. CO., LTD.	Manufacturing and sale of APIs, reagent, surfactant, Chinese and western medicine and veterinary medicine	28.43	20.33	(Note 2) (Note 3)
Standard Chem & Pharm. Co., Ltd.	Ho Yao Biopharm Co., LTD.	Research and development of new medicine	84.99	—	(Note 4)
Standard Chem & Pharm. Co., Ltd.	Shanghai Standard Pharmaceuticals Co., Ltd.	Sale of various medicine and dietary supplement	100.00	—	(Note 5)



Name of investors	Name of subsidiaries	Main business activities	Ownership (%)	Ownership (%)	Description
			December 31, 2022	December 31, 2021	
Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicines	100.00	100.00	—
Advpharma Inc.	CNH Technologies Inc	Research and development of various medicine	35.60	35.60	(Note 6)
Syngen Biotech Co., Ltd.	SYNGEN BIOTECH INTERNATIONAL SDN. BHD.	Research and development, manufacturing and sale of APIs and biochemical nutrition, sale of preventive medicines	100.00	100.00	—
Syngen Biotech Co., Ltd.	Jhan Shuo Biopharma Co., Ltd.	Manufacturing, wholesale and sale of western medicine	100.00	—	(Note 5)
SYN-TECH CHEM. & PHARM. CO., LTD.	Advpharma Inc.	Research and development, manufacturing and sale of various medicine	2.49	2.49	—
SYN-TECH CHEM. & PHARM. CO., LTD.	CNH Technologies Inc	Research and development of various medicine	47.62	47.62	(Note 6)
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicines	55.00	55.00	—

- Note 1 : The subsidiary, Syngen Biotech Co., Ltd. (“Syngen Biotech”), filed for an initial public offering with the Taipei Exchange. As part of the public trading process, the Group allowed its underwriter to exercise the overallotment option. Although the Group’s ownership percentage in Syngen Biotech is below 50%, the Group is still the largest single shareholder, and thus the Group did not lose its control over Syngen Biotech.
- Note 2: On December 8, 2021, the Group participated in cash capital increase of SYN-TECH CHEM. & PHARM. CO., LTD. (“SYN-TECH”) and became SYN-TECH’s single largest corporate shareholder. Through comprehensive assessment and together with another major shareholder, the Group obtained substantial control over SYN-TECH from the date.
- Note 3: On July 1, 2022, the Company spun off and transferred its synthesis department to the subsidiary, SYN-TECH and received common shares issued from the capital increase. The ownership in the entity therefore increased. Refer to Note 6(19), ‘Capital surplus’, for more information.
- Note 4: Newly acquired in the first quarter of 2022. Refer to Note 6(32), ‘ Business combinations’, for more information.
- Note 5: Newly established in the third quarter of 2022.
- Note 6: As the Group obtained control over SYN-TECH on December 8, 2021, the Group’s shareholding in CNH TECHNOLOGIES, INC. (“CNH”) increased to 83.22% and, accordingly, obtained substantial control over CNH.
- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.

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

- (1) As of December 31, 2022 and 2021, the non-controlling interest amounted to \$ 2,682,427 and \$2,457,738, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiaries	Principal place of business	Non-controlling interest				Description
		December 31, 2022		December 31, 2021		
		Amount	Ownership (%)	Amount	Ownership (%)	
Syngen Biotech Co., Ltd.	Taiwan	<u>\$ 1, 061, 524</u>	53. 32%	<u>\$ 944, 125</u>	53. 32%	—
SYN-TECH CHEM & PHARM. CO., LTD.	Taiwan	<u>\$ 1, 561, 695</u>	71. 57%	<u>\$ 1, 447, 432</u>	79. 67%	—

- (2) Summarised financial information of the subsidiaries:

A. Syngen Biotech Co., Ltd.:

(a) Balance sheets

	December 31, 2022	December 31, 2021
Current assets	\$ 1,112,880	\$ 1,018,090
Non-current assets	1,957,995	1,397,435
Current liabilities	( 719,470)	( 418,611)
Non-current liabilities	( 359,862)	( 225,551)
Total net assets	<u>\$ 1,991,543</u>	<u>\$ 1,771,363</u>

(b) Statements of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	<u>\$ 1,930,594</u>	<u>\$ 1,471,266</u>
Profit before income tax	\$ 396,415	\$ 295,493
Income tax expense	( 75,179)	( 57,723)
Net income for the year	<u>\$ 321,236</u>	<u>\$ 237,770</u>
Total comprehensive income for the year	<u>\$ 323,357</u>	<u>\$ 237,828</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 173,310</u>	<u>\$ 128,323</u>
Dividends paid to non-controlling interests	<u>\$ 57,799</u>	<u>\$ 50,576</u>

(c) Statements of cash flows

	For the years ended December 31,	
	2022	2021
Net cash flows provided by operating activities	\$ 277,484	\$ 336,498
Net cash flows used in investing activities	( 585,046)	( 336,075)
Net cash flows provided by (used in) financing activities	238,750	( 108,875)
Effect of foreign exchange on cash and cash equivalents	64	( 164)
Net decrease in cash and cash equivalents	( 68,748)	( 108,616)
Cash and cash equivalents at beginning of the year	314,801	423,417
Cash and cash equivalents at end of the year	\$ 246,053	\$ 314,801

B. SYN-TECH CHEM & PHARM. CO., LTD.

(a) Balance sheets

	December 31, 2022	December 31, 2021
Current assets	\$ 1,594,505	\$ 2,015,209
Non-current assets	1,185,215	691,541
Current liabilities	( 503,733)	( 802,946)
Non-current liabilities	( 76,395)	( 71,726)
Total net assets	\$ 2,199,592	\$ 1,832,078

(b) Statements of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	\$ 898,473	\$ 746,603
Profit before income tax	\$ 299,371	\$ 126,904
Income tax expense	( 59,949)	( 23,069)
Net income for the year	\$ 239,422	\$ 103,835
Total comprehensive income for the year	\$ 246,123	\$ 103,882
Comprehensive income attributable to non-controlling interest	\$ 192,332	\$ 102,338
Dividends paid to non-controlling interests	\$ 61,645	\$ -

(c) Statements of cash flows

	For the years ended December 31,	
	2022	2021
Net cash flows provided by operating activities	\$ 438,814	\$ 120,426
Net cash flows used in investing activities	( 337,462)	( 354,913)
Net cash flows (used in) provided by financing activities	( 486,251)	845,197
Net (decrease) increase in cash and cash equivalents	( 384,899)	610,710
Cash and cash equivalents at beginning of the year	1,229,859	619,149
Cash and cash equivalents at end of the year	<u>\$ 844,960</u>	<u>\$ 1,229,859</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within 12 months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within 12 months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(10) Accounts and notes receivable

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

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

(11) Inventories

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

(12) Impairment of financial assets

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

(13) Derecognition of financial assets

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

(14) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to lessee) is recognised in profit or loss on straight-line basis over the lease term.

(15) Investments accounted for under equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive



income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

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

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

Assets	Useful Life
Buildings (including auxiliary equipment)	2 ~ 60 years
Machinery and equipment	2 ~ 50 years
Utility equipment	3 ~ 20 years
Transportation equipment	2 ~ 15 years
Office equipment	2 ~ 9 years
Other equipment	2 ~ 35 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentive receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability; and
  - Any lease payments made at or before the commencement date.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(18) Intangible assets

A. Goodwill

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

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 ~ 20 years.

C. Patents

Patents is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 ~ 20 years.

D. Other intangible assets

Technical skill transfer fee, royalty paid for acquisition of techniques and distribution rights and trademarks are stated at cost, with exception of technical skill transfer fee, other intangible assets are amortised on a straight-line basis over its estimated useful life of 2 ~ 10 years. The technical skill transfer fee is regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Therefore it is not amortised, but is tested annually for impairment.

(19) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill and intangible asset with uncertain useful life have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at

amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

If employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its domestic subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, etc., to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Share capital

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

(26) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells human pharmaceuticals and dietary supplements, etc. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Goods are often sold with discounts and allowances based on the price spread given by the National Health Insurance. Revenue is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Reversal of accounts receivable is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The terms of sales transactions are set individually with each clients and usually are made with cash payment in 2 months after billings, or to obtain cheques with a maturity of 4~6 months upon billings. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## B. Rendering of services

- (a) The Group provides processing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the balance sheet date as a proportion of the total services to be provided.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

## C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

## (28) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

## (29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

### (1) Critical judgements in applying the Group's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### A. Valuation of inventories

- (a) As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the influence of different market demand and expiration date, etc., the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the valuation.

- (b) As of December 31, 2022, the carrying amount of inventories was \$1,386,483.

#### B. Financial assets-fair value measurement of unlisted stocks without active market

- (a) The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

- (b) As of December 31, 2022, the carrying amount of unlisted stocks without active market was \$112,239.



## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Revolving funds and petty cash	\$ 8, 138	\$ 8, 354
Checking accounts and demand deposits	639, 458	1, 052, 089
	<u>647, 596</u>	<u>1, 060, 443</u>
Cash equivalents:		
Time deposits	878, 984	600, 794
Repurchase bonds	732, 801	903, 158
	<u>1, 611, 785</u>	<u>1, 503, 952</u>
	<u>\$ 2, 259, 381</u>	<u>\$ 2, 564, 395</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of December 31, 2022 and 2021, the carrying amount of more than 3-month time deposits (listed as “Financial assets at amortised cost - current”) was \$44,355 and \$57,840, respectively.
- C. As of December 31, 2022 and 2021, cash and cash equivalents amounting to \$119,155 and \$232,092, respectively, were pledged to others as collateral for short-term borrowings (listed as “Financial assets at amortised cost - current”). For the detailed information, refer to Note 8, ‘PLEDGED ASSETS’.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 172, 424	\$ 131, 424
Unlisted stocks	12, 000	12, 000
	<u>184, 424</u>	<u>143, 424</u>
Valuation adjustment	( 8, 276 )	( 8, 517 )
	<u>\$ 176, 148</u>	<u>\$ 134, 907</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Emerging stocks	\$ 1, 759	\$ 1, 759
Unlisted stocks	18, 567	18, 980
	<u>20, 326</u>	<u>20, 739</u>
Valuation adjustment	( 4, 745 )	( 5, 587 )
	<u>\$ 15, 581</u>	<u>\$ 15, 152</u>

- A. The Group recognised net gain (listed as “Other gains and losses”) of \$1,358 and \$1,458 for the years ended December 31, 2022 and 2021, respectively.
- B. The Group’s financial assets at fair value through profit or loss - non-current, Der Yang Biotechnology Venture Capital, conducted a capital reduction in September 2022. The Group has reversed 41 thousand shares at the initial investment price of \$413 proportionately.
- C. As of December 31, 2022 and 2021, the Group has no financial assets at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), ‘Financial instruments’.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments		
Listed stocks	\$ 163, 989	\$ 120, 704
Unlisted stocks	<u>196, 997</u>	<u>196, 997</u>
	360, 986	317, 701
Valuation adjustment	( <u>109, 454</u> )	( <u>89, 356</u> )
	<u>\$ 251, 532</u>	<u>\$ 228, 345</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was its book value.
- B. The Group participated in cash capital increase of SYN-TECH CHEM. & PHARM. CO., LTD. referred herein as (“SYN-TECH”) by investing cash of \$256,939 and obtained a total of 4,282 thousand shares on December 8, 2021, which resulted in the increase of consolidated shareholding from 12.60% to 20.14% and becoming SYN-TECH’s single largest corporate shareholder. Through comprehensive assessment and together with another major shareholder, the Group has the ability to direct SYN-TECH’s relevant activities and therefore, obtained substantial control over SYN-TECH from the date. Based on the aforementioned transaction, the Group transferred financial assets at fair value through other comprehensive income - non-current in the amount of \$256,788 to the acquisition price, and reclassified unrealised gain amounting to \$105,185 to retained earnings.
- C. The Group disposed financial assets at fair value through other comprehensive income in the amount of \$23,305 and \$18,921 for the years ended December 31, 2022 and 2021, respectively. This resulted in cumulative gain on disposal amounting to \$5,958 and \$9,513, which was reclassified to retained earnings for the years ended December 31, 2022 and 2021, respectively.
- D. The Group recognised (\$14,140) and (\$21,903) in other comprehensive income in relation to fair value change for the years ended December 31, 2022 and 2021, respectively.

- E. The Group recognised dividend income of \$9,787 and \$20,635 in profit or loss (listed as “Other income”) in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, respectively, among which, dividends income amounted to \$9,787 and \$9,604 are in relation to the financial assets at fair value through other comprehensive income held at end of the years for the years ended December 31, 2022 and 2021, respectively.
- F. As of December 31, 2022 and 2021, the Group has no financial assets at fair value through other comprehensive income pledged to others.
- G. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), ‘Financial instruments’.

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 277, 251	\$ 277, 786
Less: Allowance for uncollectible accounts	( 256)	( 360)
	<u>\$ 276, 995</u>	<u>\$ 277, 426</u>
Accounts receivable	\$ 1, 010, 406	\$ 887, 381
Less: Allowance for uncollectible accounts	( 24, 421)	( 6, 558)
	<u>\$ 985, 985</u>	<u>\$ 880, 823</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable:		
Within the credit period	\$ 277, 014	\$ 277, 331
Overdue up to 90 days	237	455
	<u>\$ 277, 251</u>	<u>\$ 277, 786</u>
Accounts receivable:		
Within the credit period	\$ 880, 761	\$ 836, 449
Overdue up to 90 days	87, 271	39, 102
Overdue 91 to 180 days	42, 352	11, 751
Overdue 181 to 270 days	2	-
Overdue over 271 days	20	79
	<u>\$ 1, 010, 406</u>	<u>\$ 887, 381</u>

The above aging analysis was based on days overdue.

- B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$948,828.
- C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was its book value.

D. As of December 31, 2022 and 2021, the Group has no notes and accounts receivable pledged to others.

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

(5) Other receivables

	December 31, 2022	December 31, 2021
Claims receivable (Note 1) (Note 2)	\$ 197,849	\$ 197,849
Receivables from disposals of assets	–	38,364
Others	18,752	95,596
	<u>\$ 216,601</u>	<u>\$ 331,809</u>

(Note 1) The Company was affected by the fire incident in the neighbouring subsidiary—SYN-TECH CHEM. & PHARM. CO., LTD. (hereinafter referred to as “SYN-TECH”) on May 20, 2021, which resulted in the damage of certain property, plant and equipment, and inventories and therefore interrupting part of the operations. The Company had derecognised some damaged property, plant and equipment and inventories amounting to \$61,693 and \$4,608, respectively. The total loss as a result of the fire incident was \$66,301 for the year ended December 31, 2021.

The Company had obtained property insurance for its property, plant and equipment. The insurance company is currently handling the follow-up indemnity and claim procedures with the assistance of its commissioned third-party notaries. The Company has inspected some purchasing contract of the assets and after consideration of Consumer Price Index, calculated the replacement cost that could be covered by the insurance based on external information. The Company recognised indemnity income at \$66,301 limited to the loss of each property for the year ended December 31, 2021. For the year ended December 31, 2022, since the insurance company had checked part of the damaged property, the Company received insurance claim of \$4,608, with the remaining of \$61,693 awaiting further settlement of the insurance company.

(Note 2) The subsidiary, SYN-TECH suffered from a fire incident on May 20, 2021, which resulted in the damage of certain property, plant and equipment and inventories and therefore interrupting part of the operations. SYN-TECH had disposed some damaged property, plant and equipment and inventories amounting to \$130,434 and \$40,757, respectively. The total loss of the fire incident was \$171,191 for the year ended December 31, 2021.

SYN-TECH had obtained property insurance for its property, plant and equipment. Currently, the insurance company is handling the follow-up indemnity and claim procedures with the assistance of its commissioned third-party notaries. SYN-TECH has inspected some purchasing contract of the assets and after consideration of Consumer Price Index, calculated the replacement cost that could be covered by the insurance based on the document made by a third-party notary through on-site investigation and accessible

information. SYN-TECH recognized indemnity income at \$171,191 limited to the loss of each property for the year ended December 31, 2021. For the year ended December 31, 2022, since the insurance company had checked part of the damaged property, SYN-TECH received insurance claim of \$35,035, with the remaining of \$136,156 awaiting further settlement from the insurance company.

(6) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 113,420	(\$ 2,801)	\$ 110,619
Raw materials	507,066	( 16,548)	490,518
Supplies	92,880	( 7,881)	84,999
Work in process	238,759	( 1,883)	236,876
Finished goods	496,721	( 33,250)	463,471
	<u>\$ 1,448,846</u>	<u>(\$ 62,363)</u>	<u>\$ 1,386,483</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 103,716	(\$ 2,573)	\$ 101,143
Raw materials	450,407	( 23,004)	427,403
Supplies	78,489	( 7,431)	71,058
Work in process	159,739	( 3,206)	156,533
Finished goods	480,510	( 19,119)	461,391
	<u>\$ 1,272,861</u>	<u>(\$ 55,333)</u>	<u>\$ 1,217,528</u>

The cost of inventories recognised as expenses for the year:

For the years ended December 31,		
	2022	2021
Cost of goods sold	\$ 3,325,065	\$ 2,489,380
Loss on scrapped inventories	20,800	14,343
Loss on decline in market value	7,030	7,658
Underapplied fixed manufacturing overhead	6,278	13,702
Gain on physical inventory	( 774)	( 680)
	<u>\$ 3,358,399</u>	<u>\$ 2,524,403</u>
Fire losses (listed as "Other gains and losses") (Note)	<u>\$ -</u>	<u>\$ 4,608</u>

(Note) Refer to Note 6(5), 'Other receivables'.

(7) Non-current assets held for sale

A. Part of land, buildings and machinery of the subsidiary of the Company, Multipower Enterprise

Corp. (hereinafter referred to as “Multipower”) have been reclassified as held for sale following the approval of Multipower’s Board of Directors on November 9, 2020, with the purpose of raising working capital and increasing the efficiency of capital utilisation. The aforementioned assets amounted to \$165,110. Multipower signed a contract with the buyer (the associate of the Company, WE CAN MEDICINES CO., LTD.) in January 2021 at an agreed transaction price of \$245,602. Except for machinery amounting to \$53 that was not sold and eventually back to property, plant and equipment, the transfer of remaining non-current assets held for sale was completed in March 2021. In May 2021, the buyer had reached an agreement with Multipower to reduce sale price to \$245,553 and transferring the unsold machinery and equipment amounting to \$2 back to property, plant and equipment.

B. For the year ended December 31, 2021, the Group recognised gain of \$80,498 (listed as "Other gains and losses") from the above transactions. However, since the counterparty of the transactions was the Group's associate, the unrealised gain was eliminated in proportion to the Group's shareholding in its associate and was recognised as deduction of "investments accounted for under equity method" and "share of profits and losses of investments accounted for under equity method", both in the amount of \$24,545.

C. There was no such transaction in 2022.

(8) Investments accounted for under equity method

A. Movements of investments accounted for under equity method:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 525, 839	\$ 250, 693
Acquisition of investments accounted for under equity method (Note)	–	288, 810
Disposal of investments accounted for under equity method	( 9, 156)	–
Share of profit or loss of investments accounted for under equity method	61, 366	( 6, 157)
Earnings distribution of investments accounted for under equity method	( 12, 000)	( 997)
Capital surplus – Differences between the price for acquisition or disposal of associates and carrying amount	3, 538	–
Capital surplus – Changes in net equity of investments accounted for under equity method	6, 479	2, 287
Retained Earnings – Actuarial income of defined benefit plan	1, 047	73
Other equity interest – Financial statements translation differences of foreign operations	225	( 2, 661)
Effects on business combinations	–	( 6, 209)
At December 31	<u>\$ 577, 338</u>	<u>\$ 525, 839</u>

(Note) In January 2021, the Group participated in a private placement of common stock issued by GENEFERM BIOTECHNOLOGY CO., LTD. by investing \$273,840. Restriction of rights and conditions for further transfer of these securities are specified in Article 43-8 of the Securities and Exchange Act.

B. Details of investments accounted for under equity method are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
GENEFERM BIOTECHNOLOGY CO., LTD.	\$ 309,854	\$ 289,865
WE CAN MEDICINES CO., LTD.	235,502	205,362
Taiwan Biosim Co., Ltd.	<u>31,982</u>	<u>30,612</u>
	<u>\$ 577,338</u>	<u>\$ 525,839</u>

C. Associates:

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio	
		December 31,	
		2022	2021
WE CAN MEDICINES CO., LTD.	Taiwan	32.89%	33.61%
GENEFERM BIOTECHNOLOGY CO., LTD.	Taiwan	28.94%	29.42%

(b) The summarised financial information of the associates that are material to the Group is as follows:

i. Balance sheets

(i) WE CAN MEDICINES CO., LTD.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 1,154,634	\$ 994,918
Non-current assets	1,421,200	1,215,304
Current liabilities	( 900,340)	( 776,113)
Non-current liabilities	( 883,805)	( 749,573)
Total net assets	<u>\$ 791,689</u>	<u>\$ 684,536</u>
Share in associate's net assets	\$ 260,387	\$ 230,073
Unrealised loss from transactions with associates	( 24,885)	( 24,711)
Carrying amount of the associate	<u>\$ 235,502</u>	<u>\$ 205,362</u>

(ii) GENEFERM BIOTECHNOLOGY CO., LTD.

	December 31, 2022	December 31, 2021
Current assets	\$ 352,209	\$ 741,253
Non-current assets	836,299	573,683
Current liabilities	( 238,648)	( 429,236)
Non-current liabilities	( 119,088)	( 138,041)
Total net assets	<u>\$ 830,772</u>	<u>\$ 747,659</u>
Share in associate's net assets	\$ 240,425	\$ 219,961
Goodwill	70,651	70,651
Unrealised loss from transactions with associate	( 1,222)	( 747)
Carrying amount of the associate	<u>\$ 309,854</u>	<u>\$ 289,865</u>

ii. Statements of comprehensive income

(i) WE CAN MEDICINES CO., LTD.

	For the years ended December 31,	
	2022	2021
Revenue	<u>\$ 3,302,732</u>	<u>\$ 2,794,071</u>
Net income for the year	<u>\$ 100,054</u>	<u>\$ 38,794</u>
Total comprehensive income for the year	<u>\$ 103,045</u>	<u>\$ 39,012</u>

(ii) GENEFERM BIOTECHNOLOGY CO., LTD.

	For the years ended December 31,	
	2022	2021
Revenue	<u>\$ 631,340</u>	<u>\$ 522,194</u>
Net income for the year	<u>\$ 93,454</u>	<u>\$ 57,413</u>
Total comprehensive income for the year	<u>\$ 94,221</u>	<u>\$ 57,218</u>

- (c) As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$31,982 and \$30,612, respectively. The share in associates' financial performance is as follows:

	For the years ended December 31,	
	2022	2021
Net profit (loss) for the year	<u>\$ 1,370</u>	<u>(\$ 8,837)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,370</u>	<u>(\$ 8,837)</u>

- (d) As of December 31, 2022 and 2021, the fair value of the Group's investment accounted for under equity method, GENEFERM BIOTECHNOLOGY CO., LTD., was \$802,800 and \$532,200, respectively.
- (e) The subsidiary of the Company, SYNGEN BIOTECH CO., LTD, is GENEFERM's single largest corporate shareholder. However, the Group does not hold more than 50 percent of voting rights during shareholders' meetings and has no agreement with other shareholders to negotiate or jointly make decisions, which indicates that the Group does not have the ability to



direct the relevant activities. Therefore, the Group concluded that it has no control or significant influence over GENEFERM.

D. For the years ended December 31, 2022 and 2021, the details of the Group's equity transactions are provided in Note 7, "Related party transactions".

