

STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2019 and 2018, 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 independent accountants, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 parent company only financial statements of the current period. 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 parent company only financial statements of the current period 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(5) for the details of allowance for inventory valuation loss. As of December 31, 2019, the carrying amount of inventories and allowance for inventory valuation loss are \$584,225 thousand and \$9,706 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 consider 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(28) 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, pharmacies and drug administrations all over the country. Since the sales transactions are numerous and would require a longer period for verification, we consider 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 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 independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. These investments amounted to \$134,573 thousand and \$140,967 thousand, constituting 2.45% and 2.65% of total assets as of December 31, 2019 and 2018, respectively, and the share of profit or loss of subsidiaries, associates and joint ventures accounted for under the equity method was \$1,323 thousand and (\$2,557) thousand, constituting 0.38% and (0.86%) of total comprehensive income for the years then ended, respectively. The financial statements of these investee companies were audited by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements and information disclosed relative to these investments, is based solely on the reports of other independent

accountants.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditor’s 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain 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 auditor's 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 auditor's 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 24, 2020

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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, 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		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 762,990	14	\$ 946,253	18
1136	Financial assets at amortised cost - current	6(1)	74,950	1	30,720	-
1150	Notes receivable, net	6(4), 7 and 12	86,747	2	99,779	2
1170	Accounts receivable, net	6(4), 7 and 12	477,381	9	473,160	9
1200	Other receivables		16,663	-	18,159	-
1210	Other receivables - related parties	7	92,940	2	92,353	2
130X	Inventories	5(2) and 6(5)	574,519	10	510,031	10
1410	Prepayments	3(1)	36,094	1	39,032	1
1479	Other current assets		3,081	-	2,700	-
11XX	Total current assets		2,125,365	39	2,212,187	42
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	5(2) and 6(2)	10,241	-	9,198	-
1517	Financial assets at fair value through other comprehensive income - non-current	5(2), 6(3) and 7	350,050	6	313,760	6
1550	Investments accounted for under the equity method	3(1), 6(6) and 7	1,693,353	31	1,442,951	27
1600	Property, plant and equipment	6(7) and 8	1,069,039	20	1,141,224	22
1755	Right-of-use assets	3(1), 6(8) and 7	8,098	-	-	-
1760	Investment property, net	6(9)	46,433	1	46,546	1
1780	Intangible assets	6(10)	10,911	-	15,263	-
1840	Deferred income tax assets	6(25)	102,429	2	98,549	2
1915	Prepayments for equipment	6(7)	18,424	-	5,715	-
1920	Guarantee deposits paid		28,006	1	20,514	-
1990	Other non-current assets		19,355	-	14,045	-
15XX	Total non-current assets		3,356,339	61	3,107,765	58
1XXX	TOTAL ASSETS		\$ 5,481,704	100	\$ 5,319,952	100

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STANDARD CHEM. & PHARM. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11) and 8	\$ 565,000	10	\$ 420,000	8
2110	Short-term notes and bills payable	6(12)	300,000	6	250,000	5
2130	Contract liabilities - current	6(19)	54,476	1	40,526	1
2150	Notes payable		103,420	2	122,435	2
2160	Notes payable - related parties	7	26,361	1	27,563	-
2170	Accounts payable	7	97,434	2	59,794	1
2200	Other payables		245,111	4	222,107	4
2230	Current income tax liabilities	6(25)	13,098	-	54,321	1
2280	Lease liabilities - current	3(1), 6(8) and 7	3,005	-	-	-
2310	Receipts in advance		615	-	734	-
2320	Current portion of long-term borrowings	6(13)	-	-	30,000	1
21XX	Total current liabilities		1,408,520	26	1,227,480	23
Non-current liabilities						
2540	Long-term borrowings	6(13)	-	-	70,000	2
2570	Deferred income tax liabilities	6(25)	61,992	1	67,969	1
2580	Lease liabilities - non-current	3(1), 6(8) and 7	5,064	-	-	-
2640	Net defined benefit liability - non-current	6(14)	241,710	4	269,421	5
2645	Guarantee deposits received		206	-	3,857	-
25XX	Total non-current liabilities		308,972	5	411,247	8
2XXX	Total liabilities		1,717,492	31	1,638,727	31
Equity						
Share capital						
3110	Common stock	6(15)	1,786,961	33	1,786,961	33
3200	Capital surplus	6(16)(27)	204,514	4	197,315	4
Retained earnings		3(1) and 6(17)				
3310	Legal reserve		622,365	11	584,929	11
3350	Unappropriated retained earnings		1,079,851	20	1,022,410	19
3400	Other equity interest	6(3)(6)(18)	70,521	1	89,610	2
3XXX	Total equity		3,764,212	69	3,681,225	69
Significant contingent liabilities and unrecognised contract commitments		7 and 9				
3X2X	TOTAL LIABILITIES AND EQUITY		\$ 5,481,704	100	\$ 5,319,952	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,					
		2019		2018			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000 Operating revenue	6(19) and 7	\$ 2,403,678	100	\$ 2,385,819	100		
5000 Operating costs	6(5)(8)(10)(14)(23) (24) and 7	(1,318,348)	(55)	(1,287,252)	(54)		
5900 Gross profit		<u>1,085,330</u>	<u>45</u>	<u>1,098,567</u>	<u>46</u>		
Operating expenses	6(8)(10)(14)(23)(24) and 7						
6100 Selling expenses		(429,302)	(18)	(404,843)	(17)		
6200 General and administrative expenses		(159,274)	(7)	(172,471)	(7)		
6300 Research and development expenses		(149,216)	(6)	(156,355)	(7)		
6450 Expected credit gains (losses)	12	<u>2,615</u>	<u>-</u>	<u>5,555</u>	<u>-</u>		
6000 Total operating expenses		<u>(735,177)</u>	<u>(31)</u>	<u>(739,224)</u>	<u>(31)</u>		
6900 Operating profit		<u>350,153</u>	<u>14</u>	<u>359,343</u>	<u>15</u>		
Non-operating income and expenses							
7010 Other income	6(9)(20) and 7	75,683	3	115,187	5		
7020 Other gains and losses	6(2)(21) and 12	(37,491)	(1)	31,462	1		
7050 Finance costs	6(7)(8)(22) and 7	(6,657)	-	(6,960)	-		
7070 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under the equity method, net	6(6)	<u>58,318</u>	<u>2</u>	<u>(51,071)</u>	<u>(2)</u>		
7000 Total non-operating income and expenses		<u>89,853</u>	<u>4</u>	<u>88,618</u>	<u>4</u>		
7900 Profit before income tax		<u>440,006</u>	<u>18</u>	<u>447,961</u>	<u>19</u>		
7950 Income tax expense	6(25)	(63,524)	(2)	(73,602)	(3)		
8200 Profit for the year		<u>\$ 376,482</u>	<u>16</u>	<u>\$ 374,359</u>	<u>16</u>		
Other comprehensive income (loss)							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311 Remeasurement of defined benefit plan	6(14)	(\$ 7,270)	-	(\$ 22,616)	(1)		
8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(18)	17,152	1	7,344	-		
8330 Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	6(6)(18)	(31,841)	(2)	(62,551)	(2)		
8349 Income tax related to components of other comprehensive income	6(25)	1,454	-	2,415	-		
Components of other comprehensive income that will be reclassified to profit or loss							
8361 Financial statements translation differences of foreign operations	6(6)(18)	(4,691)	-	(707)	-		
8300 Total other comprehensive loss for the year		<u>(\$ 25,196)</u>	<u>(1)</u>	<u>(\$ 76,115)</u>	<u>(3)</u>		
8500 Total comprehensive income for the year		<u>\$ 351,286</u>	<u>15</u>	<u>\$ 298,244</u>	<u>13</u>		
Earnings per share (in dollars)	6(26)						
9750 Basic		<u>\$ 2.11</u>		<u>\$ 2.09</u>			
9850 Diluted		<u>\$ 2.10</u>		<u>\$ 2.09</u>			