E. As of December 31, 2022 and 2021, the Group has no investments accounted for under the equity method pledged to others.

(9) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2022</u>									
Cost	\$ 496,342	\$ 1,818,836	\$ 1,661,738	\$ 250,123	\$ 24,689	\$ 41,396	\$ 759,754	\$ 171,353	\$ 5,224,231
Accumulated depreciation	–	( 769,944)	( 1,118,104)	( 180,079)	( 18,028)	( 31,924)	( 447,954)	–	( 2,566,033)
	<u>\$ 496,342</u>	<u>\$ 1,048,892</u>	<u>\$ 543,634</u>	<u>\$ 70,044</u>	<u>\$ 6,661</u>	<u>\$ 9,472</u>	<u>\$ 311,800</u>	<u>\$ 171,353</u>	<u>\$ 2,658,198</u>
<u>For the year ended December 31, 2022</u>									
At January 1	\$ 496,342	\$ 1,048,892	\$ 543,634	\$ 70,044	\$ 6,661	\$ 9,472	\$ 311,800	\$ 171,353	\$ 2,658,198
Additions-cost	90	188,639	181,425	5,634	2,167	1,503	103,850	246,851	730,159
Transfers (Note 1)									
-cost	274,107	58,623	137,568	5,826	( 3,140)	612	64,989	( 33,051)	505,534
-accumulated depreciation	–	8,487	10,609	1,433	1,748	144	( 22,421)	–	–
Acquisition from business combinations	–	–	–	–	–	–	18,982	–	18,982
Depreciation	–	( 52,428)	( 117,217)	( 12,264)	( 1,527)	( 2,320)	( 67,849)	–	( 253,605)
Disposals-cost	–	( 13,682)	( 26,168)	( 458)	( 442)	( 230)	( 29,461)	–	( 70,441)
-accumulated depreciation	–	13,078	24,965	458	442	229	28,917	–	68,089
Net exchange differences	–	1,445	177	–	1	4	38	–	1,665
At December 31	<u>\$ 770,539</u>	<u>\$ 1,253,054</u>	<u>\$ 754,993</u>	<u>\$ 70,673</u>	<u>\$ 5,910</u>	<u>\$ 9,414</u>	<u>\$ 408,845</u>	<u>\$ 385,153</u>	<u>\$ 3,658,581</u>
<u>At December 31, 2022</u>									
Cost	\$ 770,539	\$ 2,054,723	\$ 1,955,216	\$ 261,126	\$ 23,302	\$ 42,528	\$ 914,290	\$ 385,153	\$ 6,406,877
Accumulated depreciation	–	( 801,669)	( 1,200,223)	( 190,453)	( 17,392)	( 33,114)	( 505,445)	–	( 2,748,296)
	<u>\$ 770,539</u>	<u>\$ 1,253,054</u>	<u>\$ 754,993</u>	<u>\$ 70,673</u>	<u>\$ 5,910</u>	<u>\$ 9,414</u>	<u>\$ 408,845</u>	<u>\$ 385,153</u>	<u>\$ 3,658,581</u>

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2021									
Cost	\$ 420,370	\$ 1,671,082	\$ 1,376,498	\$ 218,392	\$ 22,541	\$ 34,887	\$ 516,181	\$ 86,338	\$ 4,346,289
Accumulated depreciation	—	( 719,855)	( 941,778)	( 167,903)	( 16,591)	( 31,414)	( 343,541)	—	( 2,221,082)
	<u>\$ 420,370</u>	<u>\$ 951,227</u>	<u>\$ 434,720</u>	<u>\$ 50,489</u>	<u>\$ 5,950</u>	<u>\$ 3,473</u>	<u>\$ 172,640</u>	<u>\$ 86,338</u>	<u>\$ 2,125,207</u>
For the year ended December 31, 2021									
At January 1	\$ 420,370	\$ 951,227	\$ 434,720	\$ 50,489	\$ 5,950	\$ 3,473	\$ 172,640	\$ 86,338	\$ 2,125,207
Additions-cost	—	7,101	35,089	1,520	1,783	5,169	37,265	81,315	169,242
Transfers (Note 2)									
-cost	—	1,796	42,123	551	375	2,935	9,357	( 1,384)	55,753
-accumulated depreciation	—	—	( 607)	—	—	( 20)	291	—	( 336)
Acquisition from business combinations	75,972	145,086	166,256	28,389	—	—	130,476	5,084	551,263
Depreciation	—	( 40,980)	( 89,453)	( 8,433)	( 1,446)	( 2,036)	( 37,309)	—	( 179,657)
Fire loss-cost (Note 3)	—	( 39,274)	( 71,743)	( 3,762)	—	( 1,808)	( 2,210)	—	( 118,797)
-accumulated depreciation (Note 3)	—	24,460	27,819	1,486	—	1,808	1,531	—	57,104
Disposals-cost	—	—	( 4,007)	( 3,411)	—	( 532)	( 4,507)	—	( 12,457)
-accumulated depreciation	—	—	3,512	3,215	—	485	4,311	—	11,523
Net exchange differences	—	( 524)	( 75)	—	( 1)	( 2)	( 45)	—	( 647)
At December 31	<u>\$ 496,342</u>	<u>\$ 1,048,892</u>	<u>\$ 543,634</u>	<u>\$ 70,044</u>	<u>\$ 6,661</u>	<u>\$ 9,472</u>	<u>\$ 311,800</u>	<u>\$ 171,353</u>	<u>\$ 2,658,198</u>
At December 31, 2021									
Cost	\$ 496,342	\$ 1,818,836	\$ 1,661,738	\$ 250,123	\$ 24,689	\$ 41,396	\$ 759,754	\$ 171,353	\$ 5,224,231
Accumulated depreciation	—	( 769,944)	( 1,118,104)	( 180,079)	( 18,028)	( 31,924)	( 447,954)	—	( 2,566,033)
	<u>\$ 496,342</u>	<u>\$ 1,048,892</u>	<u>\$ 543,634</u>	<u>\$ 70,044</u>	<u>\$ 6,661</u>	<u>\$ 9,472</u>	<u>\$ 311,800</u>	<u>\$ 171,353</u>	<u>\$ 2,658,198</u>

(Note 1) Including transfer of \$11,644 from ‘Inventories’; transfer of \$494,268 from ‘Prepayment for equipment’ and transfer of \$378 to expenses.

(Note 2) Including transfer of \$6,603 from ‘Inventories’; transfer of \$49,722 from ‘Prepayment for equipment’; transfer of \$55 from ‘Non-current assets held for sale, net’ and transfer of \$963 to expenses.

(Note 3) Refer to Note 6(5), ‘Other receivables’.

A. As of December 31, 2022 and 2021, the carrying amount of land, buildings and other equipment held for operating leases are as follows:

	December 31, 2022	December 31, 2021
Land	\$ 5,264	\$ 5,264
Buildings	\$ 11,009	\$ 11,399
Other equipment	\$ 2,313	\$ 3,057

B. In order to meet the operating needs, the Board of Directors of the Company’s subsidiary, Syngen Biotech Co., Ltd., has resolved to acquire the land, plants and related equipments located in Douliu City, Yunlin County, which are sold at a court auction. On May 26, 2022, Syngen Biotech Co., Ltd. was awarded the bid for a total consideration amounting to \$516,689 and all the consideration have been paid.

C. Amount of borrowing costs capitalised as part of property, plant and equipment and the interest rates for such capitalisation for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Capitalised interest payments	\$ 2,523	\$ 369
Interest rate	0.73%~1.35%	0.70%~0.77%

D. Information about the property, plant and equipment that were acquired through business combinations for the years ended December 31, 2022 and 2021 is provided in Note 6(32), ‘Business combinations’.

E. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, ‘PLEDGED ASSETS’.

(10) Leasing arrangements—lessee

A. The Group leases various assets including land, buildings and transportation equipments. Rental contracts are typically made for periods of 2 ~ 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	\$ 262,646	\$ 266,183
Buildings	22,121	22,013
Transportation equipment	8,933	8,951
	<u>\$ 293,700</u>	<u>\$ 297,147</u>
	For the years ended December 31,	
	2022	2021
	Depreciation	Depreciation
Land	\$ 15,895	\$ 12,979
Buildings	7,757	7,315
Transportation equipment	881	807
	<u>\$ 24,533</u>	<u>\$ 21,101</u>

C. The additions to right-of-use assets were \$20,256 and \$6,481 for the years ended December 31, 2022 and 2021, respectively. The amount of right-of-use assets due to business combinations was \$48,404 for the year ended December 31, 2021.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,270	\$ 2,729
Expense on short-term lease contract	6,890	2,353
Expense on leases of low-value assets	747	476
Gain from lease modification	( 8)	–

E. The Group's total cash outflow for leases were \$33,352 and \$24,040 for the years ended December 31, 2022 and 2021, respectively.

(11) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Patents</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2022</u>					
Cost	\$ 162,485	\$ 37,858	\$ 63,998	\$ 84,058	\$ 348,399
Accumulated amortisation	( 248)	( 31,698)	( 15,087)	( 62,217)	( 109,250)
Accumulated impairment	–	–	–	( 15,734)	( 15,734)
Net exchange differences	–	( 16)	219	–	203
	<u>\$ 162,237</u>	<u>\$ 6,144</u>	<u>\$ 49,130</u>	<u>\$ 6,107</u>	<u>\$ 223,618</u>
<u>For the year ended December 31, 2022</u>					
At January 1	\$ 162,237	\$ 6,144	\$ 49,130	\$ 6,107	\$ 223,618
Additions - acquired separately	–	4,009	–	–	4,009
Additions - business combinations	11,674	–	–	–	11,674
Amortisation	–	( 3,399)	( 10,674)	( 243)	( 14,316)
Net exchange differences	–	1	–	–	1
At December 31	<u>\$ 173,911</u>	<u>\$ 6,755</u>	<u>\$ 38,456</u>	<u>\$ 5,864</u>	<u>\$ 224,986</u>
<u>At December 31, 2022</u>					
Cost	\$ 174,159	\$ 41,867	\$ 63,998	\$ 84,058	\$ 364,082
Accumulated amortisation	( 248)	( 35,097)	( 25,761)	( 62,460)	( 123,566)
Accumulated impairment	–	–	–	( 15,734)	( 15,734)
Net exchange differences	–	( 15)	219	–	204
	<u>\$ 173,911</u>	<u>\$ 6,755</u>	<u>\$ 38,456</u>	<u>\$ 5,864</u>	<u>\$ 224,986</u>

	Goodwill	Software	Patents	Others	Total
<u>At January 1, 2021</u>					
Cost	\$ 70,513	\$ 32,628	\$ 18,107	\$ 84,058	\$ 205,306
Accumulated amortisation	( 248)	( 28,043)	( 13,591)	( 60,740)	( 102,622)
Accumulated impairment	–	–	–	( 13,924)	( 13,924)
Net exchange differences	–	( 16)	219	–	203
	<u>\$ 70,265</u>	<u>\$ 4,569</u>	<u>\$ 4,735</u>	<u>\$ 9,394</u>	<u>\$ 88,963</u>
<u>For the year ended December 31, 2021</u>					
At January 1	\$ 70,265	\$ 4,569	\$ 4,735	\$ 9,394	\$ 88,963
Additions - acquired separately	–	4,808	–	–	4,808
Additions - business combinations	91,972	422	45,891	–	138,285
Amortisation	–	( 3,655)	( 1,496)	( 1,477)	( 6,628)
Loss on impairment	–	–	–	( 1,810)	( 1,810)
At December 31	<u>\$ 162,237</u>	<u>\$ 6,144</u>	<u>\$ 49,130</u>	<u>\$ 6,107</u>	<u>\$ 223,618</u>
<u>At December 31, 2021</u>					
Cost	\$ 162,485	\$ 37,858	\$ 63,998	\$ 84,058	\$ 348,399
Accumulated amortisation	( 248)	( 31,698)	( 15,087)	( 62,217)	( 109,250)
Accumulated impairment	–	–	–	( 15,734)	( 15,734)
Net exchange differences	–	( 16)	219	–	203
	<u>\$ 162,237</u>	<u>\$ 6,144</u>	<u>\$ 49,130</u>	<u>\$ 6,107</u>	<u>\$ 223,618</u>

A. No borrowing costs were capitalised as part of intangible assets for the years ended December 31, 2022 and 2021.

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating costs	\$ 6,806	\$ 2,842
Selling expenses	970	979
General and administrative expenses	4,378	2,401
Research and development expenses	<u>2,162</u>	<u>406</u>
	<u>\$ 14,316</u>	<u>\$ 6,628</u>

C. The Group acquired intangible assets through business combinations for the years ended December 31, 2022 and 2021. For the detailed information, refer to Note 6(32), 'Business combinations'.

D. The Group applied value in use method when calculating recoverable amount of goodwill and determined the recoverable amount to be greater than the carrying amount; thus, no impairment was identified. Goodwill distributed to cash generating unit according to operating segment is shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Multipower Enterprise Corp.	\$ 70,265	\$ 70,265
SYN-TECH CHEM. & PHARM. CO., Ltd.	\$ 91,972	\$ 91,972
Ho Yao Biopharm Co., Ltd.	\$ 11,674	\$ –

E. Impairment information about the intangible assets is provided in Note 6(12), “Impairment of non-financial assets”.

F. As of December 31, 2022 and 2021, the Company has no intangible assets pledged to others.

(12) Impairment of non-financial assets

A. Goodwill is tested annually for impairment. Goodwill is allocated to the Group’s cash-generating unit identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the cash-generating unit. Cash flow of financial budgets is prepared based on forecasts of growth of future annual revenue, profit and capital expenditure. Management determined budgeted gross margin based on past performance and its expectation of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

B. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired for the years ended December 31, 2022 and 2021.

C. The Group wrote down the carrying amount of the assets based on the recoverable amount and recognised an impairment loss of \$1,810 according to revaluation report from external expert. The key assumptions used for value-in-use calculations are as follows:

	<u>For the year ended December 31, 2021</u>
Royalty ratio	4.50%
Growth rate	1.52%
Discount rate	15.00%

There was no such transaction in 2022.

D. As of December 31, 2022 and 2021, the carrying amount of accumulated impairment of non-financial assets was \$15,734 for both years.



(13) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	\$ 1,240,003	1.21%~2.33%	None
Bank secured borrowings	110,000	1.45%~1.54%	Time deposits
	<u>\$ 1,350,003</u>		
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Unsecured bank borrowings	\$ 787,989	0.57%~0.90%	None
Bank secured borrowings	280,000	0.80%~1.15%	Time deposits, land and buildings
	<u>\$ 1,067,989</u>		

Refer to Note 6(26), 'Finance costs', for more information regarding interest expenses recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021.

(14) Short-term notes and bills payable

	December 31, 2021	Interest rate range	Collateral
Commercial papers payable	<u>\$ 290,000</u>	0.45%~0.65%	None

As of December 31, 2022, the Group has no short-term notes and bills payable.

A. The above commercial papers payable are issued and secured by China Bills Finance Corporation and other financial institutions.

B. Refer to Note 6(26), 'Finance costs', for more information regarding interest expenses recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021.

(15) Other payables

	December 31, 2022	December 31, 2021
Accrued salaries and bonuses	\$ 253,546	\$ 141,953
Equipment payable	31,125	19,922
Others	230,881	292,568
	<u>\$ 515,552</u>	<u>\$ 454,443</u>

In June 2022, to meet the capital expenditure requirements, the Company's subsidiary, Syngen Biotech Co., Ltd., obtained a short-term financing amounting to \$100,000 for a two-month period from its future joint ventures (non-related party) with annual interest rate of 1.28%. The principal and interests were all settled on July 28, 2022.

(16) Long-term borrowings

Type of borrowings	Maturity date	December 31, 2022	Interest rate	Collateral	Note
Bank secured borrowings	2026.1.15	<u>\$ 182,000</u>	1.52%	Constuction in progress	(Note)
Type of borrowings	Maturity date	December 31, 2021	Interest rate	Collateral	Note
Bank secured borrowings	2026.1.15	<u>\$ 50,000</u>	0.90%	Constuction in progress	(Note)

(Note) The principal has a grace period of 18~35 months. After the grace period expires, the principal and interest are payable in 25 installments.

Refer to Note 6(26), 'Finance costs', for more information regarding interest expenses recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021.

(17) Pensions

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Law, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2%~5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labour pension reserve account by December 31, every year. If the account balances are insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March. In accordance with defined benefit pension plan, the Company and its domestic subsidiaries disclose the related information as follows:

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 526, 187)	(\$ 579, 620)
Fair value of plan assets	<u>403, 637</u>	<u>391, 648</u>
	<u>(\$ 122, 550)</u>	<u>(\$ 187, 972)</u>
Net defined benefit liability in the balance sheet (Note 1)	(\$ 149, 053)	(\$ 205, 314)
Net defined benefit asset in the balance sheet (Note 2)	<u>26, 503</u>	<u>17, 342</u>
	<u>(\$ 122, 550)</u>	<u>(\$ 187, 972)</u>

(Note 1) Listed as 'Net defined benefit liability-non-current'.

(Note 2) Listed as 'Other non-current assets'.

(b) Movements in defined benefit liability are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2022			
At January 1	(\$ 579,620)	\$ 391,648	(\$ 187,972)
Current service cost	( 4,082)	–	( 4,082)
Interest (expense) income	( 3,993)	2,716	( 1,277)
Effects of pension plan curtailment	725	–	725
Effects of pension plan settlement	5,172	( 362)	4,810
	<u>( 581,798)</u>	<u>394,002</u>	<u>( 187,796)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	30,344	30,344
Change in financial assumptions	28,243	–	28,243
Experience adjustments	( 20,929)	–	( 20,929)
	<u>7,314</u>	<u>30,344</u>	<u>37,658</u>
Pension fund contribution	–	19,933	19,933
Paid pension	48,297	( 40,642)	7,655
At December 31	<u>(\$ 526,187)</u>	<u>\$ 403,637</u>	<u>(\$ 122,550)</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2021			
At January 1	(\$ 536,100)	\$ 322,160	(\$ 213,940)
Current service cost	( 4,227)	–	( 4,227)
Interest (expense) income	( 1,597)	985	( 612)
Effects of pension plan curtailment	811	–	811
	( 541,113)	323,145	( 217,968)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	5,513	5,513
Change in demographic assumptions	( 1,219)	–	( 1,219)
Change in financial assumptions	3,076	–	3,076
Experience adjustments	12,287	–	12,287
	14,144	5,513	19,657
Pension fund contribution	–	18,466	18,466
Paid pension	16,916	( 16,581)	335
Effects of business combinations	( 69,567)	61,105	( 8,462)
At December 31	(\$ 579,620)	\$ 391,648	(\$ 187,972)

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labour Retirement

Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2022	2021
Discount rate	1.25%	0.70%
Future salary increases	2.00%~3.00%	2.00%~3.00%

For the years ended December 31, 2022 and 2021, assumptions regarding future mortality rate are both set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 11,194)	\$ 10,833	\$ 11,375	(\$ 12,969)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 13,411)	\$ 13,874	\$ 13,567	(\$ 13,188)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Group for the year ended December 31, 2023 amount to \$10,672.

(f) As of December 31, 2022, the weighted average duration of that retirement plan is 7~11 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 29,425
2-5 years	110,606
Over 5 years	445,321
	<u>\$ 585,352</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly

salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Group's subsidiaries, Jiangsu Standard Biotech Pharmaceutical Co., Ltd. and Jiangsu Standard-Dia Biopharma Co., Ltd., in Mainland China are subject to the government sponsored defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. For the years ended December 31, 2022 and 2021, the contribution rates are from 19% to 30%. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$49,075 and \$40,965, respectively.

(18) Share capital – common stock

- A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2022	2021
Beginning and ending balance	178,696	178,696

- B. As of December 31, 2022, the Company's authorised capital was \$2,000,000, and the paid-in capital was \$1,786,961, consisting of 178,696 thousand shares of ordinary share, with a par value of \$10 (in dollars) per share. Shares can be issued several times. All proceeds from shares issued have been collected.

(19) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The Company implements its work-division and resource integration, to enhance competitiveness and business performance through spin-off of its synthesis department to the subsidiary - SYN-TECH CHEM. & PHARM. CO., LTD. (SYN-TECH) after the resolution by the Board of Directors on March 16, 2021. The Company received 4,532 thousand shares issued from the capital increase of SYN-TECH with total value of \$341,000 as the consideration. The transaction pertains to the reorganisation within the Group. As the difference between the net asset value of the synthesis department and net equity value was \$8,735, an increase in capital surplus was recognised. The abovementioned transaction had been completed on July 1, 2022.
- C. For the year ended December 31, 2022, the associate of the Company, WE CAN MEDICINES

CO., LTD., converted employee stock options, resulting to an increase in the equity attributable to owners of parent by \$1,351 and is recorded under capital surplus. There was no such transaction for the year ended December 31, 2021.

- D. For the years ended December 31, 2022 and 2021, the investment accounted for under equity method of the Company's subsidiary, Syngen Biotech Co., Ltd., Geneferm Biotechnology Co., Ltd. exercised employee stock options, resulting in an increase in the equity interest to Syngen Biotech Co., Ltd., amounting to \$5,128 and \$2,287, respectively.
- E. For the years ended December 31, 2022 and 2021, pursuant to the Business Letter No. 10602420200 issued by the Ministry of Economic Affairs, the subsidiary of the Company, Syngen Biotech Co., Ltd., and the Company reclassified dividends payable of \$223 and \$48, respectively, which was expired and not collected by the shareholders, to capital surplus.
- F. Refer to Note 6(31), 'Transactions with non-controlling interest', for more information regarding changes of capital surplus due to transactions with non-controlling interest.

(20) Retained earnings

- A. Within the limit, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. Under the Company's Articles of Incorporation, as the Company operates in a volatile business environment and is in the stable growth stage, the Board of Directors takes into consideration the Company's future capital needs, long-term financial planning and shareholders' needs for cash inflow. The Company's earnings, if any, are distributed in the following order:
  - (a) Pay all taxes.
  - (b) Cover accumulated deficit.
  - (c) Appropriate 10% as legal reserve, until such legal reserve amounts to the total paid-in capital.
  - (d) Appropriate or reverse special reserve in accordance with regulations.
  - (e) At least 10% of the remainder and previous unappropriated retained earnings as stockholders' bonus and cash dividends shall account for at least 20% of total dividends distributed. If the cash dividend is below \$0.5 (in dollars) per share, the Company can distribute stock dividends instead of cash dividends upon resolution of the shareholders.

When the shareholders bonus is distributed in stock dividend, it shall be allocated according to the resolutions of the shareholders during their meeting. The Company authorised the Board of Directors to process resolution resolved by a majority vote at the meeting attended by two-thirds of the total number of directors: all or part of distributed dividends and bonus, and capital reserve/legal surplus reserve shall be distributed by cash. The result shall be reported to the shareholders' meeting.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit

balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The Company's debit balance on other equity items as of December 31, 2021 was \$110,329, which has been set aside as special reserve in accordance with the regulations and shall not be distributed as dividends.

- D. As resolved by the Board of Directors on May 4, 2021 and March 15, 2022, the Company recognised cash dividends distributed to owners amounting to \$321,653 (\$1.8 (in dollars) per share) and \$446,740 (\$2.5 (in dollars) per share) for the appropriations of 2020 and 2021 earnings, respectively. On March 14, 2023, the Board of Directors resolved for the distribution of dividends from 2022 earnings of \$446,740 (\$2.5 (in dollars) per share). Information about the distribution of dividends by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Other equity

	For the year ended December 31, 2022		
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 20,974)	(\$ 89,355)	(\$ 110,329)
Currency translation differences			
- Company	14,492	-	14,492
Valuation adjustment			
- Company	-	( 14,235)	( 14,235)
- Subsidiaries	-	95	95
Valuation adjustment transferred to retained earnings			
- Company	-	( 5,958)	( 5,958)
At December 31	<u>(\$ 6,482)</u>	<u>(\$ 109,453)</u>	<u>(\$ 115,935)</u>



	For the year ended December 31, 2021		
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 16,788)	\$ 46,093	\$ 29,305
Currency translation differences			
- Company	( 4,186)	-	( 4,186)
Valuation adjustment			
- Company	-	( 14,673)	( 14,673)
- Subsidiaries	-	( 6,417)	( 6,417)
Valuation adjustment transferred to retained earnings			
- Company	-	( 111,739)	( 111,739)
- Subsidiaries	-	( 2,619)	( 2,619)
At December 31	<u>(\$ 20,974)</u>	<u>(\$ 89,355)</u>	<u>(\$ 110,329)</u>

(22) Operating revenue

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

	For the year ended December 31, 2022		
	Domestic	International	Total
Revenue from sales of medicine	\$ 2,180,743	\$ 346,505	\$ 2,527,248
Revenue from sales of dietary supplement	1,788,110	145,452	1,933,562
Revenue from rendering of services	2,466	-	2,466
Others	<u>637,521</u>	<u>750,571</u>	<u>1,388,092</u>
	<u>\$ 4,608,840</u>	<u>\$ 1,242,528</u>	<u>\$ 5,851,368</u>

	For the year ended December 31, 2021		
	Domestic	International	Total
Revenue from sales of medicine	\$ 1,995,862	\$ 529,263	\$ 2,525,125
Revenue from sales of dietary supplement	1,430,808	144,750	1,575,558
Revenue from rendering of services	12,049	-	12,049
Others	<u>277,666</u>	<u>213,684</u>	<u>491,350</u>
	<u>\$ 3,716,385</u>	<u>\$ 887,697</u>	<u>\$ 4,604,082</u>

B. The Group has recognised the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities – sales of medicine	\$ 35,430	\$ 40,569	\$ 93,239
Contract liabilities – sales of dietary supplement	22,853	26,197	28,675
Contract liabilities – others	25,714	12,349	13,748
	<u>\$ 83,997</u>	<u>\$ 79,115</u>	<u>\$ 135,662</u>

(a) On December 31, 2021, due to changes in nature of transactions, some of the Group's contract liabilities amounting to \$14,774 (listed as "Current refund liabilities") are expected to be repaid gradually. The payment was settled in September 2022.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the years ended December 31, 2022 and 2021 were \$74,410 and \$101,584, respectively.

(23) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	<u>\$ 29,594</u>	<u>\$ 4,247</u>

(24) Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 9,860	\$ 20,738
Rental income	2,261	2,069
Fire insurance claim income (Note)	–	66,301
Research income	2,236	20,848
Royalty income	11,607	11,250
Technology transfer income	2,842	8,674
Government grants income	5,956	7,230
Other income	16,853	33,072
	<u>\$ 51,615</u>	<u>\$ 170,182</u>

(Note) Refer to Note 6(5), 'Other receivables'.

(25) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net gain on financial assets at fair value through profit or loss	\$ 1,358	\$ 1,458
Fire losses (Note)	–	(66,301)
Net gain on disposal of non-current assets held for sale	–	80,498
Net loss on disposal of property, plant and equipment	(1,632)	(846)
Gain from lease modification	8	–
Net loss on disposal of other non-current assets	(6,147)	(5,872)
Net currency exchange gain (loss)	170,443	(25,595)
Impairment loss on non-financial assets	–	(1,810)
Other losses	(6,318)	(5,486)
	<u>\$ 157,712</u>	<u>(\$ 23,954)</u>

(Note) Refer to Note 6(5), ‘Other receivables’.

(26) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense		
Bank borrowings	\$ 18,028	\$ 4,890
Lease liabilities	<u>3,270</u>	<u>2,729</u>
	21,298	7,619
Less: Capitalisation of qualifying assets	(2,523)	(369)
	<u>\$ 18,775</u>	<u>\$ 7,250</u>

(27) Expenses by nature

	For the year ended December 31, 2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 677,600	\$ 722,455	\$ 1,400,055
Depreciation	215,708	62,430	278,138
Amortisation	<u>11,079</u>	<u>9,388</u>	<u>20,467</u>
	<u>\$ 904,387</u>	<u>\$ 794,273</u>	<u>\$ 1,698,660</u>

	For the year ended December 31, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 518,424	\$ 611,538	\$ 1,129,962
Depreciation	154,122	46,636	200,758
Amortisation	7,464	12,842	20,306
	<u>\$ 680,010</u>	<u>\$ 671,016</u>	<u>\$ 1,351,026</u>

(28) Employee benefit expenses

	For the year ended December 31, 2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 574,542	\$ 624,714	\$ 1,199,256
Labour and health insurance expenses	47,474	51,944	99,418
Pension costs	26,027	22,872	48,899
Other personnel expenses	29,557	22,925	52,482
	<u>\$ 677,600</u>	<u>\$ 722,455</u>	<u>\$ 1,400,055</u>

	For the year ended December 31, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 430,345	\$ 522,523	\$ 952,868
Labour and health insurance expenses	43,942	46,522	90,464
Pension costs	21,437	23,556	44,993
Other personnel expenses	22,700	18,937	41,637
	<u>\$ 518,424</u>	<u>\$ 611,538</u>	<u>\$ 1,129,962</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration), after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. Employees' compensation will be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, are entitled to receive aforementioned stock or cash. 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 distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.
- B. Employees' compensation was accrued at \$9,436 and \$8,339 for the years ended December 31,

2022 and 2021, respectively; while directors' and supervisors' remuneration were both accrued at \$3,000 for the years ended December 31, 2022 and 2021. The aforementioned amounts were recognised in salary expenses that were estimated and accrued based on the distributable net profit of current year calculated by the percentage prescribed under the Company's Articles of Incorporation. As resolved by the Board of Directors on March 14, 2023, the employees' compensation and directors' and supervisors' remuneration were \$9,407 and \$3,010, respectively, and the employees' compensation will be distributed in the form of cash. The employees' compensation and directors' and supervisors' remuneration for 2021 as resolved by the Board of Directors was \$11,344, and the employees' compensation will be distributed in the form of cash. The difference between the aforementioned amount and the amount of \$11,339 recognised in the 2021 financial statements by \$5, mainly caused by estimation differences, had been adjusted in the profit or loss for 2022. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 264,244	\$ 180,877
Tax on undistributed earnings	1,045	7,325
Over provision of prior year's income tax	(25,337)	(10,460)
	<u>239,952</u>	<u>177,742</u>
Deferred tax:		
Origination and reversal of temporary differences	6,361	(794)
Total income tax expense	<u>\$ 246,313</u>	<u>\$ 176,948</u>

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

	For the years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligation	<u>\$ 7,532</u>	<u>\$ 3,931</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 325,567	\$ 233,709
Effect of amount not allowed to be recognised under regulations	( 52,588)	( 39,110)
Effect from tax-exempt income	–	( 14,576)
Effect from net operating loss carryforward	( 2,374)	( 973)
Tax on undistributed earnings	1,045	7,325
Separate taxation	–	1,033
Provision of prior year's income tax	( 25,337)	( 10,460)
Income tax expense	<u>\$ 246,313</u>	<u>\$ 176,948</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, investment tax credit and loss carryforward are as follows:

For the year ended December 31, 2022				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 2,952	\$ 2,707	\$ -	\$ 5,659
Unrealised loss on inventories from market value decline	11,067	1,404	-	12,471
Unrealised exchange loss	14,632	( 14,632)	-	-
Investment loss	39,516	7,388	-	46,904
Unrealised impairment loss on intangible assets	3,147	-	-	3,147
Unrealised sales returns and allowance	3,112	3,077	-	6,189
Unused compensated absences	7,505	19	-	7,524
Pensions	32,930	( 5,525)	( 7,532)	19,873
Employee benefits	3	-	-	3
Loss carryforward	<u>26,581</u>	<u>22</u>	<u>-</u>	<u>26,603</u>
	<u>\$141,445</u>	<u>(\$ 5,540)</u>	<u>(\$ 7,532)</u>	<u>\$128,373</u>
Deferred tax liabilities				
Temporary differences:				
Unrealised exchange gain	\$ -	(\$ 2,657)	\$ -	(\$ 2,657)
Intangible assets identified from business combinations	( 9,179)	1,836	-	( 7,343)
Provision for land value increment tax	( 74,666)	-	-	( 74,666)
	<u>(\$ 83,845)</u>	<u>(\$ 821)</u>	<u>\$ -</u>	<u>(\$ 84,666)</u>
	<u>\$ 57,600</u>	<u>(\$ 6,361)</u>	<u>(\$ 7,532)</u>	<u>\$ 43,707</u>

For the year ended December 31, 2021					
	January 1	Business combinations	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets					
Temporary differences:					
Bad debts	\$ 2,933	\$ –	\$ 19	\$ –	\$ 2,952
Unrealised loss on inventories from market value decline	6,804	2,731	1,532	–	11,067
Unrealised exchange loss	10,180	168	4,284	–	14,632
Investment loss	37,568	–	1,948	–	39,516
Unrealised impairment loss on intangible assets	2,785	–	362	–	3,147
Unrealised sales returns and allowance	4,166	–	( 1,054)	–	3,112
Unused compensated absences	6,717	408	380	–	7,505
Pensions	36,883	3,023	( 3,045)	( 3,931)	32,930
Unrealised loss on indemnity	2,376	–	( 2,376)	–	–
Employee benefits	3	–	–	–	3
Investment tax credits					
Deferred investment tax credits	1,426	–	( 1,426)	–	–
Loss carryforward	26,747	–	( 166)	–	26,581
	<u>\$138,588</u>	<u>\$ 6,330</u>	<u>\$ 458</u>	<u>(\$ 3,931)</u>	<u>\$ 141,445</u>
Deferred tax liabilities					
Temporary differences:					
Gain on investment	\$ –	(\$ 336)	\$ 336	\$ –	\$ –
Intangible assets identified from business combinations	–	( 9,179)	–	–	( 9,179)
Provision for land value increment tax	( 61,992)	( 12,674)	–	–	( 74,666)
	<u>(\$ 61,992)</u>	<u>(\$ 22,189)</u>	<u>\$ 336</u>	<u>\$ –</u>	<u>(\$ 83,845)</u>
	<u>\$ 76,596</u>	<u>(\$ 15,859)</u>	<u>\$ 794</u>	<u>(\$ 3,931)</u>	<u>\$ 57,600</u>



D. Expiration dates of loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ approved</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until year</u>
2013~2022	<u>\$ 313,619</u>	<u>\$ 292,708</u>	<u>\$ 159,692</u>	2023~2032
December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/ approved</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until year</u>
2012~2021	<u>\$ 307,492</u>	<u>\$ 298,452</u>	<u>\$ 165,546</u>	2022~2031

E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 14, 2023.

(30) Earnings per share

For the year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 815,408</u>	<u>178,696</u>	<u>\$ 4.56</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 815,408	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>—</u>	<u>189</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 815,408</u>	<u>178,885</u>	<u>\$ 4.56</u>

	For the year ended December 31, 2021		
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 706,734</u>	<u>178,696</u>	<u>\$ 3.95</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 706,734	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>—</u>	<u>222</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 706,734</u>	<u>178,918</u>	<u>\$ 3.95</u>

(31) Transactions with non-controlling interest

- A. In September 2022, the Group acquired part of shares of its subsidiary—Souriree Biotech & Pharm. Co., Ltd. for a total cash consideration of \$322. The carrying amount was \$305 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$17.
- B. In September 2021, the Group acquired part of shares of its subsidiary—Advpharma Inc. for a total cash consideration of \$262. The carrying amount was \$185 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$77.
- C. Refer to Note 6(19), 'Capital surplus', for more information regarding the effect on the Company from the spin off and transfer of the synthesis department to the subsidiary, SYN-TECH CHEM. & PHARM. CO., LTD.

(32) Business combinations

A. Acquisition of Ho Yao Biopharm Co., LTD. (Ho Yao):

- (a) To deepen and strengthen the technical collaboration, on January 18, 2022 and February 18, 2022, the Group participated in the capital increase of Ho Yao and acquired its equity interests for a total consideration amounting to \$21,000 and \$25,800, respectively, and obtained control over Ho Yao. Refer to Note 4(3)(b) for the details of the main business operations.
- (b) The following table summarises the consideration paid for Ho Yao and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>February 10, 2022</u>
Purchase price	
Cash paid	\$ 46,800
Fair value of the non-controlling interest (Note)	<u>6,199</u>
	<u>\$ 52,999</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 22,477
Other current assets	282
Property, plant and equipment	18,982
Other non-current assets	300
Current liabilities	( 716)
Total identifiable net assets	<u>\$ 41,325</u>
Goodwill	<u>\$ 11,674</u>

(Note) Consideration of the purchase price of the stock equities and deduction of implicit cost of the controlling interest has been taken when evaluating the fair value of the non-controlling interest.

- (c) Since February 10, 2022, the acquisition date of Ho Yao, the operating revenue and loss before income tax attributed by Ho Yao was \$295 and (\$10,406), respectively. Assuming that Ho Yao had been consolidated since January 1, 2022, the operating revenue and income before income tax attributed by the Group for the year ended December 31, 2022 would have been \$5,851,368 and \$1,399,275, respectively.

**B. Acquisition of SYN-TECH CHEM. & PHARM. CO., LTD. (SYN-TECH):**

- (a) In order to enhance competitiveness through resources integration and in line with the Group's business development strategy, the Group participated in the cash capital increase of SYN-TECH in December 2021 by investing \$256,939 in cash and investment in equity securities previously owned amounting to \$256,788 (listed as 'Financial assets at fair value through other comprehensive income – non-current'). The Group had the ability to direct relevant activities together with other large stockholders. As a result, the Group obtained substantial control over SYN-TECH. Refer to Note 4(3)(b) for the details of SYN-TECH's main business operations.

- (b) The following table summarises the consideration paid for SYN-TECH and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>December 8, 2021</u>
Purchase price	
Cash paid	\$ 256, 939
Equity instruments	256, 788
Fair value of the non-controlling interest (Note)	<u>1, 431, 689</u>
	<u>\$ 1, 945, 416</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 1, 280, 919
Other current assets	670, 898
Property, plant and equipment	551, 263
Identifiable intangible assets	91, 224
Other non-current assets	118, 396
Current liabilities	( 730, 421 )
Non-current liabilities	( 92, 906 )
Total identifiable net assets	<u>\$ 1, 889, 373</u>
Goodwill	<u>\$ 56, 043</u>

(Note) Consideration of the purchase price of the stock equities and deduction of implicit cost of the controlling interest has been taken when evaluating the fair value of the non-controlling interest.

- (c) While obtaining substantial control over SYN-TECH, the Group also gained control over CNH TECHNOLOGIES, INC. (CNH), which was previously listed under 'Investments accounted for under equity method'. The following table summarises the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>December 8, 2021</u>
Purchase price	
Investments accounted for under equity method - shareholding previously owned by the Group	\$ 6,209
Investments accounted for under equity method - shareholding owned by SYN-TECH	12,594
Fair value of the non-controlling interest	<u>5,490</u>
	<u>\$ 24,293</u>
 Fair value of the identifiable assets acquired and liabilities assumed	
Cash	\$ 4,486
Other current assets	22,164
Current liabilities	( 2,357)
Total identifiable net assets	<u>\$ 24,293</u>

- (d) Since December 8, 2021, the acquisition date of SYN-TECH and CNH, the operating revenue and income before income tax attributed by SYN-TECH and CNH was \$38,740 and \$2,203, respectively. Assuming that SYN-TECH and CNH had been consolidated since January 1, 2021, the operating revenue and income before income tax attributed by the Group for the year ended December 31, 2021 would have been \$5,266,307 and \$1,136,920, respectively.

(33) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
(a) Acquisition of property, plant and equipment	\$ 730,159	\$ 169,242
Add: Beginning balance of notes payable	37,743	2,607
Beginning balance of payable on equipment (listed as "Other payables")	19,922	13,002
Less: Ending balance of notes payable	( 72,188)	( 37,743)
Ending balance of payable on equipment (listed as "Other payables")	( 31,125)	( 19,922)
Capitalised interest	( 2,523)	( 369)
Cash paid for acquisition of property, plant and equipment	<u>\$ 681,988</u>	<u>\$ 126,817</u>
(b) Proceeds from disposal of other non-current assets	\$ -	\$ 38,364
Add: Beginning balance of other receivables	38,364	-
Less: Ending balance of other receivables	-	( 38,364)
Cash received from disposal of other non-current assets	<u>\$ 38,364</u>	<u>\$ -</u>

B. Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
(1) Elimination of allowance for uncollectible accounts	\$ 79	\$ –
(2) Receivables for fire insurance claims	\$ –	\$ 61,693
(3) Inventories transferred to property, plant and equipment	\$ 11,644	\$ 6,603
(4) Prepayments for equipment transferred to property, plant and equipment	\$ 494,268	\$ 49,722
(5) Non-current assets held for sale, net transferred to property, plant and equipment, net	\$ –	\$ 55
(6) Property, plant and equipment transferred to expenses	\$ 378	\$ 963

C. Refer to Note 6(32), ‘Business combinations’, for the information of the cash acquired from business combinations.

(34) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposits received	Total
At January 1, 2022	\$ 1,067,989	\$ 290,000	\$ 259,988	\$ 50,000	\$ 532	\$ 1,668,509
Changes in cash flow from financing activities	282,014	( 290,000)	( 22,445)	132,000	( 121)	101,448
Changes in other non-cash items	–	–	20,358	–	–	20,358
At December 31, 2022	<u>\$ 1,350,003</u>	<u>\$ –</u>	<u>\$ 257,901</u>	<u>\$ 182,000</u>	<u>\$ 411</u>	<u>\$ 1,790,315</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposits received	Total
At January 1, 2021	\$ 566,000	\$ –	\$ 219,195	\$ –	\$ 1,371	\$ 786,566
Changes in cash flow from financing activities	224,221	–	( 18,482)	50,000	( 839)	254,900
Effect of business combinations	277,768	290,000	53,273	–	–	621,041
Changes in other non-cash items	–	–	6,002	–	–	6,002
At December 31, 2021	<u>\$ 1,067,989</u>	<u>\$ 290,000</u>	<u>\$ 259,988</u>	<u>\$ 50,000</u>	<u>\$ 532</u>	<u>\$ 1,668,509</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
WE CAN MEDICINES CO., LTD. (WE CAN)	Associate
Taiwan Biosim Co., Ltd. (Biosim)	Associate
GENEFERM BIOTECHNOLOGY CO., LTD.	Associate
SUN YOU BIOTECH PHARM CO., LTD. (SUN YOU)	Other related party (The manager of the Company is SUN YOU's director)
SYN-TECH CHEM & PHARM CO., LTD. (SYN-TECH)	Other related party (The Company is SYN-TECH's corporate director) (Note)
Fan Dao Nan Foundation (Fan Dao Nan)	Other related party (The corporate director of the Company)

(Note) The Company participated in the cash capital increase of SYN-TECH and therefore obtained substantial control over it on December 8, 2021. SYN-TECH has changed from other related party to the Company's subsidiary from the date. The transactions below pertains to transactions which occurred prior to December 8, 2021.

### (2) Significant related party transactions

#### A. Sales of goods

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 144,015	\$ 111,934
Other related parties	24,183	21,261
	<u>\$ 168,198</u>	<u>\$ 133,195</u>

Prices of goods sold to related parties are determined each time when delivering goods. Terms of transactions are similar with those to third parties, which is cash payment in 2 months after billing, or to obtain cheques with a maturity of 4~6 months upon billing.

#### B. Purchases of goods

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 53,613	\$ 41,810
Other related parties	4,471	52,405
	<u>\$ 58,084</u>	<u>\$ 94,215</u>

Goods are purchased based on the price lists in force and terms that would be available to regular suppliers. Payment terms is cash payment in 1~4 months after monthly billing.

C. Property transactions

(a) Disposal of property, plant and equipment:

	For the year ended December 31, 2022	
	Disposal proceeds	Gain on disposal
Other related parties	\$ 6	\$ 6

(b) In March 2021, the Group disposed its non-current assets held for sale, net to its related party, WE CAN, for a price of \$245,553 based on the valuation report and recognised gains on disposal of non-current assets held for sale, net of \$80,498 (listed as 'other gains and losses').

D. Equity transactions

The Group participated in the cash capital increase of the associate, Biosim, by investing \$14,970 in August 2021.

E. Other expenses

	For the years ended December 31,	
	2022	2021
Advertisement expenses:		
Associates	\$ 1,347	\$ 2,247
Research and development expenses:		
Other related parties	\$ -	\$ 144
Associates	-	69
	\$ -	\$ 213
Donations:		
Other related parties	\$ 60	\$ 7,000
Miscellaneous expenses:		
Associates	\$ 42,108	\$ 12,300
Other related parties	52	209
	\$ 42,160	\$ 12,509

F. Other income

	For the years ended December 31,	
	2022	2021
Associates	\$ 4,199	\$ 11,750
Other related parties	2,596	3,641
	\$ 6,795	\$ 15,391

G. Ending balance of goods sold

	December 31, 2022	December 31, 2021
Receivables from related parties:		
Associates	\$ 37,146	\$ 36,722
Other related parties	8,085	6,317
	\$ 45,231	\$ 43,039

The



receivables from related parties arise mainly from sales transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

H. Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates	\$ 324	\$ 1,355
Other related parties	<u>1,180</u>	<u>–</u>
	<u>\$ 1,504</u>	<u>\$ 1,355</u>

I. Ending balance of goods purchased

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables to related parties:		
Associates	\$ 31,733	\$ 24,277
Other related parties	<u>1,626</u>	<u>543</u>
	<u>\$ 33,359</u>	<u>\$ 24,820</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

J. Lease transactions — lessee

- (a) The Group leases land from other related parties, Fan Dao Nan and WE CAN. Rental contracts are made for the periods from October 1, 2016 to September 30, 2027 and April 1, 2021 to March 31, 2022, respectively. Rents are paid quarterly and monthly.
- (b) As of December 31, 2022 and 2021, the carrying amount of ‘right-of-use assets’ are \$6,608 and \$8,364, respectively.
- (c) As of December 31, 2022 and 2021, the carrying amount of lease liability are \$6,724 and \$8,452, respectively. The Group recognised interest expense of \$102 and \$103 for the years ended December 31, 2022 and 2021, respectively (listed as ‘Finance costs’).

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	<u>\$ 39,547</u>	<u>\$ 28,195</u>

## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purposes
	December 31, 2022	December 31, 2021	
Pledged time deposits (Note 1)	\$ 119,155	\$ 232,092	Short-term borrowings
Land (Note 2)	46,406	46,406	Short-term and long-term borrowings
Buildings-net (Note 2)	171,481	176,239	Short-term and long-term borrowings
Machinery-net (Note 2)	17,457	23,031	Long-term borrowings
Other equipment-net (Note 2)	118	118	Long-term borrowings
Construction in progress (Note 2)	110,519	108,733	Long-term borrowings
	<u>\$ 465,136</u>	<u>\$ 586,619</u>	

(Note 1) Listed as 'Financial assets at amortised cost -current'.

(Note 2) Listed as 'Property, plant and equipment'.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2022 and 2021, the Group's significant contingent liabilities and unrecognised contract commitments are as follows:

(1) The balances for contracts that the Group entered into for the purchase of property, plant and equipment, but not yet due were \$243,961 and \$291,800, respectively.

(2) Endorsements/guarantees for financing within the Group are as follows:

Endorsor/guarantor	Endorsee/guarantee	December 31, 2022	December 31, 2021
Standard Chem. & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	<u>\$ —</u>	<u>\$ 83,040</u>

The actual endorsement/guarantee amount provided by the Group for the above subsidiaries were both \$—.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell

assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 191,729</u>	<u>\$ 150,059</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	<u>\$ 251,532</u>	<u>\$ 228,345</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,259,381	\$ 2,564,395
Financial assets at amortised cost	163,510	289,932
Notes receivable	276,995	277,426
Accounts receivable	985,985	880,823
Other receivables	216,601	331,809
Guarantee deposits paid	<u>32,002</u>	<u>42,710</u>
	<u>\$ 3,934,474</u>	<u>\$ 4,387,095</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,350,003	\$ 1,067,989
Short-term notes and bills payable	–	290,000
Notes payable	457,858	301,940
Accounts payable	228,512	322,406
Other payables	515,552	454,443
Current refund liabilities	–	14,774
Long-term borrowings	182,000	50,000
Guarantee deposits received	411	532
	<u>\$ 2,734,336</u>	<u>\$ 2,502,084</u>
Lease liabilities	<u>\$ 257,901</u>	<u>\$ 259,988</u>

#### B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments may be used to hedge certain risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Group used in various functional currency, primarily with respect to the USD, EUR, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group has certain sales and purchases denominated in USD and other foreign currencies. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of asset and liability positions in foreign currencies are close, market risk can be offset. The Group does not expect significant interest rate risk.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the net investments of foreign operations are strategic investments, thus the Group does not hedge the investments.

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, PHP and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
Foreign currency amount			
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 52,963	30.71	\$1,626,494
EUR: NTD	361	32.72	11,812
JPY: NTD	211,262	0.2324	49,097
RMB: NTD	12,984	4.408	57,233
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	364	30.71	11,178
December 31, 2021			
Foreign currency amount			
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 60,217	27.68	\$1,666,807
EUR: NTD	955	31.32	29,911
JPY: NTD	361,015	0.2405	86,824
RMB: NTD	23,671	4.344	102,827
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	307	27.68	8,498
EUR: NTD	29	31.32	908
JPY: NTD	232,915	0.2405	56,016

With regard to sensitivity analysis of foreign currency exchange rate risk, if the exchange rates of NTD to all foreign currencies had appreciated/depreciated by 1%, with all other factors remaining constant, the Group's net income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$13,866 and \$14,550, respectively.

- v. Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$ 170,443 and (\$25,595), respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,048 and \$1,642, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$3,610 and \$3,177, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the NTD.
- ii. With regard to sensitivity analysis of interest rate risk, if interest rates on borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been \$150 and \$58 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire company's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard

payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. In line with credit risk management procedure, payment reminders are sent as the contract payments are past due, whereby the default occurs when the contract payments are past due over certain period of time, and recourse procedures are initiated. However, the Group will continue executing the recourse procedures to secure their rights.
- iv. The Group classifies customer's notes and accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Group used the forecastability of conditions to adjust historical and timely information to assess the default possibility of notes and accounts receivable, whereby rate ranging from 0.01% to 100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

For the year ended December 31, 2022			
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 360	\$ 6, 558	\$ 6, 918
(Reversal of) provision for impairment	( 104)	17, 916	17, 812
Write-offs during the year	–	( 79)	( 79)
Effect of foreign exchange	–	26	26
Ending balance	<u>\$ 256</u>	<u>\$ 24, 421</u>	<u>\$ 24, 677</u>

For the year ended December 31, 2021			
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 215	\$ 5, 772	\$ 5, 987
Provision for impairment	145	786	931
Ending balance	<u>\$ 360</u>	<u>\$ 6, 558</u>	<u>\$ 6, 918</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. Surplus cash held by the Group over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in

interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 3,441,650	\$ 2,130,771
Expiring beyond one year	<u>2,042</u>	<u>587,568</u>
	<u>\$ 3,443,692</u>	<u>\$ 2,718,339</u>

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

<u>December 31, 2022</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$1,354,539	\$ –	\$ –	\$ –
Notes payable	457,858	–	–	–
Accounts payable	228,512	–	–	–
Other payables	515,552	–	–	–
Lease liabilities	24,201	23,457	60,461	173,983
Long-term borrowings	2,766	89,524	95,479	–
Guarantee deposits received	–	411	–	–
<u>December 31, 2021</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$1,069,221	\$ –	\$ –	\$ –
Short-term notes and bills payable	290,000	–	–	–
Notes payable	301,940	–	–	–
Accounts payable	322,406	–	–	–
Other payables	454,443	–	–	–
Lease liabilities	22,811	20,588	57,554	178,450
Refund liabilities	14,774	–	–	–
Long-term borrowings	447	447	50,486	–
Guarantee deposits received	–	532	–	–



- v. For non-derivative financial liabilities, the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates and listed stocks is included.

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

Level 3: Unobservable inputs for the asset or liability. The Group's investment in partial equity instruments without active market is included.

- B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, current refund liabilities, long-term borrowings and guarantee deposits received) are approximate to their fair values.

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

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 176,148	\$ –	\$ 15,581	\$ 191,729
Financial assets at fair value through other comprehensive income				
Equity securities	154,874	–	96,658	251,532
	<u>\$ 331,022</u>	<u>\$ –</u>	<u>\$ 112,239</u>	<u>\$ 443,261</u>

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 134,907	\$ –	\$ 15,152	\$ 150,059
Financial assets at fair value through other comprehensive income				
Equity securities	<u>134,689</u>	<u>–</u>	<u>93,656</u>	<u>228,345</u>
	<u>\$ 269,596</u>	<u>\$ –</u>	<u>\$ 108,808</u>	<u>\$ 378,404</u>

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

- i. The instruments that the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed stocks</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. There was no transfer between Level 1 and Level 2 in 2022 and 2021.

E. The following table presents the changes in Level 3 instruments in 2022 and 2021:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 108,808	\$ 108,525
Capital reduction and return of shares	( 413)	–
Recognised in profit or loss (Note 1)	842	1,105
Recognised in other comprehensive income (loss) (Note 2)	3,002	( 822)
At December 31	<u>\$ 112,239</u>	<u>\$ 108,808</u>

(Note 1) Listed as “Other income or loss”.

(Note 2) Listed as “Unrealised gain or loss on financial assets at fair value through other comprehensive income”.

F. For the years ended December 31, 2022 and 2021, there was no transfer from or to Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 112,239	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

		<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:						
Unlisted stocks	\$	108,808	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		<u>December 31, 2022</u>			
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
		<u>Favourable</u>	<u>Unfavourable</u>	<u>Favourable</u>	<u>Unfavourable</u>
<u>Input</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
Financial assets					
Equity instrument	Discount for lack of marketability	± 3%	\$ 667 (\$ 667)	\$ 4,143 (\$ 4,143)	

		<u>December 31, 2021</u>			
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
		<u>Favourable</u>	<u>Unfavourable</u>	<u>Favourable</u>	<u>Unfavourable</u>
<u>Input</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
Financial assets					
Equity instrument	Discount for lack of marketability	± 3%	\$ 649 (\$ 649)	\$ 4,014 (\$ 4,014)	

#### (4) Other information

Due to the spread of the COVID-19 and the government's promotion of various anti-epidemic measures, the Group has adopted relevant measures such as workplace hygiene management and continued to manage related matters in accordance with the 'Guidelines for Continued Operation of Enterprises in Response to Severe Specialised Infectious Pneumonia Epidemic'. All factories are operated in an alternate mode, and there is no material adverse impact on all operation.

### 13. SUPPLEMENTARY DISCLOSURES

(Only 2022 information is disclosed in accordance with the current regulatory requirements.)

#### (1) Significant transactions information

A. Loans to others: Refer to table 1.

- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major stockholders' information

Major stockholders' information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. There is change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this year in accordance with global marketing expansion of the Group.

(2) Measurement of segment information

The chief operating decision maker evaluates the performance of operating segments based on pre-tax income. Accounting policies applied on the operating segments are consistent with the significant accounting policies applied in the preparation of the consolidated financial statements set out in Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended December 31, 2022					
	Medicine	Dietary supplement	Business combinations	Others	Total
Segment revenue	\$2,602,130	\$ 2,056,957	\$ –	\$ 1,462,982	\$6,122,069
Revenue from internal customers	( 74,882)	( 123,395)	–	( 72,424)	( 270,701)
Revenue from external customers	2,527,248	1,933,562	–	1,390,558	5,851,368
Inter-segment profit before income tax	857,747	341,312	–	362,177	1,561,236
Segment assets	3,727,184	3,329,204	42,041	3,869,830	10,968,259
Segment liabilities	1,583,710	1,041,128	716	907,104	3,532,658

For the year ended December 31, 2021					
	Medicine	Dietary supplement	Business combinations	Others	Total
Segment revenue	\$2,589,306	\$ 1,663,711	\$ –	\$ 527,559	\$4,780,576
Revenue from internal customers	( 64,181)	( 88,153)	–	( 24,160)	( 176,494)
Revenue from external customers	2,525,125	1,575,558	–	503,399	4,604,082
Inter-segment profit before income tax	740,811	320,895	–	214,636	1,276,342
Segment assets	3,491,968	2,877,993	2,786,411	938,667	10,095,039
Segment liabilities	1,459,931	703,498	816,702	315,294	3,295,425

(4) Reconciliation for segment income (loss), assets and liabilities

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income before income tax to the profit before income tax is provided as follows:

	For the years ended December 31,	
	2022	2021
Reportable segment income before income tax	\$ 1,199,059	\$ 1,061,706
Other segments profit before income tax	362,177	214,636
Including inter-segment loss	( 161,303)	( 262,592)
Profit before income tax	<u>\$ 1,399,933</u>	<u>\$ 1,013,750</u>

- B. The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. No reconciliation is needed.

(5) Information on product and service

Revenue from external customers is mainly from manufacturing, research and development, sale and wholesale of various medicine, food and medical products. Details of revenue are as follows:

	For the years ended December 31,	
	2022	2021
Revenue from sales of medicine	\$ 2, 527, 248	\$ 2, 525, 125
Revenue from sales of dietary supplement	1, 933, 562	1, 575, 558
Revenue from rendering of services	2, 466	12, 049
Others	1, 388, 092	491, 350
	<u>\$ 5, 851, 368</u>	<u>\$ 4, 604, 082</u>

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	For the years ended December 31,			
	2022		2021	
	Revenue (Note 1)	Non-current assets (Note 2)	Revenue (Note 1)	Non-current assets (Note 2)
Taiwan	\$ 4, 608, 840	\$ 4, 197, 335	\$ 3, 716, 385	\$ 3, 191, 126
Japan	300, 289	–	59, 330	–
Mainland China	163, 435	149, 901	357, 375	157, 429
South Korea	106, 515	–	65, 820	–
Germany	83, 373	–	6, 797	–
Singapore	59, 834	–	38, 597	–
Saudi Arabia	54, 017	–	–	–
America	49, 097	–	19, 810	–
Vietnam	48, 434	–	97, 606	–
Philippines	48, 433	–	43, 057	–
Others	329, 101	200	199, 305	381
	<u>\$ 5, 851, 368</u>	<u>\$ 4, 347, 436</u>	<u>\$ 4, 604, 082</u>	<u>\$ 3, 348, 936</u>

(Note 1) Revenue is based on where the clients are located.

(Note 2) Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, prepayments for equipment, and partial other non-current assets.

(7) Major customer information

The income from each customer of the Group for the years ended December 31, 2022 and 2021 did not reach 10% of the amount of income on the consolidated income statement.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance (Note 2)	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
													Item	Value			
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Other receivables	Yes	\$ 92,130	\$ 92,130	\$ 92,130	1.20%	2	-	Operating capital	-	—	-	\$ 363,441	\$ 363,441	(Notes 3)
2	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Other receivables	Yes	4,628	4,628	4,628	1.20%	2	-	Operating capital	-	—	-	13,077	15,693	(Notes 3)

Note 1: The code represents the nature of financing activities as follows:

- (1) Trading partner.
- (2) Short-term financing.

Note 2: The ending balance is the credit limit approved by the Board of Directors.

Note 3: Calculation of limit on loans granted to a single party and ceiling on total loans granted:

- (1) Limit on loans granted to a single party:
  - (a) For the companies having business relationship with the Company, limit on loans granted to a single party is the higher value of purchasing and selling during current or latest year on the year of financing.
  - (b) For short-term financing, limit on loans granted to a single party is 5% of the Company's net assets based on the latest audited consolidated financial statements.
  - (c) Limit on loans granted by Standard Pharmaceutical Co., Ltd. to a single party is 200% of the creditor's net assets based on the latest audited or reviewed consolidated financial statements.
  - (d) Limit on loans granted by Jiangsu Standard Biotech Pharmaceutical to a single party is 25% of the creditor's net assets based on the latest audited or reviewed consolidated financial statements.
- (2) Ceiling on total loans granted to a single party:
  - (a) Ceiling on total loans granted by Standard Pharmaceutical Co., Ltd. to single party is 200% of the creditor's net assets.
  - (b) Ceiling on total loans granted by Jiangsu Standard Biotech Pharmaceutical to single party is 30% of the creditor's net assets.
- (3) For short-term financing, ceiling on total loans granted to all direct or indirect wholly-owned domestic and foreign subsidiaries of the Company is not limited to 40% of the creditors' net assets.

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71 and RMB: NTD 1:4.408.



STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General	Number of shares	As of December 31, 2022			
			ledger account		Book value	Ownership (%)	Fair value	Note
Standard Chem & Pharm. Co., Ltd	Bonds with repurchase agreement:							
	China Bills Finance Corporation	—	1	—	\$ 82,376	-	\$ 82,376	-
	Stocks:							
	Original BioMedicals Co., Ltd.	—	2	200,000	-	0.43%	-	-
	NCKU Venture Capital Co., Ltd.	—	3	650,000	3,893	4.17%	3,893	-
	NTU Innovation & Incubation Co., Ltd.	—	3	480,000	3,931	3.76%	3,931	-
	TaiwanJ Pharmaceuticals Co., Ltd.	—	3	258,133	2,737	0.34%	2,737	-
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055,000	42,770	17.71%	42,770	-
	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s director	4	3,378,006	44,421	18.13%	44,421	-
	Green Management International Co., Ltd.	—	4	109,672	1,751	5.14%	1,751	-
	Kenda Pharmaceutiocal Co., Ltd.	—	4	5,000,000	4,550	19.42%	4,550	-
	Rossmax International Ltd.	—	4	2,990,000	73,106	3.52%	73,106	-
Chia Scheng Investment Co., Ltd.	EASYWELL BIOMEDICALS, INC.	—	4	5,094,600	81,768	4.45%	81,768	-
	Beneficiary certificates:							
	Taishin Ta-Chong Money Market Fund	—	2	368,142	5,313	-	5,313	-
	Taishin 1699 Money Market Fund	—	2	50,000	688	-	688	-
	Stocks:							
	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s director	4	240,846	3,166	1.29%	3,166	-
MULTIPOWER ENTERPRISE CORP.	Stason Pharmaceuticals, Inc.	—	4	4,000,000	-	13.02%	-	-
	Bonds with repurchase agreement:							
	International Bills Finance Corporation	—	1	—	100,000	-	100,000	-
Advpharma Inc.	Mega Bills Finance Co., Ltd.	—	1	—	20,000	-	20,000	-
	Beneficiary certificates:							
	Taiwan Cooperative Bank Money Market Fund	—	2	2,000,000	20,600	-	20,600	-
	Mega Diamond Money Market Fund	—	2	3,166,588	40,360	-	40,360	-
	FSITC Taiwan Money Market Fund	—	2	1,652,490	25,697	-	25,697	-
	Taishin 1699 Money Market Fund	—	2	1,473,047	20,277	-	20,277	-

Securities held by	Marketable securities	Relationship with the securities issuer	General	Number	As of December 31, 2022			
			ledger		Book value	Ownership (%)	Fair value	Note
			account	of shares				
Advpharma Inc.	UPAMC James Bond Money Market Fund	—	2	1,662,198	\$ 28,168	-	\$ 28,168	-
	Shin Kong US Harvest Balanced TWD A	—	2	245,916	2,520	-	2,520	-
	Cathay Senior Secured High Yield Bond	—	2	368,302	3,654	-	3,654	-
	Capital Money Market Fund	—	2	1,658,329	27,172	-	27,172	-
	Shin Kong Emergin Wealthy Nations Bond Fund A	—	2	195,290	1,699	-	1,699	-
	Stocks:							
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	3	76,698	859	3.70%	859	-
	TaiwanJ Pharmaceuticals Co., Ltd.	—	3	25,203	268	0.03%	268	-
	Stocks:							
	NCKU Venture Capital Co., Ltd.	—	3	650,000	3,893	4.17%	3,893	-
SYN-TECH CHEM & PHARM	Bonds with repurchase agreement:							
	China Bills Finance Corporation	—	1	—	323,257	-	323,257	-
	Mega Bills Finance Co., Ltd.	—	1	—	107,485	-	107,485	-
	Ta Ching Bills Finance Corporation	—	1	—	99,683	-	99,683	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities. Note 2:

The general ledger account is classified into the following four categories:

1. Cash and cash equivalents
2. Financial assets at fair value through profit or loss - current
3. Financial assets at fair value through profit or loss - non-current
4. Financial assets at fair value through other comprehensive income - non-current

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71.

Table 3

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES  
Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in capital or more  
For the year ended December 31, 2022

Expressed in thousands of NTD

Corporation of acquisition	Name of Property	Date of acquisition	Trade amount	Status of payment of proceeds	Name of the counterparty	Relationship	The last transfer data of related counterparty				Basis for price determination	Reason for acquisition	Other terms
							Owner	Relationship	Date	Amount			
Syngen Biotech Co., Ltd.	Land and plant building	2022.05	\$ 407,887	\$ 407,887	Taiwan Yunlin District Court	—	—	—	—	\$ -	(Note)	For use in operation	—

Note: A foreclosure acquired by bidding.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms		
0	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	1	Purchases	\$ 84,289	1 ~ 4 month(s) after monthly billings.		1%
			1	Accounts payable	( 25,569)	—		—
		Souriree Biotech & Pharm. Co., Ltd.	1	Purchases	67,443	1 ~ 4 month(s) after monthly billings.		1%
		SYN-TECH CHEM & PHARM CO., LTD.	1	Purchases	37,166	1 ~ 4 month(s) after monthly billings.		1%
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Other receivables	92,247	—		1%

Note 1: As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

Note 2: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 3: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on ending balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for statement of comprehensive income accounts.

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71 and RMB: NTD 1:4.408.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	\$ 396,953	\$ 396,953	13,000,000	100.00	\$ 181,720	(\$ 17,013)	(\$ 17,013)	Subsidiary
	Chia Scheng Investment Co., Ltd.	Taiwan	General investment	161,356	161,356	14,553,000	100.00	11,003	72	72	Subsidiary
	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Philippines	Import and export of various medical products, medicine, supplements	6,762	6,762	192,195	100.00	314	( 224)	( 224)	Subsidiary
	Inforight Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	100.00	4,212	515	515	Subsidiary
	Souriree Biotech & Pharm. Co., Ltd.	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicines	41,871	41,549	5,673,908	93.58	41,483	11,709	9,043	Subsidiary
	Multipower Enterprise Corp.	Taiwan	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	293,063	293,063	19,840,600	90.72	337,397	( 4,037)	( 3,974)	Subsidiary
	Advpharma Inc.	Taiwan	Research and development, manufacturing and sale of various medicine	525,933	525,933	53,226,806	88.71	266,798	( 11,061)	( 9,748)	Subsidiary
	Syngen Biotech Co., Ltd.	Taiwan	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicine	330,203	330,203	12,651,146	46.68	910,035	321,236	149,057	Subsidiary (Note 1)
	SYN-TECH CHEM. & PHARM. CO., LTD.	Taiwan	Manufacturing and sale of APIs, reagent, surfactant, Chinese, western, and veterinary medicinal products	720,941	512,314	12,675,959	28.43	758,751	239,422	52,143	Subsidiary (Note 2) (Note 3)
	Ho Yao Biopharm Co., LTD.	Taiwan	Research and development of new medicine	46,800	-	3,680,000	84.99	38,417	( 10,406)	( 8,383)	Subsidiary (Note 4)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Standard Chem & Pharm. Co., Ltd.	WE CAN MEDICINES CO., LTD.	Taiwan	Wholesale of various medicine	\$ 277,067	\$ 282,868	13,155,909	32.89	\$ 235,502	\$ 100,054	\$ 33,360	Associate (Note 5)
	Taiwan Biosim, Co., Ltd.	Taiwan	Research and development of various medicine	49,900	49,900	4,990,000	49.90	31,982	2,744	1,370	Associate
Syngen Biotech Co., Ltd	SYNGEN BIOTECH INTERNATIONAL SDN. BHD.	Malaysia	Research and development, manufacturing and sale of APIs and biochemical nutrition, sale of preventive medicine	7,322	7,322	1,000,000	100.00	978	( 789)	-	Subsidiary (Note 6)
	Jhan Shuo Biopharma Co., Ltd.	Taiwan	Manufacturing, wholesale and sale of western medicine	100	-	10,000	100.00	100	-	-	Subsidiary (Note 6) (Note 7)
	GENEFERMI BIOTECHNOLOGY CO., LTD.	Taiwan	Research and development, design, quantification, manufacturing and sale of microbial and edible mushroom medicine fermentation, herbal and vegetal functional products, fruit and vegetable fermentation concentrates and protein products, management of the aforementioned trade business, technological consultancy, etc.	273,840	273,840	12,000,000	28.94	309,854	93,454	-	Associate (Note 6)
Advpharma Inc.	CNH TECHNOLOGIES INC.	USA	Research and development of various medicine	13,734	13,734	400,000	35.60	683	( 24,332)	-	(Note 6)
SYN-TECH CHEM. & PHARM. CO., LTD.	Advpharma Inc.	Taiwan	Research and development, manufacturing and sale of various medicine	9,626	9,626	1,495,414	2.49	7,687	( 11,061)	-	(Note 6)
	CNH TECHNOLOGIES INC.	USA	Research and development of various medicine	21,092	21,092	535,050	47.62	7,288	( 24,332)	-	(Note 6)

Note 1: In September 2016, the subsidiary, Syngen Biotech Co., Ltd. ("Syngen"), filed for an initial public offering with Taipei Exchange. As part of the public trading process, the Company allowed its underwriter to exercise the overallotment option, which decreased the Company's ownership percentage in Syngen to below 50%. However, the Company did not lose control over Syngen.

Note 2: The company participated in the cash capital increase of SYN-TECH CHEM. & PHARM. CO., LTD., which results in becoming SYN-TECH's single largest corporate shareholder and having substantial control over it.

Note 3: The Company spun off and transferred the synthesis department to SYN-TECH CHEM. & PHARM. CO., LTD. and received the common shares issued from the capital increase on July 1, 2022

Note 4: The subsidiary newly acquired in the first quarter of 2022.

Note 5: Formerly named as 'WE CAN MEDICINES CO., LTD.' and the name was changed since June 13, 2022.

Note 6: Not required to disclose income (loss) recognised.

Note 7: The subsidiary newly established in the third quarter of 2022.

Note 8: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Note
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	\$ 276,390	(Note 1)	\$ 276,084	\$ - \$ 276,084	\$ -	(\$ 17,426)	100.00	(\$ 17,426)	\$ 52,323	\$ -	(Note 4)
Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	186,878	(Note 2)	-	-	-	( 14,099)	55.00	( 7,755)	( 6,559)	-	(Note 4)
Shanghai Standard Pharmaceuticals Co., Ltd.	Sale of various medicine and dietary supplement	4,512	(Note 3)	-	4,512	-	( 1,179)	100.00	( 1,179)	3,274	-	(Note 4)

Company name	December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
Standard Chem & Pharm. Co., Ltd.	\$ 280,596	\$ 276,390	\$ 4,461,361

Note 1: Indirect investment in Mainland China through an existing company (Standard Pharmaceutical Co., Ltd.) located in the third area.

Note 2: Indirect investment in Mainland China through an existing company (Jiangsu Standard Biotech Pharmaceutical Co., Ltd.) located in Mainland China.

Note 3: Direct investment in Mainland China from Taiwan.

Note 4: Recognition is based on investees' financial statements audited and attested by independent accountants.

Note 5: In accordance with Article 4 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, when the accumulated investment amount of an individual investor is less than US\$1 million, it can be examined in the form of declaration to the regulatory authority which shall be made within six months after the investment.

The Company's investment in Shanghai Standard Pharmaceuticals Co., Ltd. amounting to \$4,665 has not yet been declared as of the reporting date as it was still within the declaration period stipulated in the regulations and had been declared to the regulatory authority in February 2023.

Note 6: Ceiling is the higher of net assets or 60% of consolidated equity.

Note 7: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71 and RMB: NTD 1:4.408.

STANDARD CHEM & PHARM. CO., LTD. AND SUBSIDIARIES

Major Shareholders Information

December 31, 2022

Table 7

Major Shareholder's Name	Shares	
	Number of shares	Percentage
Chin-Tsai, Fan	20,786,813	12%
Tzu-Pin, Fan	19,518,084	11%
Mei-Rong, Fan Hung	14,584,781	8%
Tzu-Tin, Fan	11,766,604	7%
Sen-Hao, Cheng	9,368,888	5%
Tsuey-Wen, Yeh	9,124,669	5%

Note 1: The information of major shareholders in this table is calculated by TDCC on the last business day at the end of each quarter to calculate that the shareholder-holding company has completed the book-entry delivery (including treasury stocks) of common stocks and special stocks totaling more than 5%. As for the share capital recorded in the company's financial report and the company's actual number of shares registered and delivered may be different due to the calculation bases.

Note 2: If shareholder has his/hers shares been entrusted, it shall disclosed in the trustee's individual accounts. As for shareholder's declaration of shares held by insiders with more than 10%, for shareholding that includes shares on hand and those have been entrusted, and the right to their entrust property, etc., please refer to MOPS's website.



## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of STANDARD CHEM. & PHARM. CO., LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of STANDARD CHEM. & PHARM. CO., LTD. (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for opinion**

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

### **Key audit matters**

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

Key audit matters of the Company's 2022 parent company only financial statements are as follows:

## **Valuation of inventories**

### Description

Refer to Note 4(10) for accounting policies on the valuation of inventories, Note 5(2) for the uncertainty of significant accounting estimations and assumptions relating to valuation of inventories, and Note 6(6) for the details of allowance for inventory valuation loss. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation loss are \$575,027 thousand and \$12,629 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of human medicine. Due to the influence of market demand and short expiration date of medicines, there is a risk of market price decline and obsolescence of inventories. The Company measures inventories at the lower of cost and net realisable value. The net realisable values of obsolete inventories are determined based on the historical information on the selling price.

Given that the valuation of inventories is subject to uncertainty of assumptions and the accounting estimations will have significant influence on the inventory values, we considered the valuation of inventories a key audit matter.

### How our audit addressed the matter

We performed the following key audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Tested whether the basis of inventory aging used in calculating the net realisable value of inventory is consistent with the Company's policy.
4. Validated the net realisable value of inventories and the adequacy of allowance for inventory valuation loss.

## **Existence of domestic sales revenue from human medicines**

### Description

Refer to Note 4(27) for accounting policies on revenue recognition. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Company is primarily engaged in the manufacturing and sales of human medicines. The Company's sales is mainly domestic-based and its customers are numerous, including hospitals, clinics and pharmacies all over the country. Since the sales transactions are numerous and would require a longer period for verification, we considered the existence of domestic sales revenue from human medicines a key audit matter.

### How our audit addressed the matter

We performed the following key audit procedures for the above matter:

1. Assessed the consistency and effectiveness of internal control relevant to sales recognition.
2. Assessed basic information of the major customers, including the details of the chairman and major shareholders, registered address, principal place of business, capital and main business activities, etc.
3. Selected samples of sales transactions and checked against related supporting documentation, including unit prices, quantities, reasonableness of sales allowance recognition, waybill and subsequent cash collection.

## **Other matter – Reference to the audits of other auditors**

We did not audit the financial statements of certain investments accounted for under equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under equity method amounted to \$235,502 thousand and \$205,362 thousand, constituting 3.62% and 3.43% of total assets as of December 31, 2022 and 2021, respectively, and the comprehensive income and loss recognised from subsidiaries, associates and joint ventures accounted for under equity method amounted to \$33,360 thousand and (\$11,473) thousand, constituting 3.96% and (1.65%) of total comprehensive income for the years then ended, respectively.

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' responsibilities for the audit of the parent company only financial statements**

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

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

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

misrepresentations, or the override of internal control.

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

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

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

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

Tien, Chung-Yu

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2023

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

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

STANDARD CHEM. & PHARM. CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets			December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	858,252	13	\$	669,875	11
1150	Notes receivable, net	6(4), 7 and 12		100,411	2		101,981	2
1170	Accounts receivable, net	6(4), 7 and 12		533,695	8		538,485	9
1200	Other receivables	6(5) and 7		72,290	1		191,470	3
130X	Inventories	5(2), 6(5)(6)		562,398	9		530,284	9
1410	Prepayments			47,159	1		37,331	1
1479	Other current assets			24,973	-		796	-
11XX	Total current assets			2,199,178	34		2,070,222	35
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	5(2) and 6(2)		10,561	-		9,849	-
1517	Financial assets at fair value through other comprehensive income - non-current	5(2) and 6(3)		248,366	4		225,274	4
1550	Investments accounted for under equity method	6(3)(7)(27) and 7		2,820,888	43		2,413,208	40
1600	Property, plant and equipment	6(5)(7)(8)		1,003,055	16		966,414	16
1755	Right-of-use assets	6(9) and 7		15,711	-		17,746	-
1760	Investment property, net	6(8)(10)		62,987	1		46,207	1
1780	Intangible assets	6(11)		6,374	-		6,625	-
1840	Deferred income tax assets	6(25)		79,609	1		96,408	2
1915	Prepayments for equipment	6(8)		27,128	1		92,585	1
1920	Guarantee deposits paid			25,685	-		37,632	1
1990	Other non-current assets			5,519	-		6,932	-
15XX	Total non-current assets			4,305,883	66		3,918,880	65
1XXX	TOTAL ASSETS		\$	6,505,061	100	\$	5,989,102	100

(Continued)

STANDARD CHEM. & PHARM. CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 870,000	14	\$ 710,500	12
2130	Contract liabilities - current	6(18)	35,430	1	40,569	1
2150	Notes payable		141,490	2	110,969	2
2170	Accounts payable	7	142,739	2	176,821	3
2200	Other payables		248,593	4	249,178	4
2230	Current income tax liabilities	6(25)	83,846	1	81,129	1
2280	Lease liabilities - current	6(9) and 7	4,444	-	3,998	-
2310	Receipts in advance		942	-	1,390	-
21XX	Total current liabilities		1,527,484	24	1,374,554	23
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	64,893	1	61,992	1
2580	Lease liabilities - non-current	6(9) and 7	11,540	-	14,111	-
2640	Net defined benefit liability - non-current	6(13)	147,770	2	196,334	3
2645	Guarantee deposits received		200	-	235	-
25XX	Total non-current liabilities		224,403	3	272,672	4
2XXX	Total liabilities		1,751,887	27	1,647,226	27
Equity						
Share capital						
3110	Common stock	6(14)	1,786,961	28	1,786,961	30
3200	Capital surplus	6(7)(15)(27)	220,484	3	204,313	3
	Retained earnings	6(3)(16)(17)				
3310	Legal reserve		793,498	12	709,879	12
3320	Special reserve		110,329	2	-	-
3350	Unappropriated retained earnings		1,957,837	30	1,751,052	29
3400	Other equity interest	6(3)(7)(17)	( 115,935)	( 2)	( 110,329)	( 1)
3XXX	Total equity		4,753,174	73	4,341,876	73
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	TOTAL LIABILITIES AND EQUITY		\$ 6,505,061	100	\$ 5,989,102	100

The accompanying notes are an integral part of these parent company only financial statements.



STANDARD CHEM. & PHARM. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

				For the years ended December 31,			
				2022		2021	
Items	Notes			AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$		2,772,204	100	\$	2,837,930 100
5000 Operating costs	6(6)(8)(11)(13)(23) (24) and 7	(		1,453,091	( 53)	(	1,471,689 ( 52)
5900 Net operating margin				1,319,113	47		1,366,241 48
Operating expenses	6(8)(11)(13)(23)(24) and 7						
6100 Selling expenses		(		417,752	( 15)	(	416,241 ( 15)
6200 General and administrative expenses		(		166,223	( 6)	(	157,806 ( 5)
6300 Research and development expenses		(		148,410	( 5)	(	167,402 ( 6)
6450 Expected credit gain (loss)	12			837	-	(	376 -
6000 Total operating expenses		(		731,548	( 26)	(	741,825 ( 26)
6900 Operating profit				587,565	21		624,416 22
Non-operating income and expenses							
7100 Interest income	6(19)			11,232	-		2,804 -
7010 Other income	6(3)(5)(10)(20) and 7			56,220	2		166,696 6
7020 Other gains and losses	6(2)(5)(6)(9)(21) and 12			75,984	3	(	88,579 ( 3)
7050 Finance costs	6(8)(9)(22) and 7	(		7,821	-	(	3,473 -
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)			205,039	7		120,622 4
7000 Total non-operating income and expenses				340,654	12		198,070 7
7900 Profit before income tax				928,219	33		822,486 29
7950 Income tax expense	6(25)	(		112,811	( 4)	(	115,752 ( 4)
8200 Profit for the year		\$		815,408	29	\$	706,734 25
<b>Other comprehensive income (loss)</b>							
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>							
8311 Remeasurement of defined benefit plans	6(13)	\$		27,915	1	\$	18,459 1
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(17)	(		14,235	( 1)	(	14,673 ( 1)
8330 Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(7)(17)			3,870	-	(	6,084 -
8349 Income tax related to components of other comprehensive loss	6(25)	(		5,583	-	(	3,692 -
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>							
8361 Financial statements translation differences of foreign operations	6(7)(17)			14,492	1	(	4,186 -
8300 Total other comprehensive income (loss) for the year		\$		26,459	1	(\$	10,176) -
8500 Total comprehensive income for the year		\$		841,867	30	\$	696,558 25
Earnings per share (in dollars)	6(26)						
9750 Basic		\$		4.56		\$	3.95
9850 Piluted		\$		4.56		\$	3.95

The accompanying notes are an integral part of these parent company only financial statements.

STANDARD CHEM. & PHARM. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Common stock	Capital Surplus				Retained Earnings			Other Equity Interest		Total equity
			Additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Change in net equity of associates and joint ventures accounted for under equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains or losses from financial assets measured at fair value through other comprehensive income	
<u>For the year ended December 31, 2021</u>												
Balance at January 1, 2021		\$ 1,786,961	\$ 143,353	\$ 57,454	\$ 2,273	\$ 194	\$ 658,657	\$ -	\$ 1,287,735	(\$ 16,788 )	\$ 46,093	\$ 3,965,932
Profit for the year		-	-	-	-	-	-	-	706,734	-	-	706,734
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	-	-	15,100	( 4,186 )	( 21,090 )	( 10,176 )
Total comprehensive income (loss) for the year		-	-	-	-	-	-	-	721,834	( 4,186 )	( 21,090 )	696,558
Difference between proceeds from acquisition or disposal of subsidiaries and book value	6(7)(27)	-	-	( 77 )	-	-	-	-	-	-	-	( 77 )
Adjustment to non-proportional acquisition of associates and joint ventures accounted for under equity method	6(7)(15)	-	-	-	1,068	-	-	-	-	-	-	1,068
Overdue cash dividends payable	6(15)	-	-	-	-	48	-	-	-	-	-	48
Disposal of financial assets at fair value through other comprehensive income	6(3)(7)(17)	-	-	-	-	-	-	-	114,358	-	( 114,358 )	-
Appropriations of 2020 earnings												
Legal reserve		-	-	-	-	-	51,222	-	( 51,222 )	-	-	-
Cash dividends	6(16)	-	-	-	-	-	-	-	( 321,653 )	-	-	( 321,653 )
Balance at December 31, 2021		\$ 1,786,961	\$ 143,353	\$ 57,377	\$ 3,341	\$ 242	\$ 709,879	\$ -	\$ 1,751,052	(\$ 20,974 )	(\$ 89,355 )	\$ 4,341,876
<u>For the year ended December 31, 2022</u>												
Balance at January 1, 2022		\$ 1,786,961	\$ 143,353	\$ 57,377	\$ 3,341	\$ 242	\$ 709,879	\$ -	\$ 1,751,052	(\$ 20,974 )	(\$ 89,355 )	\$ 4,341,876
Profit for the year		-	-	-	-	-	-	-	815,408	-	-	815,408
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	-	-	26,107	14,492	( 14,140 )	26,459
Total comprehensive income (loss) for the year		-	-	-	-	-	-	-	841,515	14,492	( 14,140 )	841,867
Difference between proceeds from acquisition or disposal of subsidiaries and book value	6(7)(27)	-	-	3,521	-	-	-	-	-	-	-	3,521
Adjustment to non-proportional acquisition of associates and joint ventures accounted for under equity method	6(7)(15)	-	-	-	3,744	-	-	-	-	-	-	3,744
Overdue cash dividends payable	6(15)	-	-	-	-	171	-	-	-	-	-	171
Disposal of financial assets at fair value through other comprehensive income	6(3)(17)	-	-	-	-	-	-	-	5,958	-	( 5,958 )	-
Appropriations of 2021 earnings												
Legal reserve		-	-	-	-	-	83,619	-	( 83,619 )	-	-	-
Special reserve		-	-	-	-	-	-	110,329	( 110,329 )	-	-	-
Cash dividends	6(16)	-	-	-	-	-	-	-	( 446,740 )	-	-	( 446,740 )
Effect of organisational restructuring	6(7)(15)	-	8,735	-	-	-	-	-	-	-	-	8,735
Balance at December 31, 2022		\$ 1,786,961	\$ 152,088	\$ 60,898	\$ 7,085	\$ 413	\$ 793,498	\$ 110,329	\$ 1,957,837	(\$ 6,482 )	(\$ 109,453 )	\$ 4,753,174

The accompanying notes are an integral part of these parent company only financial statements.

STANDARD CHEM. & PHARM. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 928,219	\$ 822,486
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit and loss	6(2)(21)	( 712 )	( 108 )
Expected credit (gains) losses	12	( 837 )	376
(Reverse of allowance for) provision for loss on inventory market price decline	6(6)	( 3,807 )	7,403
Fire loss - inventories	6(6)	-	4,608
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	( 205,039 )	( 120,622 )
Depreciation	6(8)(9)(10)(23)	95,641	101,113
Net loss (gain) on disposal of property, plant and equipment	6(21)	1,113	( 16 )
Gain from lease modification	6(9)(21)	( 8 )	-
Net loss on disposal of other non-current assets	6(21)	-	5,872
Amortisation	6(23)	9,605	17,607
Dividend income	6(3)(20)	( 9,604 )	( 17,943 )
Interest income	6(19)	( 11,232 )	( 2,804 )
Interest expenses	6(22)	7,821	3,473
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		843	( 13,399 )
Accounts receivable		( 12,823 )	( 13,621 )
Other receivables		83,216	( 67,287 )
Inventories		( 58,097 )	6,014
Prepayments		( 10,577 )	1,879
Other current assets		( 24,177 )	436
Changes in operating liabilities			
Contract liabilities - current		( 5,139 )	( 52,670 )
Notes payable		39,333	( 4,074 )
Accounts payable		( 22,229 )	40,630
Other payables		( 10,040 )	( 19,296 )
Receipts in advance		( 448 )	872
Net defined benefit liability - non-current		( 20,649 )	( 11,591 )
Cash inflow generated from operations		770,373	689,338
Dividends received		83,670	62,223
Interest received		8,832	3,276
Interest paid		( 7,540 )	( 3,351 )
Income tax paid		( 95,977 )	( 106,753 )
Net cash flows from operating activities		759,358	644,733

(Continued)

STANDARD CHEM. & PHARM. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31,	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in financial assets at amortised cost - current		\$ -	\$ 284,800
Acquisition of financial assets at fair value through other comprehensive income - non-current		( 60,632 )	( 120,752 )
Proceeds from disposal of financial assets at fair value through other comprehensive income - non-current	6(3)	23,305	18,921
Prepayment for investments accounted for under equity method		-	( 5,578 )
Acquisition of investments accounted for under equity method	6(28)	( 51,563 )	( 315,512 )
Proceeds from disposal of investments accounted for under equity method	6(7)	9,156	-
Cash paid for acquisition of property, plant and equipment	6(28)	( 159,723 )	( 69,304 )
Interest paid for acquisition of property, plant and equipment	6(8)(22)(28)	( 638 )	( 369 )
Proceeds from disposal of property, plant and equipment		722	63
Acquisition of intangible assets	6(11)	( 3,564 )	( 4,798 )
Increase in prepayment for equipment		( 88,852 )	( 92,611 )
Decrease (increase) in guarantee deposits paid		11,947	( 16,665 )
Proceeds from disposals of other non-current assets	6(28)	38,364	-
Increase in other non-current assets		( 4,530 )	( 9,845 )
Cash received from segment spin-off	6(7)	6,973	-
Net cash flows used in investing activities		( 279,035 )	( 331,650 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings	6(29)	497,500	360,500
Decrease in short-term borrowings	6(29)	( 338,000 )	( 140,000 )
Payments of lease liabilities	6(29)	( 4,842 )	( 4,470 )
(Decrease) increase in guarantee deposit received	6(29)	( 35 )	35
Overdue cash dividends payable	6(15)	171	48
Payment of cash dividends	6(16)	( 446,740 )	( 321,653 )
Net cash flows used in financing activities		( 291,946 )	( 105,540 )
Net increase in cash and cash equivalents		188,377	207,543
Cash and cash equivalents at beginning of year	6(1)	669,875	462,332
Cash and cash equivalents at end of year	6(1)	\$ 858,252	\$ 669,875

The accompanying notes are an integral part of these parent company only financial statements.

STANDARD CHEM. & PHARM. CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE  
INDICATED)

1. HISTORY AND ORGANISATION

(1) Standard Chem. & Pharm. Co., Ltd. (the ‘Company’) was incorporated on June 30, 1967 under the provisions of the Company Act of the Republic of China (R.O.C.) and other regulations. The Company is primarily engaged in the manufacturing and sales of Chinese and western medicine, cosmetics, beverage, normal instruments and medical instruments.

(2) The Company has been listed on the Taiwan Stock Exchange starting from December 1995.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	International Accounting Standards Board ("IASB")
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs” ) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, ‘CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY’.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within 12 months from the balance sheet date;

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

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

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

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within 12 months from the balance sheet date;

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

(5) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits and repurchase bonds that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

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

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

(7) Financial assets at amortised cost

A. Financial assets at a mortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at



initial recognition to recognise changes in fair value in other comprehensive income.

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

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

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

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

(10) Inventories

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

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

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains or losses occurred on the transactions between the Company and subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- L. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Assets	Useful Life
Buildings (including auxiliary equipment)	2 ~ 60 years
Machinery and equipment	2 ~ 15 years
Utility equipment	3 ~ 20 years
Transportation equipment	2 ~ 15 years
Office equipment	2 ~ 9 years
Other equipment	2 ~ 15 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model.

Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(18) Intangible assets

A. Patents

Patents is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 ~ 10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 ~ 10 years.

(19) Impairment of non-financial assets

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

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

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

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

(21) Notes and accounts payable

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

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

(22) Derecognition of financial liabilities

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or

substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, etc., to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Share capital

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

(26) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells human pharmaceuticals, etc. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Goods are often sold with discounts and allowances based on the price spread given by the National Health Insurance. Revenue is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Reversal of accounts receivable is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The terms of sales transactions are set individually with each clients and usually are made with cash payment in 2 months after billings, or to obtain cheques with a maturity of 4~6 months upon billings. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Rendering of services

- (a) The Company provides processing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the balance sheet date as a proportion of the total services to be provided.
- (b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.



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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

### (1) Critical judgements in applying the Company's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### A. Valuation of inventories

- (a) As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the influence of different market demand and expiration date, etc., the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the valuation.

- (b) As of December 31, 2022, the carrying amount of inventories was \$562,398.

#### B. Financial assets-fair value measurement of unlisted stocks without active market

- (a) The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

- (b) As of December 31, 2022, the carrying amount of unlisted stocks without active market was \$104,053.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Revolving funds and petty cash	\$ 6, 523	\$ 6, 646
Checking accounts and demand deposits	<u>121, 299</u>	<u>198, 128</u>
	<u>127, 822</u>	<u>204, 774</u>
Cash equivalents:		
Time deposits	648, 054	269, 224
Repurchase bonds	<u>82, 376</u>	<u>195, 877</u>
	<u>730, 430</u>	<u>465, 101</u>
	<u>\$ 858, 252</u>	<u>\$ 669, 875</u>

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

B. As of December 31, 2022 and 2021, the Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 12, 000	\$ 12, 000
Valuation adjustment	( <u>12, 000</u> )	( <u>12, 000</u> )
	<u>\$ -</u>	<u>\$ -</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Emerging stocks	\$ 1, 603	\$ 1, 603
Unlisted stocks	<u>11, 300</u>	<u>11, 300</u>
	<u>12, 903</u>	<u>12, 903</u>
Valuation adjustment	( <u>2, 342</u> )	( <u>3, 054</u> )
	<u>\$ 10, 561</u>	<u>\$ 9, 849</u>

A. The Company recognised net gain (listed as “Other gains and losses”) of \$712 and \$108 for the years ended December 31, 2022 and 2021, respectively.

B. As of December 31, 2022 and 2021, the Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is

provided in Note 12(2), 'Financial instruments'.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments		
Listed stocks	\$ 163,989	\$ 120,704
Unlisted stocks	<u>63,295</u>	<u>63,295</u>
	227,284	183,999
Valuation adjustment	<u>21,082</u>	<u>41,275</u>
	<u>\$ 248,366</u>	<u>\$ 225,274</u>

- A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was its book value.
- B. The Company participated in cash capital increase of SYN-TECH CHEM. & PHARM. CO., LTD. (SYN-TECH) by investing cash of \$256,939 and obtained a total of 4,282 thousand shares on December 8, 2021, which resulted in the increase of shareholding from 10.61% to 18.65% and becoming SYN-TECH's single largest corporate shareholder. Through comprehensive assessment and together with another major shareholder, the Company has the ability to direct SYN-TECH's relevant activities and therefore obtain substantial control over SYN-TECH from the date. Based on the aforementioned transaction, the Company transferred financial assets at fair value through other comprehensive income - non-current in the amount of \$212,034 to investments accounted for under equity method, and reclassified unrealised gain amounting to \$102,226 to retained earnings.
- C. The Company disposed financial assets at fair value through other comprehensive income in the amount of \$23,305 and \$18,921 for the years ended December 31, 2022 and 2021, respectively. This resulted in cumulative gain on disposal amounting to \$5,985 and \$9,513, which was reclassified to retained earnings for the years ended December 31, 2022 and 2021, respectively.
- D. The Company recognised (\$14,235) and (\$14,673) in other comprehensive income in relation to fair value change for the years ended December 31, 2022 and 2021, respectively.
- E. The Company recognised dividend income of \$9,604 and \$17,943 in profit or loss (listed as 'Other income') in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, respectively.
- F. As of December 31, 2022 and 2021, the Company has no financial assets at fair value through other comprehensive income pledged to others.
- G. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	<u>\$ 100,411</u>	<u>\$ 101,981</u>
Accounts receivable	\$ 537,951	\$ 543,578
Less: Allowance for uncollectible accounts	( 4,256)	( 5,093)
	<u>\$ 533,695</u>	<u>\$ 538,485</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable:		
Within the credit period	<u>\$ 100,411</u>	<u>\$ 101,981</u>
Accounts receivable:		
Within the credit period	\$ 501,902	\$ 507,251
Overdue up to 90 days	14,596	25,198
Overdue 91 to 180 days	21,451	11,129
Overdue 181 to 270 days	2	–
	<u>\$ 537,951</u>	<u>\$ 543,578</u>

The above ageing analysis was based on days overdue.

- B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$618,539.
- C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were its book value.
- D. As of December 31, 2022 and 2021, the Company has no notes and accounts receivable pledged to others.
- E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(5) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Claims receivable	\$ 61,693	\$ 61,693
Receivables from disposal of other non-current assets	–	38,364
Others	10,597	91,413
	<u>\$ 72,290</u>	<u>\$ 191,470</u>

(Note) The Company was affected by the fire incident in the neighbouring subsidiary – SYN-TECH CHEM & PHARM CO., LTD. (SYN-TECH) on May 20, 2021, which resulted in the damage of certain property, plant and equipment, and inventories and therefore interrupting part of the operations. The Company had derecognised some

damaged property, plant and equipment and inventories amounting to \$61,693 and \$4,608, respectively. The total loss as a result of the fire incident was \$66,301 for the year ended December 31, 2021. The Company had obtained property insurance for its property, plant and equipment. The insurance company is currently handling the follow-up indemnity and claim procedures with the assistance of its commissioned third-party notaries. The Company has inspected some purchasing contract of the assets and after consideration of Consumer Price Index, calculated the replacement cost that could be covered by the insurance based on external information. The Company recognised indemnity income at \$66,301 limited to the loss of each property for the year ended December 31, 2021. For the year ended December 31, 2022, since the insurance company had checked part of the damaged property, the Company received insurance claims of \$4,608, with remaining of \$61,693 awaiting further settlement from the insurance company.

(6) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 48,366	(\$ 44)	\$ 48,322
Raw materials	185,304	( 2,861)	182,443
Supplies	37,174	( 550)	36,624
Work in process	76,836	–	76,836
Finished goods	227,347	( 9,174)	218,173
	<u>\$ 575,027</u>	<u>(\$ 12,629)</u>	<u>\$ 562,398</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 44,392	(\$ 34)	\$ 44,358
Raw materials	195,142	( 9,422)	185,720
Supplies	28,034	( 284)	27,750
Work in process	34,772	( 220)	34,552
Finished goods	244,380	( 6,476)	237,904
	<u>\$ 546,720</u>	<u>(\$ 16,436)</u>	<u>\$ 530,284</u>

The cost of inventories recognised as expenses for the year:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 1, 443, 966	\$ 1, 443, 838
Loss on scrapped inventories	13, 673	12, 362
(Gain on reversal of) loss on decline in market value (Note 1)	( 3, 807)	7, 403
Underapplied fixed manufacturing overhead	–	4, 059
Gain on physical inventory	( 741)	( 581)
	<u>\$ 1, 453, 091</u>	<u>\$ 1, 467, 081</u>
Fire losses (listed as "Other gains and losses") (Note 2)	<u>\$ –</u>	<u>\$ 4, 608</u>

(Note 1) For the year ended December 31, 2022, the Company reversed a previous inventory write-down which was accounted for as reduction of operating costs as these items were subsequently sold or disposed.

(Note 2) Refer to Note 6(5), 'Other receivables'.

(7) Investments accounted for under equity method

A. Movements of investments accounted for under equity method:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 2,413,208	\$ 1,818,599
Acquisition of investments accounted for under equity method (Note 1)(Note 2)	260,190	527,546
Disposal of investments accounted for under equity method	( 9,156)	–
Share of profit or loss of investments accounted for under equity method	205,039	120,622
Earnings distribution of investments accounted for under equity method	( 74,066)	( 44,280)
Capital surplus — Difference between the price for acquisition or disposal of subsidiaries and carrying amount	3,521	( 77)
Capital surplus — Changes in net equity of associates and joint ventures accounted for under equity method	3,744	1,068
Capital surplus — Overdue cash dividends payable of subsidiaries	46	–
Other equity interest — Financial statements translation differences of foreign operations	14,492	( 4,186)
Other equity interest — Unrealised gain or loss on valuation of financial assets	95	( 9,036)
Retained earnings — Actuarial losses of defined benefit plan	3,775	333
Retained earnings — Disposal of financial assets at fair value through other comprehensive income	–	2,619
At December 31	<u>\$ 2,820,888</u>	<u>\$ 2,413,208</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 2,553,404	\$ 2,177,234
Associates	<u>267,484</u>	<u>235,974</u>
	<u>\$ 2,820,888</u>	<u>\$ 2,413,208</u>

(Note 1) The Company implements its work-division and resource integration, to enhance competitiveness and business performance through spin-off of its synthesis department to its subsidiary—SYN-TECH CHEM & PHARM CO., LTD. (SYN-TECH) after the resolution by the Board of Directors on March 16, 2021. The Company will receive newly issued common stock of SYN-TECH as consideration. The effective date was set on July 1, 2022. The information on the effective date is as follows:

	<u>July 1, 2022</u>
Assets acquired from spin-off:	
Cash	\$ 6,973
Investments accounted for under equity method	<u>208,627</u>
	<u>\$ 215,600</u>
Identifiable assets and liabilities of the synthesis department:	
Inventories	\$ 29,790
Other current assets	19,926
Property, plant and equipment	119,962
Other non-current assets	60,163
Current liabilities	( <u>22,976</u> )
	<u>\$ 206,865</u>
Difference between consideration received and identifiable net asset under spin-off (Listed as "Capital surplus - additional paid-in capital")	<u>\$ 8,735</u>

(Note 2) Acquisition amounting to \$212,034 was transferred from financial assets at fair value through other comprehensive income – non-current. For the detailed information, refer to Note 6(3), ‘Financial assets at fair value through other comprehensive income – non-current’.

B. Details of investments accounted for under equity method are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Standard Pharmaceutical Co., Ltd.	\$ 181,720	\$ 184,815
Chia Scheng Investment Co., Ltd.	11,003	10,835
STANDARD CHEM. & PHARM. PHILIPPINES, INC.	314	530
Inforight Technology Co., Ltd.	4,212	3,697
Souriree Biotech & Pharm. Co., Ltd.	41,483	32,080
Multipower Enterprise Corp.	337,397	347,322
Advpharma Inc.	266,798	275,805
Syngen Biotech Co., Ltd.	910,035	808,183
SYN-TECH CHEM. & PHARM. CO., LTD.	758,751	513,967
Ho Yao Biopharm Co., LTD.	38,417	–
Shanghai Standard Pharmaceuticals Co., Ltd.	3,274	–
WE CAN MEDICINES CO., LTD.	235,502	205,362
Taiwan Biosim Co., Ltd.	<u>31,982</u>	<u>30,612</u>
	<u>\$ 2,820,888</u>	<u>\$ 2,413,208</u>

C. Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2022 consolidated financial statements.



D. Associate:

(a) The basic information of the associate that is material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio	
		December 31,	
		2022	2021
WE CAN MEDICINES CO., LTD.	Taiwan	32.89%	33.61%

(b) The summarised financial information of the associate that is material to the Company is as follows:

i. Balance sheets

	December 31, 2022	December 31, 2021
Current assets	\$ 1,154,634	\$ 994,918
Non-current assets	1,421,200	1,215,304
Current liabilities	( 900,340)	( 776,113)
Non-current liabilities	( 883,805)	( 749,573)
Total net assets	<u>\$ 791,689</u>	<u>\$ 684,536</u>
Share in associate's net assets	\$ 260,387	\$ 230,073
Unrealised loss from transactions with associate	( 24,885)	( 24,711)
Carrying amount of the associate	<u>\$ 235,502</u>	<u>\$ 205,362</u>

ii. Statements of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	<u>\$ 3,302,732</u>	<u>\$ 2,794,071</u>
Net income for the year	<u>\$ 100,054</u>	<u>\$ 38,794</u>
Total comprehensive income for the year	<u>\$ 103,045</u>	<u>\$ 39,012</u>

(c) As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$31,982 and \$30,612, respectively. The share in associate's financial performance is as follows:

	For the years ended December 31,	
	2022	2021
Net income (loss) for the year	<u>\$ 1,370</u>	<u>(\$ 8,837)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,370</u>	<u>(\$ 8,837)</u>

E. For the years ended December 31, 2022 and 2021, the details of the Company's equity transactions are provided in Note 7, "Related party transactions".

F. As of December 31, 2022 and 2021, the Company has no investments accounted for under equity method pledged to others.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in process	Total
<u>At January 1, 2022</u>									
Cost	\$ 314,060	\$ 890,918	\$ 848,038	\$ 148,329	\$ 20,579	\$ 33,981	\$ 328,932	\$ 33,815	\$ 2,618,652
Accumulated depreciation	–	( 572,212)	( 692,601)	( 116,688)	( 15,422)	( 26,009)	( 229,306)	–	( 1,652,238)
	<u>\$ 314,060</u>	<u>\$ 318,706</u>	<u>\$ 155,437</u>	<u>\$ 31,641</u>	<u>\$ 5,157</u>	<u>\$ 7,972</u>	<u>\$ 99,626</u>	<u>\$ 33,815</u>	<u>\$ 966,414</u>
<u>For the year ended December 31, 2022</u>									
At January 1	\$ 314,060	\$ 318,706	\$ 155,437	\$ 31,641	\$ 5,157	\$ 7,972	\$ 99,626	\$ 33,815	\$ 966,414
Additions-cost	90	15,445	13,262	–	909	1,434	45,538	95,115	171,793
Transfer-cost (Note 1)	6,919	64,804	23,699	–	–	894	12,891	( 33,051)	76,156
-accumulated depreciation (Note 1)	–	1,148	–	–	–	–	–	–	1,148
Depreciation	–	( 27,080)	( 34,289)	( 6,346)	( 1,271)	( 1,975)	( 19,698)	–	( 90,659)
Spin-off -cost (Note 2)	–	( 24,620)	( 64,230)	( 12,176)	( 3,140)	( 282)	( 31,792)	( 83,091)	( 219,331)
-accumulated depreciation (Note 2)	–	14,449	48,171	8,607	1,747	145	26,250	–	99,369
Disposals-cost	–	( 12,257)	( 12,093)	–	( 434)	( 214)	( 14,470)	–	( 39,468)
-accumulated depreciation	–	11,653	11,359	–	434	214	13,973	–	37,633
At December 31	<u>\$ 321,069</u>	<u>\$ 362,248</u>	<u>\$ 141,316</u>	<u>\$ 21,726</u>	<u>\$ 3,402</u>	<u>\$ 8,188</u>	<u>\$ 132,318</u>	<u>\$ 12,788</u>	<u>\$ 1,003,055</u>
<u>At December 31, 2022</u>									
Cost	\$ 321,069	\$ 934,290	\$ 808,676	\$ 136,153	\$ 17,914	\$ 35,813	\$ 341,099	\$ 12,788	\$ 2,607,802
Accumulated depreciation	–	( 572,042)	( 667,360)	( 114,427)	( 14,512)	( 27,625)	( 208,781)	–	( 1,604,747)
	<u>\$ 321,069</u>	<u>\$ 362,248</u>	<u>\$ 141,316</u>	<u>\$ 21,726</u>	<u>\$ 3,402</u>	<u>\$ 8,188</u>	<u>\$ 132,318</u>	<u>\$ 12,788</u>	<u>\$ 1,003,055</u>

(Note 1) Including transfer of \$94,299 from “Prepayments for equipment” and transfer of \$16,995 to “Investment property, net”.

(Note 2) Refer to Note 6(7), “Investments accounted for under equity method”.

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in process	Total
At January 1, 2021									
Cost	\$ 314,060	\$ 925,278	\$ 868,243	\$ 150,291	\$ 19,955	\$ 29,007	\$ 317,797	\$ 6,359	\$ 2,630,990
Accumulated depreciation	–	( 572,214)	( 677,087)	( 111,418)	( 14,147)	( 26,537)	( 215,691)	–	( 1,617,094)
	<u>\$ 314,060</u>	<u>\$ 353,064</u>	<u>\$ 191,156</u>	<u>\$ 38,873</u>	<u>\$ 5,808</u>	<u>\$ 2,470</u>	<u>\$ 102,106</u>	<u>\$ 6,359</u>	<u>\$ 1,013,896</u>
For the year ended December 31, 2021									
At January 1	\$ 314,060	\$ 353,064	\$ 191,156	\$ 38,873	\$ 5,808	\$ 2,470	\$ 102,106	\$ 6,359	\$ 1,013,896
Additions-cost	–	3,118	15,035	1,326	249	4,395	13,725	28,717	66,565
Transfer-cost (Note 1)	–	1,796	36,732	474	375	2,904	2,956	( 1,261)	43,976
-accumulated depreciation	–	–	( 300)	–	–	9	291	–	–
Depreciation	–	( 24,458)	( 43,262)	( 6,756)	( 1,275)	( 1,759)	( 18,773)	–	( 96,283)
Fire loss-cost (Note 2)	–	( 39,274)	( 71,743)	( 3,762)	–	( 1,808)	( 2,210)	–	( 118,797)
-accumulated depreciation (Note 2)	–	24,460	27,819	1,486	–	1,808	1,531	–	57,104
Disposals-cost	–	–	( 229)	–	–	( 517)	( 3,336)	–	( 4,082)
-accumulated depreciation	–	–	229	–	–	470	3,336	–	4,035
At December 31	<u>\$ 314,060</u>	<u>\$ 318,706</u>	<u>\$ 155,437</u>	<u>\$ 31,641</u>	<u>\$ 5,157</u>	<u>\$ 7,972</u>	<u>\$ 99,626</u>	<u>\$ 33,815</u>	<u>\$ 966,414</u>
At December 31, 2021									
Cost	\$ 314,060	\$ 890,918	\$ 848,038	\$ 148,329	\$ 20,579	\$ 33,981	\$ 328,932	\$ 33,815	\$ 2,618,652
Accumulated depreciation	–	( 572,212)	( 692,601)	( 116,688)	( 15,422)	( 26,009)	( 229,306)	–	( 1,652,238)
	<u>\$ 314,060</u>	<u>\$ 318,706</u>	<u>\$ 155,437</u>	<u>\$ 31,641</u>	<u>\$ 5,157</u>	<u>\$ 7,972</u>	<u>\$ 99,626</u>	<u>\$ 33,815</u>	<u>\$ 966,414</u>

(Note 1) Transferred from “Prepayments for equipment”.

(Note 2) Refer to Note 6(5), ‘Other receivables’.

- A. As of December 31, 2022 and 2021, the carrying amount of buildings and other equipment held for operating leases are as follows:

	December 31, 2022	December 31, 2021
Buildings	\$ 84	\$ 86
Other equipment	\$ –	\$ 446

- B. Amount of borrowing costs capitalised as part of property, plant and equipment and the interest rates for such capitalisation for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Capitalised interest payments	\$ 638	\$ 369
Interest rate	0.73%~1.02%	0.70%~0.77%

- C. Refer to Note 6(7), 'Investments accounted for under equity method', for more information regarding property, plant and equipment transferred due to spin-off of synthesis department in July 2022.
- D. As of December 31, 2022 and 2021, the Company has no property, plant and equipment pledged to others.

(9) Leasing arrangements — lessee

- A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 2 ~ 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

- B. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	\$ 3,449	\$ 3,656
Buildings	12,262	14,090
	<u>\$ 15,711</u>	<u>\$ 17,746</u>
	For the years ended December 31,	
	2022	2021
	Depreciation	Depreciation
Land	\$ 1,005	\$ 1,007
Buildings	3,762	3,710
	<u>\$ 4,767</u>	<u>\$ 4,717</u>

- C. The additions to right-of-use assets were \$2,725 and \$406 for the years ended December 31, 2022 and 2021, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 197	\$ 232
Expense on short-term lease contract	391	412
Expense on leases of low-value assets	458	290
Gain from lease modification	( 8)	-

E. The Company's total cash outflow for leases was \$5,888 and \$5,404 for the years ended December 31, 2022 and 2021, respectively.

(10) Investment property, net

	Land	Buildings	Total
<u>At January 1, 2022</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	-	( 3,864)	( 3,864)
	<u>\$ 43,295</u>	<u>\$ 2,912</u>	<u>\$ 46,207</u>
<u>For the year ended December 31, 2022</u>			
At January 1	\$ 43,295	\$ 2,912	\$ 46,207
Transfer-cost (Note)	16,188	1,955	18,143
-accumulated depreciation (Note)	-	( 1,148)	( 1,148)
Depreciation	-	( 215)	( 215)
At December 31	<u>\$ 59,483</u>	<u>\$ 3,504</u>	<u>\$ 62,987</u>
<u>At December 31, 2022</u>			
Cost	\$ 59,483	\$ 8,731	\$ 68,214
Accumulated depreciation	-	( 5,227)	( 5,227)
	<u>\$ 59,483</u>	<u>\$ 3,504</u>	<u>\$ 62,987</u>

(Note) Transferred from "Property, plant and equipment".

	Land	Buildings	Total
<u>At January 1, 2021</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>–</u>	<u>( 3,751)</u>	<u>( 3,751)</u>
	<u>\$ 43,295</u>	<u>\$ 3,025</u>	<u>\$ 46,320</u>
<u>For the year ended December 31, 2021</u>			
At January 1	\$ 43,295	\$ 3,025	\$ 46,320
Depreciation	<u>–</u>	<u>( 113)</u>	<u>( 113)</u>
At December 31	<u>\$ 43,295</u>	<u>\$ 2,912</u>	<u>\$ 46,207</u>
<u>At December 31, 2021</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>–</u>	<u>( 3,864)</u>	<u>( 3,864)</u>
	<u>\$ 43,295</u>	<u>\$ 2,912</u>	<u>\$ 46,207</u>

A. Rental income from investment property (listed as “Other income”) and direct operating expenses arising from investment property are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 5,189</u>	<u>\$ 4,686</u>
Direct operating expenses of investment properties with rental income	<u>\$ 215</u>	<u>\$ 113</u>

B. The fair value of the investment property held by the Company as of December 31, 2022 and 2021 was \$116,656 and \$68,685, respectively, which was valued from the actual real estate price registered on the Department of Land Administration website. The valuation is categorised within Level 2 in the fair value hierarchy.

C. No borrowing costs were capitalised as part of investment property for the years ended December 31, 2022 and 2021.

D. As of December 31, 2022 and 2021, the Company has no investment property pledged to others.

(11) Intangible assets

	Patents	Software	Total
<u>At January 1, 2022</u>			
Cost	\$ 11,602	\$ 29,814	\$ 41,416
Accumulated amortisation	( 10,110)	( 24,681)	( 34,791)
	<u>\$ 1,492</u>	<u>\$ 5,133</u>	<u>\$ 6,625</u>
<u>For the year ended December 31, 2022</u>			
At January 1	\$ 1,492	\$ 5,133	\$ 6,625
Additions - acquired separately	–	3,564	3,564
Amortisation	( 866)	( 2,949)	( 3,815)
Spin-off-cost	( 400)	–	( 400)
-accumulated amortisation	<u>400</u>	<u>–</u>	<u>400</u>
At December 31	<u>\$ 626</u>	<u>\$ 5,748</u>	<u>\$ 6,374</u>
<u>At December 31, 2022</u>			
Cost	\$ 11,202	\$ 33,378	\$ 44,580
Accumulated amortisation	( 10,576)	( 27,630)	( 38,206)
	<u>\$ 626</u>	<u>\$ 5,748</u>	<u>\$ 6,374</u>
	Patents	Software	Total
<u>At January 1, 2021</u>			
Cost	\$ 11,602	\$ 25,016	\$ 36,618
Accumulated amortisation	( 9,244)	( 21,264)	( 30,508)
	<u>\$ 2,358</u>	<u>\$ 3,752</u>	<u>\$ 6,110</u>
<u>For the year ended December 31, 2021</u>			
At January 1	\$ 2,358	\$ 3,752	\$ 6,110
Additions-acquired separately	–	4,798	4,798
Amortisation	( 866)	( 3,417)	( 4,283)
At December 31	<u>\$ 1,492</u>	<u>\$ 5,133</u>	<u>\$ 6,625</u>
<u>At December 31, 2021</u>			
Cost	\$ 11,602	\$ 29,814	\$ 41,416
Accumulated amortisation	( 10,110)	( 24,681)	( 34,791)
	<u>\$ 1,492</u>	<u>\$ 5,133</u>	<u>\$ 6,625</u>

A. No borrowing costs were capitalised as part of intangible assets for the years ended December 31, 2022 and 2021.

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

	For the years ended December 31,	
	2022	2021
Operating costs	\$ 226	\$ 720
Selling expenses	895	915
General and administrative expenses	2,498	2,281
Research and development expenses	196	367
	<u>\$ 3,815</u>	<u>\$ 4,283</u>

C. As of December 31, 2022 and 2021, the Company has no intangible assets pledged to others.

(12) Short-term borrowings

	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	<u>\$ 870,000</u>	1.36%~1.78%	None
	December 31, 2021	Interest rate range	Collateral
Unsecured bank borrowings	<u>\$ 710,500</u>	0.57%~0.80%	None

Refer to Note 6(22), 'Finance costs' for more information regarding interest expenses recognised in profit or loss by the Company for the years ended December 31, 2022 and 2021.

(13) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labour Standards Law, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labour pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information of pension paid under aforementioned plan is as follows:



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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 450,254)	(\$ 494,867)
Fair value of plan assets	<u>302,484</u>	<u>298,533</u>
Net defined benefit liability–non-current	<u>(\$ 147,770)</u>	<u>(\$ 196,334)</u>

(b) Movements in defined benefit liability are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2022			
At January 1	(\$ 494,867)	\$ 298,533	(\$ 196,334)
Current service cost	( 3,558)	–	( 3,558)
Interest (expense) income	( 3,420)	2,081	( 1,339)
Effect of pension plan curtailment	725	–	725
Effect of pension plan settlement	<u>4,713</u>	<u>–</u>	<u>4,713</u>
	<u>( 496,407)</u>	<u>300,614</u>	<u>( 195,793)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	23,254	23,254
Change in financial assumptions	24,483	–	24,483
Experience adjustments	<u>( 19,822)</u>	<u>–</u>	<u>( 19,822)</u>
	<u>4,661</u>	<u>23,254</u>	<u>27,915</u>
Pension fund contribution	<u>–</u>	<u>12,454</u>	<u>12,454</u>
Paid pension	<u>41,492</u>	<u>( 33,838)</u>	<u>7,654</u>
At December 31	<u>(\$ 450,254)</u>	<u>\$ 302,484</u>	<u>(\$ 147,770)</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2021			
At January 1	(\$ 521,134)	\$ 294,750	(\$ 226,384)
Current service cost	( 4,095)	–	( 4,095)
Interest (expense) income	( 1,541)	877	( 664)
Effect of pension plan curtailment	811	–	811
	( 525,959)	295,627	( 230,332)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	–	4,283	4,283
Change in demographic assumptions	( 1,036)	–	( 1,036)
Change in financial assumptions	402	–	402
Experience adjustments	14,810	–	14,810
	14,176	4,283	18,459
Pension fund contribution	–	15,204	15,204
Paid pension	16,916	( 16,581)	335
At December 31	(\$ 494,867)	\$ 298,533	(\$ 196,334)

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labour Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2022	2021
Discount rate	1.25%	0.70%
Future salary increases	2.90%	2.90%

For the years ended December 31, 2022 and 2021, assumptions regarding future mortality rate are both set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 9,652)	\$ 9,963	\$ 9,777	(\$ 9,522)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 11,636)	\$ 12,040	\$ 11,749	(\$ 11,418)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$9,545.

(f) As of December 31, 2022, the weighted average duration of that retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 22,603
2-5 years	92,463
Over 5 years	386,142
	<u>\$ 501,208</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon

termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$24,137 and \$23,841, respectively.

(14) Share capital – common stock

- A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2022	2021
Beginning and ending balance	178,696	178,696

- B. As of December 31, 2022, the Company's authorised capital was \$2,000,000, and the paid-in capital was \$1,786,961, consisting of 178,696 thousand shares of ordinary share, with a par value of \$10 (in dollars) per share. Shares can be issued several times. All proceeds from shares issued have been collected.

(15) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The Company implements its work-division and resource integration, to enhance competitiveness and business performance through spin-off of its synthesis department to the subsidiary – SYN-TECH CHEM & PHARM CO., LTD. (SYN-TECH) after the resolution by the Board of Directors on March 16, 2021. The Company received 4,532 thousand shares issued from the capital increase of SYN-TECH with total value of \$341,000 as the consideration. The transaction pertains to the reorganisation within the Group. As the difference between the net asset value of the synthesis department and net equity value was \$8,735, an increase in capital surplus was recognised. The abovementioned transaction had been completed on July 1, 2022.
- C. For the year ended December 31, 2022, the associate of the Company, WE CAN MEDICINES CO., LTD., converted employee stock options, resulting to an increase in the equity attributable to owners of parent by \$1,351 and was recorded under capital surplus. There was no such transaction for the year ended December 31, 2021.
- D. For the years ended December 31, 2022 and 2021, the investment accounted for under equity method of the Company's subsidiary, exercised employee stock options resulting in an increase in the equity to Syngen Biotech Co., Ltd. and GENEFORM BIOTECHNOLOGY CO., LTD., The Company recognised the increase in equity proportionately of \$2,393 and \$1,068, respectively and was recorded under capital surplus.

- E. For the years ended December 31, 2022 and 2021, pursuant to the Business letter No. 10602420200 issued by the Ministry of Economic Affairs, the Company reclassified dividends payable of \$125 and \$48, respectively, which was expired and not collected by the shareholders, to capital surplus. For the year ended December 31, 2022, pursuant to the aforementioned letter, the subsidiary of the Company, SYNGEN BIOTECH CO., LTD., reclassified dividends payable of \$98, which was expired and not collected by the shareholders, to capital surplus, resulting to an increase in the equity attributable to owners of parent by \$46.
- F. Refer to Note 6(27), 'Transactions with non-controlling interest' for more information regarding changes of capital surplus due to transactions with non-controlling interest.

(16) Retained earnings

- A. Within the limit, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in-capital.
- B. Under the Company's Articles of Incorporation, as the Company operates in a volatile business environment and is in the stable growth stage, the Board of Directors takes into consideration the Company's future capital needs, long-term financial planning and shareholders' needs for cash inflow. The Company's earnings, if any, are distributed in the following order:
- (a) Pay all taxes.
  - (b) Cover accumulated deficit.
  - (c) Appropriate 10% as legal reserve, until such legal reserve amounts to the total paid-in capital.
  - (d) Appropriate or reverse special reserve in accordance with regulations.
  - (e) At least 10% of the remainder and previous unappropriated retained earnings as stockholders' bonus and cash dividends shall account for at least 20% of total dividends distributed. If the cash dividend is below \$0.5 (in dollars) per share, the Company can distribute stock dividends instead of cash dividends upon resolution of the shareholders.

When the shareholders bonus is distributed in stock dividend, it shall be allocated according to the resolutions of the shareholders during their meeting. The company authorised the Board of Directors to process resolution resolved by a majority vote at the meeting attended by two-thirds of the total number of directors: all or part of distributed dividends and bonus, and capital reserve/legal surplus reserve shall be distributed by cash. The result shall be reported to the shareholders' meeting.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The Company's debit balance on other equity items as of December 31, 2021 was \$110,329, which has been set aside as special reserve in accordance

with the regulations and shall not be distributed as dividends.

D. As resolved by the Board of Directors on May 4, 2021 and May 15, 2022, the Company recognised cash dividends distributed to owners amounting to \$321,653 (\$1.8 (in dollars) per share) and \$446,740 (\$2.5 (in dollars) per share) for the appropriations of 2020 and 2021 earnings, respectively. On March 14, 2023, the Board of Directors resolved for the distribution of dividends from 2022 earnings of \$446,740 (\$2.5 (in dollars) per share). Information about the distribution of dividends by the Company as proposed by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(17) Other equity

	For the year ended December 31, 2022		
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 20, 974)	(\$ 89, 355)	(\$ 110, 329)
Currency translation differences			
- Company	14, 492	-	14, 492
Valuation adjustment			
- Company	-	( 14, 235)	( 14, 235)
- Subsidiaries	-	95	95
Valuation adjustment transferred to retained earnings			
- Company	-	( 5, 958)	( 5, 958)
At December 31	<u>(\$ 6, 482)</u>	<u>(\$ 109, 453)</u>	<u>(\$ 115, 935)</u>
	For the year ended December 31, 2021		
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 16, 788)	\$ 46, 093	\$ 29, 305
Currency translation differences			
- Company	( 4, 186)	-	( 4, 186)
Valuation adjustment			
- Company	-	( 14, 673)	( 14, 673)
- Subsidiaries	-	( 6, 417)	( 6, 417)
Valuation adjustment transferred to retained earnings			
- Company	-	( 111, 739)	( 111, 739)
- Subsidiaries	-	( 2, 619)	( 2, 619)
At December 31	<u>(\$ 20, 974)</u>	<u>(\$ 89, 355)</u>	<u>(\$ 110, 329)</u>

(18) Operating revenue

A. The Company derives revenue from the transfer of goods at a point in time and of services over time in the following major product categories and geographical regions:

	For the year ended December 31, 2022		
	Domestic	International	Total
Revenue from sales of medicine	\$ 2, 170, 984	\$ 346, 257	\$ 2, 517, 241
Revenue from sales of dietary supplement	146, 040	20	146, 060
Revenue from rendering of services	1	–	1
Others	49, 734	59, 168	108, 902
	<u>\$ 2, 366, 759</u>	<u>\$ 405, 445</u>	<u>\$ 2, 772, 204</u>

	For the year ended December 31, 2021		
	Domestic	International	Total
Revenue from sales of medicine	\$ 1, 993, 053	\$ 529, 263	\$ 2, 522, 316
Revenue from sales of dietary supplement	133, 293	19	133, 312
Revenue from rendering of services	8, 306	–	8, 306
Others	58, 704	115, 292	173, 996
	<u>\$ 2, 193, 356</u>	<u>\$ 644, 574</u>	<u>\$ 2, 837, 930</u>

B. The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities – sales of medicine	<u>\$ 35, 430</u>	<u>\$ 40, 569</u>	<u>\$ 93, 239</u>

Revenue recognised that was included in the contract liability balance at the beginning of the years ended December 31, 2022 and 2021 were \$36,149 and \$87,265, respectively.

(19) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	<u>\$ 11, 232</u>	<u>\$ 2, 804</u>

(20) Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 9,604	\$ 17,943
Rental income	6,620	5,706
Fire insurance claim income (Note)	–	66,301
Royalty income	11,417	11,250
Technology transfer income	2,842	8,674
Research income	1,811	20,848
Government grants income	5,775	3,363
Other income	18,151	32,611
	<u>\$ 56,220</u>	<u>\$ 166,696</u>

(Note) Refer to Note 6 (5), 'Other Receivables'.

(21) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net currency exchange gain (loss)	\$ 77,967	(\$ 16,424)
Net (loss) gain on disposal of property, plant and equipment	( 1,113)	16
Gain from lease modification	8	–
Net loss on disposal of other non-current assets	–	( 5,872)
Net gain on financial assets at fair value through profit or loss	712	108
Fire losses (Note)	–	( 66,301)
Other losses	( 1,590)	( 106)
	<u>\$ 75,984</u>	<u>(\$ 88,579)</u>

(Note) Refer to Note 6 (5), 'Other Receivables'.

(22) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense		
Bank borrowings	\$ 8,262	\$ 3,610
Lease liabilities	197	232
	8,459	3,842
Less: Capitalisation of qualifying assets	( 638)	( 369)
	<u>\$ 7,821</u>	<u>\$ 3,473</u>



(23) Expenses by nature

For the year ended December 31, 2022			
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 324, 590	\$ 398, 435	\$ 723, 025
Depreciation on property, plant and equipment	70, 706	19, 953	90, 659
Depreciation on right-of-use assets	–	4, 767	4, 767
Amortisation	4, 441	5, 164	9, 605
	<u>\$ 399, 737</u>	<u>\$ 428, 319</u>	<u>\$ 828, 056</u>

For the year ended December 31, 2021			
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 325, 399	\$ 386, 897	\$ 712, 296
Depreciation on property, plant and equipment	78, 202	18, 081	96, 283
Depreciation on right-of-use assets	–	4, 717	4, 717
Amortisation	5, 285	12, 322	17, 607
	<u>\$ 408, 886</u>	<u>\$ 422, 017</u>	<u>\$ 830, 903</u>

(24) Employee benefit expenses

For the year ended December 31, 2022			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 277, 345	\$ 342, 534	\$ 619, 879
Labour and health insurance expenses	19, 616	28, 937	48, 553
Pension costs	13, 451	10, 145	23, 596
Directors' remuneration	–	6, 605	6, 605
Other personnel expenses	14, 178	10, 214	24, 392
	<u>\$ 324, 590</u>	<u>\$ 398, 435</u>	<u>\$ 723, 025</u>

	For the year ended December 31, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 271, 265	\$ 326, 716	\$ 597, 981
Labour and health insurance expenses	27, 468	29, 041	56, 509
Pension costs	13, 583	14, 206	27, 789
Directors' remuneration	–	6, 719	6, 719
Other personnel expenses	13, 083	10, 215	23, 298
	<u>\$ 325, 399</u>	<u>\$ 386, 897</u>	<u>\$ 712, 296</u>

- A. The average number of employees were 805 and 813, which both included 5 non-employee directors for the years ended December 31, 2022 and 2021, respectively.
- B. The average employee benefit expense were \$896 and \$873, respectively, while average wages and salaries were \$775 and \$740 for the years ended December 31, 2022 and 2021, respectively. The average wages and salaries has increased by 5% compared to prior year.
- C. Supervisors' remuneration were \$— and \$385 for the years ended December 31, 2022 and 2021, respectively.
- D. Directors' and supervisors' remuneration were reviewed by the Compensation Committee (the Committee) based on the degree of their participation, the value contributed to the Company's operation, and the average level of the industry. Compensation for executive officers were reviewed by the Committee and resolved by the Board of Directors based on executive officers' job title, function, contribution, performance, and in consideration of the Company's future risk, etc. Employee compensation is decided based on individual's performance, contribution to the Company, performance, the market value of the position, and in consideration of the Company's future operating risk.
- E. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration), after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. Employees' compensation will be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, are entitled to receive aforementioned stock or cash. 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 distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.
- F. Employees' compensation was accrued at \$9,436 and \$8,339 for the years ended December 31, 2022 and 2021, respectively; while directors' and supervisors' remuneration was both accrued at

\$3,000 for the years ended December 31, 2022 and 2021. The aforementioned amounts were recognised in salary expenses that were estimated and accrued based on the distributable net profit of current year calculated by the percentage prescribed under the Company's Articles of Incorporation. As resolved by the Board of Directors on March 14, 2023, the employees' compensation and directors' and supervisors' remuneration were \$9,407 and \$3,010, respectively, and the employees' compensation will be distributed in the form of cash. The employees' compensation and directors' and supervisors' remuneration for 2021 as resolved by the Board of Directors was \$11,344, and the employees' compensation will be distributed in the form of cash. The difference between the aforementioned amount and the amount of \$11,339 recognised in the 2021 financial statements by \$5, mainly caused by estimation differences, had been adjusted in the profit or loss of 2022. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 124,883	\$ 122,686
Tax on undistributed earnings	854	5,516
Over provision of prior year's income tax	( 27,043)	( 11,285)
	<u>98,694</u>	<u>116,917</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>14,117</u>	( 1,165)
Income tax expense	<u>\$ 112,811</u>	<u>\$ 115,752</u>

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

	For the years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligation	<u>\$ 5,583</u>	<u>\$ 3,692</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 185,644	\$ 164,497
Effect of amount not allowed to be recognised under regulations	( 46,644)	( 29,826)
Effect from tax-exempt income	–	( 13,150)
Tax on undistributed earnings	854	5,516
Over provision of prior year's income tax	( 27,043)	( 11,285)
Income tax expense	<u>\$ 112,811</u>	<u>\$ 115,752</u>

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

	For the year ended December 31, 2022			
		Recognised in	Recognised in other comprehensive income	
	January 1	profit or loss	income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 2,952	(\$ 149)	\$ –	\$ 2,803
Unrealised loss on inventories from market value decline	3,287	( 761)	–	2,526
Unrealised exchange loss	11,950	( 11,950)	–	–
Investment loss	38,815	3,683	–	42,498
Unrealised sales returns and allowance	1,565	2,388	–	3,953
Unused compensated absences	5,563	( 297)	–	5,266
Pensions	<u>32,276</u>	<u>( 4,130)</u>	<u>( 5,583)</u>	<u>22,563</u>
	<u>\$ 96,408</u>	<u>(\$ 11,216)</u>	<u>(\$ 5,583)</u>	<u>\$ 79,609</u>
Deferred tax liabilities				
Temporary differences:				
Unrealised exchange gain	\$ –	(\$ 2,901)	–	(\$ 2,901)
Provision for land value increment tax	( 61,992)	–	–	( 61,992)
	<u>(\$ 61,992)</u>	<u>(\$ 2,901)</u>	<u>\$ –</u>	<u>(\$ 64,893)</u>
	<u>\$ 34,416</u>	<u>(\$ 14,117)</u>	<u>(\$ 5,583)</u>	<u>\$ 14,716</u>

For the year ended December 31, 2021				
		Recognised in	Recognised in other	
	January 1	profit or loss	comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 2,934	\$ 18	\$ –	\$ 2,952
Unrealised loss on inventories				
from market value decline	1,806	1,481	–	3,287
Unrealised exchange loss	9,574	2,376	–	11,950
Investment loss	36,665	2,150	–	38,815
Unrealised sales returns and allowance	1,990	(425)	–	1,565
Unused compensated absences	5,305	258	–	5,563
Pensions	38,285	(2,317)	(3,692)	32,276
Unrealised loss on indemnity	2,376	(2,376)	–	–
	<u>\$98,935</u>	<u>\$ 1,165</u>	<u>(\$ 3,692)</u>	<u>\$ 96,408</u>
Deferred tax liabilities				
Temporary differences:				
Provision for land value increment tax	(\$61,992)	\$ –	\$ –	(\$ 61,992)
	<u>\$36,943</u>	<u>\$ 1,165</u>	<u>(\$ 3,692)</u>	<u>\$ 34,416</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 14, 2023.

(26) Earnings per share

For the year ended December 31, 2022			
		Weighted average number of ordinary shares outstanding	Earnings per share
	Amount after tax	(shares in thousands)	(in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 815,408</u>	<u>178,696</u>	<u>\$ 4.56</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 815,408	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	–	189	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 815,408</u>	<u>178,885</u>	<u>\$ 4.56</u>

For the year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 706,734	178,696	\$ 3.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 706,734	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	222	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 706,734	178,918	\$ 3.95

(27) Transactions with non-controlling interest

- A. In September 2022, the Company acquired part of shares of its subsidiary—Souriree Biotech Pharmaceutical Co., Ltd. for a total cash consideration of \$322. The carrying amount was \$305 at the acquisition date. This transaction resulted in a decrease in the equity attributable to the Company by \$17.
- B. In September 2021, the Company acquired part of shares of its subsidiary—Advpharma Inc. for a total cash consideration of \$262. The carrying amount was \$185 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$77.
- C. Refer to Note 6(7), 'Investments accounted for under equity method', and Note 6(15), 'Capital surplus', for more information regarding the effect on the Company of the spin off and transfer of the synthesis department to the subsidiary, SYN-TECH CHEM. & PHARM. CO., LTD.

(28) Supplemental cash flow information

- A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
(1) Acquisition of property, plant and equipment	\$ 171,793	\$ 66,565
Add: Beginning balance of notes payable	3,010	1,453
Beginning balance of payable on equipment (listed as "Other payables")	7,027	11,692
Less: Ending balance of notes payable	( 5,141 )	( 3,010 )
Ending balance of payable on equipment (listed as "Other payables")	( 16,328 )	( 7,027 )
Capitalised interest	( 638 )	( 369 )
Cash paid for acquisition of property, plant and equipment	\$ 159,723	\$ 69,304

	For the years ended December 31,	
	2022	2021
(2) Acquisition of investments accounted for under equity method	\$ 260,190	\$ 527,546
Less: Transferred from financial assets at fair value through other comprehensive income	–	( 212,034)
Shares acquired from spin-off (Note)	( 208,627)	–
Cash paid for acquisition of investments accounted for under equity method	<u>\$ 51,563</u>	<u>\$ 315,512</u>
(3) Proceeds from disposal of other non-current assets	\$ –	\$ 38,364
Add: Beginning balance of other receivables	38,364	–
Less: Ending balance of other receivables	–	( 38,364)
Cash received from disposal of other non-current assets	<u>\$ 38,364</u>	<u>\$ –</u>

(Note) Refer to Note 6 (7), 'Investments accounted for under equity method'.

B. Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
(1) Receivables for fire insurance claims	<u>\$ –</u>	<u>\$ 61,693</u>
(2) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 94,299</u>	<u>\$ 43,976</u>
(3) Property, plant and equipment transferred to Investment property, net	<u>\$ 16,995</u>	<u>\$ –</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total
At January 1, 2022	\$ 710,500	\$ 18,109	\$ 235	\$ 728,844
Changes in cash flow from financing activities	159,500	( 4,842)	( 35)	154,623
Changes in other non-cash items	–	2,717	–	2,717
At December 31, 2022	<u>\$ 870,000</u>	<u>\$ 15,984</u>	<u>\$ 200</u>	<u>\$ 886,184</u>

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total
At January 1, 2021	\$ 490,000	\$ 22,173	\$ 200	\$ 512,373
Changes in cash flow from financing activities	220,500	( 4,470)	35	216,065
Changes in other non-cash items	–	406	–	406
At December 31, 2021	<u>\$ 710,500</u>	<u>\$ 18,109</u>	<u>\$ 235</u>	<u>\$ 728,844</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Standard Pharmaceutical Co., Ltd. (Standard P)	Subsidiary
Chia Scheng Investment Co., Ltd. (Chia Scheng)	Subsidiary
STANDARD CHEM. & PHARM. PHILIPPINES, INC. (PHL)	Subsidiary
Inforight Technology Co., Ltd. (Inforight)	Subsidiary
Souriree Biotech & Pharm. Co., Ltd. (Souriree)	Subsidiary
Multipower Enterprise Corp. (Multipower)	Subsidiary
Advpharma Inc. (Adv)	Subsidiary
Syngen Biotech Co., Ltd. (Syngen)	Subsidiary
Jiangsu Standard Biotech Pharmaceutical Co., Ltd. (Jiangsu Standard)	Subsidiary
SYN-TECH CHEM. & PHARM. CO., LTD. (SYN-TECH)	Subsidiary (Note 1)
Zhanshuo Biotech & Pharm. Co., Ltd. (Zhanshuo)	Subsidiary
Ho Yao Biopharm Co., LTD.(Ho Yao)	Subsidiary
Shanghai Standard Pharmaceutical Co., Ltd.	Subsidiary
WE CAN MEDICINES CO., LTD. (WE CAN)	Associate
Taiwan Biosim Co., Ltd. (Biosim)	Associate
SUN YOU BIOTECH PHARM CO., LTD. (SUN YOU)	Other related party (The manager of the Company is SUN YOU's director)
Fan Dao Nan Foundation (Fan Dao Nan)	Other related party (The corporate director of the Company)

(Note) The Company participated in the cash capital increase of SYN-TECH on December 8, 2021 and therefore obtained substantial control over it. SYN-TECH has changed from other related party to the Company's subsidiary from the date. For the detailed information, refer to Note 6(3), 'Financial assets at fair value through other comprehensive income'.



(2) Significant related party transactions

A. Sales of goods

	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 6,464	\$ 8,517
Associates	10,604	7,778
Other related parties	23,342	20,487
	<u>\$ 40,410</u>	<u>\$ 36,782</u>

Prices of goods sold to related parties are determined each time when delivering goods. The payment term of the subsidiaries is to obtain cheques due in 3~4 months. For other related parties, terms of transactions are similar with those to third parties, which is cash payment in 2 months after billing, or to obtain cheques with a maturity of 4~6 months upon billing.

B. Purchases of goods

	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 188,898	\$ 130,922
Associates	2,475	10,287
Other related parties	4,471	47,456
	<u>\$ 195,844</u>	<u>\$ 188,665</u>

Goods are purchased based on the price lists in force and terms that would be available to regular suppliers. Payment terms are 1 ~ 4 months after monthly billings.

C. Property transactions

Disposal of property, plant and equipment:

	For the years ended December 31, 2022	
	Proceeds from	Gain on disposal
Other related parties	<u>\$ 6</u>	<u>\$ 6</u>

D. Equity transactions

- (a) The Company spun off and transferred the synthesis department to SYN-TECH CHEM. & PHARM. CO., LTD. and received the common shares issued from the capital increase with total value of \$208,627 in July 2022.
- (b) The Company participated in the cash capital increase of the associate, Biosim, by investing \$14,970 in August 2021.
- (c) The Company participated in the cash capital increase of other related party, SYN-TECH, by investing \$256,939 in December 2021.
- (d) The Company acquired shares of other related party, SYN-TECH, for \$43,341 from the subsidiary, Adv, in December 2021.

E. Other expenses

		For the years ended December 31,	
		2022	2021
Advertisement expenses:			
Subsidiaries		\$ 193	\$ 80
Associates		58	257
		<u>\$ 251</u>	<u>\$ 337</u>
Research and development expenses:			
Subsidiaries		\$ 12,862	\$ 1,905
Associates		–	69
Other related parties		–	144
		<u>\$ 12,862</u>	<u>\$ 2,118</u>
Professional service fees:			
Subsidiaries		<u>\$ 3,208</u>	<u>\$ 2,541</u>
Donations:			
Other related parties		<u>\$ –</u>	<u>\$ 7,000</u>
Miscellaneous expenses:			
Subsidiaries		\$ 1,412	\$ 844
Associates		1,172	1,108
Other related parties		49	40
		<u>\$ 2,633</u>	<u>\$ 1,992</u>

F. Rental income

			For the years ended December 31,	
			2022	2021
	Leased assets	Rent collection		
Subsidiaries	Land, Buildings and other equipments	Monthly	<u>\$ 6,144</u>	<u>\$ 5,230</u>

G. Other income

		For the years ended December 31,	
		2022	2021
Subsidiaries		\$ 9,803	\$ 7,808
Associates		68	11,550
Other related parties		2,292	3,337
		<u>\$ 12,163</u>	<u>\$ 22,695</u>

H. Ending balance of goods sold

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivables from related parties:		
Subsidiaries	\$ 3, 513	\$ 3, 702
Associates	1, 679	1, 238
Other related parties	7, 706	6, 276
	<u>\$ 12, 898</u>	<u>\$ 11, 216</u>

The receivables from related parties arise mainly from sales transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties

I. Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 1, 885	\$ –
Associates	–	1, 072
Other related parties	1, 180	–
	<u>\$ 3, 065</u>	<u>\$ 1, 072</u>

J. Ending balance of goods purchased

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables to related parties:		
Subsidiaries	\$ 40, 085	\$ 34, 473
Associates	–	3, 516
Other related parties	1, 626	543
	<u>\$ 41, 711</u>	<u>\$ 38, 532</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

K. Lease transactions — lessee

- (a) The Company leases land from other related party, Fan Dao Nan. Rental contracts are made for the period from October 1, 2016 to September 30, 2027. Rents are paid quarterly.
- (b) As of December 31, 2022 and 2021, the carrying amount of ‘right-of-use assets’ were \$2,848 and \$3,448, respectively.
- (c) As of December 31, 2022 and 2021, the carrying amount of lease liability were \$2,915 and \$3,508, respectively. The Company recognised interest expenses amounting to \$37 and \$44 for the years ended December 31, 2022 and 2021, respectively (listed as ‘Finance costs’).

L. Endorsements and guarantees provided to related parties

<u>Endorser/ guarantor</u>	<u>Endorsee/guarantee</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
The Company	Standard P	\$ <u>          —          </u>	\$ <u>          83,040          </u>	Secured borrowings

As of December 31, 2022 and 2021, the actual endorsement/guarantee amount provided by the Company for its subsidiary, Standard P, both amounted to \$—.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ <u>          15,765          </u>	\$ <u>          14,797          </u>

8. PLEGDED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The balances for contracts that the Company entered into for the purchase of property, plant and equipment, but not yet due were \$20,320 and \$87,045 for the years ended December 31, 2022 and 2021, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 10,561</u>	<u>\$ 9,849</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	<u>\$ 248,366</u>	<u>\$ 225,274</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 858,252	\$ 669,875
Notes receivable	100,411	101,981
Accounts receivable	533,695	538,485
Other receivables	72,290	191,470
Guarantee deposits paid	<u>25,685</u>	<u>37,632</u>
	<u>\$ 1,590,333</u>	<u>\$ 1,539,443</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 870,000	\$ 710,500
Notes payable	141,490	110,969
Accounts payable	142,739	176,821
Other payables	248,593	249,178
Guarantee deposits received	<u>200</u>	<u>235</u>
	<u>\$ 1,403,022</u>	<u>\$ 1,247,703</u>
Lease liabilities	<u>\$ 15,984</u>	<u>\$ 18,109</u>

B. Risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments may be used to hedge certain risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Company has certain sales and purchases denominated in USD and other foreign currencies. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of asset and liability positions in foreign currencies are close, market risk can be offset. The Company does not expect significant interest rate risk.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the net investments of foreign operations are strategic investments, thus the Company does not hedge the investments.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency amount		
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 29,020	30.71	\$ 891,196
JPY: NTD	163,316	0.2324	37,955
RMB: NTD	4,086	4.408	18,010
<u>Investments accounted for under equity method</u>			
USD: NTD	5,918	30.71	181,720
RMB: NTD	743	4.408	3,274
PHP: NTD	576	0.5443	314
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	302	30.71	9,285

	December 31, 2021		
	Foreign currency		
	amount		
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 26,064	27.68	\$ 721,445
JPY: NTD	315,830	0.2405	75,957
RMB: NTD	13,552	4.344	58,871
<u>Investments accounted for under equity method</u>			
USD: NTD	6,677	27.68	184,815
PHP: NTD	990	0.5353	530
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	238	27.68	6,579
JPY: NTD	195,843	0.2405	47,100

With regard to sensitivity analysis of foreign currency exchange rate risk, if the exchange rates of NTD to all foreign currencies had appreciated/depreciated by 1%, with all other factors remaining constant, the Company's net income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$8,988 and \$7,904, respectively.

- v. Total exchange income (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$77,967 and (\$16,424), respectively.

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased both by \$249, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,273 and \$1,840,

respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in the NTD.
- ii. With regard to sensitivity analysis of interest rate risk, if interest rates on borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been \$61 and \$26 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. In line with credit risk management procedure, payment reminders are sent as the contract payments are past due, whereby the default occurs when the contract payments are past due over certain period of time, and recourse procedures are initiated. However, the Company will continue executing the recourse procedures to secure their rights.
- iv. The Company classifies customer's notes and accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Company used the forecastability of conditions to adjust historical and timely information to assess the default possibility of notes and accounts receivable, whereby rate ranging from 0.01% to 100% are applied to the provision matrix. Movements in relation to the Company applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:



	For the year ended December 31, 2022		
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ –	\$ 5,093	\$ 5,093
Reversal of impairment	–	( 837)	( 837)
Ending balance	<u>\$ –</u>	<u>\$ 4,256</u>	<u>\$ 4,256</u>

	For the year ended December 31, 2021		
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ –	\$ 4,717	\$ 4,717
Provision for impairment	–	376	376
Ending balance	<u>\$ –</u>	<u>\$ 5,093</u>	<u>\$ 5,093</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. Surplus cash held by the Company over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	<u>\$ 1,264,970</u>	<u>\$ 1,183,260</u>

- iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 872,774	\$ –	\$ –	\$ –
Notes payable	141,490	–	–	–
Accounts payable	142,739	–	–	–
Other payables	248,593	–	–	–
Lease liabilities	4,595	4,523	7,191	–
Guarantee deposits received	–	200	–	–

December 31, 2021	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 711,677	\$ –	\$ –	\$ –
Notes payable	100,969	–	–	–
Accounts payable	176,821	–	–	–
Other payables	249,178	–	–	–
Lease liabilities	4,182	3,818	10,127	473
Guarantee deposits received	–	235	–	–

- v. For non-derivative financial liabilities, the Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The Company's investment in partial equity instruments without active market is included.

- B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, and guarantee deposits received) are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:

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

December 31, 2022	Level 1	Level 2	Level 3	Total
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 10,561	\$ 10,561
Financial assets at fair value through other comprehensive income				
Equity securities	154,874	-	93,492	248,366
	<u>\$ 154,874</u>	<u>\$ -</u>	<u>\$ 104,053</u>	<u>\$ 258,927</u>

December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 9,849	\$ 9,849
Financial assets at fair value through other comprehensive income				
Equity securities	134,689	-	90,585	225,274
	<u>\$ 134,689</u>	<u>\$ -</u>	<u>\$ 100,434</u>	<u>\$ 235,123</u>

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

- i. The instruments that the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed stocks</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In

accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments in the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. There was no transfer between Level 1 and Level 2 in 2022 and 2021.

E. The following table presents the changes in Level 3 instruments in 2022 and 2021:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 100,434	\$ 101,110
Recognised in profit or loss (Note 1)	712	108
Recognised in other comprehensive income (loss) (Note 2)	2,907	(784)
At December 31	<u>\$ 104,053</u>	<u>\$ 100,434</u>

(Note 1) Listed as "Other gains and losses".

(Note 2) Listed as "Unrealised gain or loss on financial assets at fair value through other comprehensive income".

F. For the years ended December 31, 2022 and 2021, there was no transfer from or to Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement.

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 104,053	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 100,434	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
			change	change	change	change
Financial assets	Input	Change				
Equity instrument	Discount for lack of	± 3%	\$ 453	(\$ 453)	\$ 4,007	(\$ 4,007)

			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
			change	change	change	change
Financial assets	Input	Change				
Equity instrument	Discount for lack of	± 3%	\$ 422	(\$ 422)	\$ 3,882	(\$ 3,882)

#### (4) Other information

Due to the spread of the COVID-19 and the government's promotion of various anti-epidemic measures, the Company has adopted relevant measures such as workplace hygiene management and continued to manage related matters in accordance with the 'Guidelines for Continued Operation of Enterprises in Response to Server Specialised Infectious Pneumonia Epidemic'. All factories are operated in an alternate mode, and there is no material adverse impact on all operation.

### 13. SUPPLEMENTARY DISCLOSURES

(Only 2022 information is disclosed in accordance with the current regulatory requirements.)

#### (1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 5.

#### (3) Information on investments in Mainland China

- A. Basic information: Refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

#### (4) Main stockholders information

Main stockholders information: Refer to table 7.

### 14. SEGMENT INFORMATION

Not applicable.

STANDARD CHEM & PHARM. CO., LTD.

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance (Note 2)	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
													Item	Value			
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Other receivables	Yes	\$ 92,130	\$ 92,130	\$ 92,130	1.20%	2	-	Operating capital	-	—	-	\$ 363,441	\$ 363,441	(Notes 3)
2	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Other receivables	Yes	4,628	4,628	4,628	1.20%	2	-	Operating capital	-	—	-	13,077	15,693	(Notes 3)

Note 1: The code represents the nature of financing activities as follows:

- (1) Trading partner.
- (2) Short-term financing.

Note 2: The ending balance is the credit limit approved by the Board of Directors.

Note 3: Calculation of limit on loans granted to a single party and ceiling on total loans granted:

- (1) Limit on loans granted to a single party:
  - (a) For the companies having business relationship with the Company, limit on loans granted to a single party is the higher value of purchasing and selling during current or latest year on the year of financing.
  - (b) For short-term financing, limit on loans granted to a single party is 5% of the Company's net assets based on the latest audited consolidated financial statements.
  - (c) Limit on loans granted by Standard Pharmaceutical Co., Ltd. to a single party is 200% of the creditor's net assets based on the latest audited or reviewed consolidated financial statements.
  - (d) Limit on loans granted by Jiangsu Standard Biotech Pharmaceutical to a single party is 25% of the creditor's net assets based on the latest audited or reviewed consolidated financial statements.
- (2) Ceiling on total loans granted to a single party:
  - (a) Ceiling on total loans granted by Standard Pharmaceutical Co., Ltd. to single party is 200% of the creditor's net assets.
  - (b) Ceiling on total loans granted by Jiangsu Standard Biotech Pharmaceutical to single party is 30% of the creditor's net assets.
- (3) For short-term financing, ceiling on total loans granted to all direct or indirect wholly-owned domestic and foreign subsidiaries of the Company is not limited to 40% of the creditors' net assets.

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71 and RMB: NTD 1:4.408.

STANDARD CHEM & PHARM. CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General	Number of shares	As of December 31, 2022			
			ledger account		Book value	Ownership (%)	Fair value	Note
Standard Chem & Pharm. Co., Ltd	Bonds with repurchase agreement:							
	China Bills Finance Corporation	—	1	—	\$ 82,376	-	\$ 82,376	-
	Stocks:							
	Original BioMedicals Co., Ltd.	—	2	200,000	-	0.43%	-	-
	NCKU Venture Capital Co., Ltd.	—	3	650,000	3,893	4.17%	3,893	-
	NTU Innovation & Incubation Co., Ltd.	—	3	480,000	3,931	3.76%	3,931	-
	TaiwanJ Pharmaceuticals Co., Ltd.	—	3	258,133	2,737	0.34%	2,737	-
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055,000	42,770	17.71%	42,770	-
	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s director	4	3,378,006	44,421	18.13%	44,421	-
	Green Management International Co., Ltd.	—	4	109,672	1,751	5.14%	1,751	-
	Kenda Pharmaceutiocal Co., Ltd.	—	4	5,000,000	4,550	19.42%	4,550	-
	Rossmax International Ltd.	—	4	2,990,000	73,106	3.52%	73,106	-
Chia Scheng Investment Co., Ltd.	EASYWELL BIOMEDICALS, INC.	—	4	5,094,600	81,768	4.45%	81,768	-
	Beneficiary certificates:							
	Taishin Ta-Chong Money Market Fund	—	2	368,142	5,313	-	5,313	-
	Taishin 1699 Money Market Fund	—	2	50,000	688	-	688	-
	Stocks:							
	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s director	4	240,846	3,166	1.29%	3,166	-
MULTIPOWER ENTERPRISE CORP.	Stason Pharmaceuticals, Inc.	—	4	4,000,000	-	13.02%	-	-
	Bonds with repurchase agreement:							
	International Bills Finance Corporation	—	1	—	100,000	-	100,000	-
Advpharma Inc.	Mega Bills Finance Co., Ltd.	—	1	—	20,000	-	20,000	-
	Beneficiary certificates:							
	Taiwan Cooperative Bank Money Market Fund	—	2	2,000,000	20,600	-	20,600	-
	Mega Diamond Money Market Fund	—	2	3,166,588	40,360	-	40,360	-
	FSITC Taiwan Money Market Fund	—	2	1,652,490	25,697	-	25,697	-
	Taishin 1699 Money Market Fund	—	2	1,473,047	20,277	-	20,277	-



Securities held by	Marketable securities	Relationship with the securities issuer	General	Number of shares	As of December 31, 2022			
			ledger account		Book value	Ownership (%)	Fair value	Note
Advpharma Inc.	UPAMC James Bond Money Market Fund	—	2	1,662,198	\$ 28,168	-	\$ 28,168	-
	Shin Kong US Harvest Balanced TWD A	—	2	245,916	2,520	-	2,520	-
	Cathay Senior Secured High Yield Bond	—	2	368,302	3,654	-	3,654	-
	Capital Money Market Fund	—	2	1,658,329	27,172	-	27,172	-
	Shin Kong Emergin Wealthy Nations Bond Fund A	—	2	195,290	1,699	-	1,699	-
	Stocks:							
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	3	76,698	859	3.70%	859	-
	TaiwanJ Pharmaceuticals Co., Ltd.	—	3	25,203	268	0.03%	268	-
	Stocks:							
	NCKU Venture Capital Co., Ltd.	—	3	650,000	3,893	4.17%	3,893	-
SYN-TECH CHEM & PHARM CO.,LTD.	Bonds with repurchase agreement:							
	China Bills Finance Corporation	—	1	—	323,257	-	323,257	-
	Mega Bills Finance Co., Ltd.	—	1	—	107,485	-	107,485	-
	Ta Ching Bills Finance Corporation	—	1	—	99,683	-	99,683	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: The general ledger account is classified into the following four categories:

1. Cash and cash equivalents
2. Financial assets at fair value through profit or loss - current
3. Financial assets at fair value through profit or loss - non-current
4. Financial assets at fair value through other comprehensive income - non-current

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71.

Table 3

STANDARD CHEM & PHARM. CO., LTD.  
Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in capital or more  
For the year ended December 31, 2022

Expressed in thousands of NTD

Corporation of acquisition Property	Name of	Date of acquisition	Trade amount	Status of payment of proceeds	Name of the counterparty	Relationship	The last transfer data of related counterparty				Basis for price determination	Reason for acquisition	Other terms
							Owner	Relationship	Date	Amount			
Syngen Biotech Co., Ltd.	Land and plant building	2022.05	\$ 407,887	\$ 407,887	Taiwan Yunlin District Court	—	—	—	—	\$ -	(Note)	For use in operation	—

Note: A foreclosure acquired by bidding.

STANDARD CHEM & PHARM. CO., LTD.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount		
0	Standard Chem & Pharm. Co., Ltd.	Syngen Biotech Co., Ltd.	1	Purchases	\$ 84,289	1 ~ 4 month(s) after monthly billings.	1%
			1	Accounts payable	( 25,569)	—	—
		Souriree Biotech & Pharm. Co., Ltd.	1	Purchases	67,443	1 ~ 4 month(s) after monthly billings.	1%
		SYN-TECH CHEM & PHARM CO., LTD.	1	Purchases	37,166	1 ~ 4 month(s) after monthly billings.	1%
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	3	Other receivables	92,247	—	1%

Note 1: As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

Note 2: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 3: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on ending balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for statement of comprehensive income accounts.

Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71 and RMB: NTD 1:4.408.

STANDARD CHEM & PHARM. CO., LTD.

Information on investees

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	\$ 396,953	\$ 396,953	13,000,000	100.00	\$ 181,720	(\$ 17,013)	(\$ 17,013)	Subsidiary
	Chia Scheng Investment Co., Ltd.	Taiwan	General investment	161,356	161,356	14,553,000	100.00	11,003	72	72	Subsidiary
	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Philippines	Import and export of various medical products, medicine, supplements	6,762	6,762	192,195	100.00	314	( 224)	( 224)	Subsidiary
	Inforight Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	100.00	4,212	515	515	Subsidiary
	Souriree Biotech & Pharm. Co., Ltd.	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicines	41,871	41,549	5,673,908	93.58	41,483	11,709	9,043	Subsidiary
	Multipower Enterprise Corp.	Taiwan	Import and export of western medicine, nourishment and function food, processing, manufacturing and sale of food	293,063	293,063	19,840,600	90.72	337,397	( 4,037)	( 3,974)	Subsidiary
	Advpharma Inc.	Taiwan	Research and development, manufacturing and sale of various medicine	525,933	525,933	53,226,806	88.71	266,798	( 11,061)	( 9,748)	Subsidiary
	Syngen Biotech Co., Ltd.	Taiwan	Research and development, manufacturing and sale of APIs, biopesticide, fertiliser and biochemical nutrition, sale of preventive medicine	330,203	330,203	12,651,146	46.68	910,035	321,236	149,057	Subsidiary (Note 1)
	SYN-TECH CHEM. & PHARM. CO., LTD.	Taiwan	Manufacturing and sale of APIs, reagent, surfactant, Chinese, western, and veterinary medicinal products	720,941	512,314	12,675,959	28.43	758,751	239,422	52,143	Subsidiary (Note 2) (Note 3)
	Ho Yao Biopharm Co., LTD.	Taiwan	Research and development of new medicine	46,800	-	3,680,000	84.99	38,417	( 10,406)	( 8,383)	Subsidiary (Note 4)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Standard Chem & Pharm. Co., Ltd.	WE CAN MEDICINESCO., LTD.	Taiwan	Wholesale of various medicine	\$ 277,067	\$ 282,868	13,155,909	32.89	\$ 235,502	\$ 100,054	\$ 33,360	Associate (Note 5)
	Taiwan Biosim, Co., Ltd.	Taiwan	Research and development of various medicine	49,900	49,900	4,990,000	49.90	31,982	2,744	1,370	Associate
Syngen Biotech Co., Ltd	SYNGEN BIOTECH INTERNATIONAL SDN. BHD.	Malaysia	Research and development, manufacturing and sale of APIs and biochemical nutrition, sale of preventive medicine	7,322	7,322	1,000,000	100.00	978	( 789)	-	Subsidiary (Note 6)
	Jhan Shuo Biopharma Co.,Ltd.	Taiwan	Manufacturing, wholesale and sale of western medicine	100	-	10,000	100.00	100	-	-	Subsidiary (Note 6) (Note 7)
	GENEFERM BIOTECHNOLOGY CO.,LTD.	Taiwan	Research and development, design, quantification, manufacturing and sale of microbial and edible mushroom medicine fermentation, herbal and vegetal functional products, fruit and vegetable fermentation concentrates and protein products, management of the aforementioned trade business, technological consultancy, etc.	273,840	273,840	12,000,000	28.94	309,854	93,454	-	Associate (Note 6)
Advpharma Inc.	CNH TECHNOLOGIESINC.	USA	Research and development of various medicine	13,734	13,734	400,000	35.60	683	( 24,332)	-	(Note 6)
SYN-TECH CHEM. & PHARM. CO., LTD.	Advpharma Inc.	Taiwan	Research and development, manufacturing and sale of various medicine	9,626	9,626	1,495,414	2.49	7,687	( 11,061)	-	(Note 6)
	CNH TECHNOLOGIESINC.	USA	Research and development of various medicine	21,092	21,092	535,050	47.62	7,288	( 24,332)	-	(Note 6)

Note 1: In September 2016, the subsidiary, Syngen Biotech Co., Ltd. ("Syngen"), filed for an initial public offering with Taipei Exchange. As part of the public trading process, the Company allowed its underwriter to exercise the overallotment option, which decreased the Company's ownership percentage in Syngen to below 50%. However, the Company did not lose control over Syngen.

Note 2: The company participated in the cash capital increase of SYN-TECH CHEM. & PHARM. CO., LTD., which results in becoming SYN-TECH's single largest corporate shareholder and having substantial control over it.

Note 3: The Company spun off and transferred the synthesis department to SYN-TECH CHEM. & PHARM. CO., LTD. and received the common shares issued from the capital increase on July 1, 2022

Note 4: The subsidiary newly acquired in the first quarter of 2022.

Note 5: Formerly named as 'WE CAN MEDICINES CO., LTD.' and the name was changed since June 13, 2022.

Note 6: Not required to disclose income (loss) recognised.

Note 7: The subsidiary newly established in the third quarter of 2022.

Note 8: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71.

STANDARD CHEM & PHARM. CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Note
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Research and development, technical consulting and technical services of medicine	\$ 276,390	(Note 1)	\$ 276,084	\$ - \$ 276,084	\$ -	(\$ 17,426)	100.00	(\$ 17,426)	\$ 52,323	\$ -	(Note 4)
Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	186,878	(Note 2)	-	-	-	( 14,099)	55.00	( 7,755)	( 6,559)	-	(Note 4)
Shanghai Standard Pharmaceuticals Co., Ltd.	Sale of various medicine and dietary supplement	4,512	(Note 3)	-	4,512	-	( 1,179)	100.00	( 1,179)	3,274	-	(Note 4)

Company name	December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
Standard Chem & Pharm. Co., Ltd.	\$ 280,596	\$ 276,390	\$4,461,361

Note 1: Indirect investment in Mainland China through an existing company (Standard Pharmaceutical Co., Ltd.) located in the third area.

Note 2: Indirect investment in Mainland China through an existing company (Jiangsu Standard Biotech Pharmaceutical Co., Ltd.) located in Mainland China.

Note 3: Direct investment in Mainland China from Taiwan.

Note 4: Recognition is based on investees' financial statements audited and attested by independent accountants.

Note 5: In accordance with Article 4 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, when the accumulated investment amount of an individual investor is less than US\$1 million, it can be examined in the form of declaration to the regulatory authority which shall be made within six months after the investment.

The Company's investment in Shanghai Standard Pharmaceuticals Co., Ltd. amounting to \$4,665 has not yet been declared as of the reporting date as it was still within the declaration period stipulated in the regulations and had been declared to the regulatory authority in February 2023.

Note 6: Ceiling is the higher of net assets or 60% of consolidated equity.

Note 7: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71 and RMB: NTD 1:4.408.

STANDARD CHEM & PHARM. CO., LTD.  
Major Shareholders Information  
December 31, 2022

Table 7

Major Shareholder's Name	Shares	
	Number of shares	Percentage
Chin-Tsai, Fan	20,786,813	12%
Tzu-Pin, Fan	19,518,084	11%
Mei-Rong, Fan Hung	14,584,781	8%
Tzu-Tin, Fan	11,766,604	7%
Sen-Hao, Cheng	9,368,888	5%
Tsuey-Wen, Yeh	9,124,669	5%

Note 1: The information of major shareholders in this table is calculated by TDCC on the last business day at the end of each quarter to calculate that the shareholder-holding company has completed the book-entry delivery (including treasury stocks) of common stocks and special stocks totaling more than 5%. As for the share capital recorded in the company's financial report and the company's actual number of shares registered and delivered may be different due to the calculation bases.

Note 2: If shareholder has his/hers shares been entrusted, it shall disclosed in the trustee's individual accounts. As for shareholder's declaration of shares held by insiders with more than 10%, for shareholding that includes shares on hand and those have been entrusted, and the right to their entrust property, etc., please refer to MOPS's website.

Standard Chem. & Pharm. Co., Ltd.



Chairman

Tzu-Ting, Fan