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)

	Capital Surplus			Retained Earnings			Other Equity Interest			Total equity		
	Notes	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 using the equity method	Others	Legal reserve	Unappropriated retained earnings	Financial statements differences of foreign operations		Unrealised gain or loss from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets
For the year ended December 31, 2018												
Balance at January 1, 2018		\$ 1,786,961	\$ 143,353	\$ 50,399	\$ 3,460	\$ -	\$ 548,600	\$ 982,791	(\$ 9,146)	\$ -	\$ 166,005	\$ 3,672,423
Effects of retrospective application		-	-	-	-	-	-	7,826	-	154,548	(166,005)	(3,631)
Adjusted balance at January 1, 2018		1,786,961	143,353	50,399	3,460	-	548,600	990,617	(9,146)	154,548	-	3,668,792
Profit for the year		-	-	-	-	-	-	374,359	-	-	-	374,359
Other comprehensive loss for the year	6(18)	-	-	-	-	-	-	(20,323)	(707)	(55,085)	-	(76,115)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	354,036	(707)	(55,085)	-	298,244
Difference between proceeds from acquisition of subsidiaries and book value	6(27)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends payable expired	6(16)	-	-	54	-	-	-	-	-	-	-	54
Appropriations of 2017 earnings:		-	-	-	-	49	-	-	-	-	-	49
Legal reserve		-	-	-	-	-	36,329	(36,329)	-	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	(285,914)	-	-	-	(285,914)
Balance at December 31, 2018		1,786,961	143,353	50,453	3,460	49	\$ 584,929	\$ 1,022,410	(\$ 9,853)	\$ 99,463	\$ -	\$ 3,681,225
For the year ended December 31, 2019												
Balance at January 1, 2019		\$ 1,786,961	\$ 143,353	\$ 50,453	\$ 3,460	\$ 49	\$ 584,929	\$ 1,022,410	(\$ 9,853)	\$ 99,463	\$ -	\$ 3,681,225
Effects of retrospective application	3(1) and 6(6)	-	-	-	-	-	-	(7,454)	-	-	-	(7,454)
Adjusted balance at January 1, 2019		1,786,961	143,353	50,453	3,460	49	584,929	1,014,956	(9,853)	99,463	-	3,673,771
Profit for the year		-	-	-	-	-	-	376,482	-	-	-	376,482
Other comprehensive loss for the year	6(18)	-	-	-	-	-	-	(6,107)	(4,691)	(14,398)	-	(25,196)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	370,375	(4,691)	(14,398)	-	351,286
Difference between proceeds from acquisition of subsidiaries and book value	6(27)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends payable expired	6(16)	-	-	7,054	-	-	-	-	-	-	-	7,054
Appropriations of 2018 earnings:		-	-	-	-	145	-	-	-	-	-	145
Legal reserve		-	-	-	-	-	37,436	(37,436)	-	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	(268,044)	-	-	-	(268,044)
Balance at December 31, 2019		1,786,961	143,353	57,507	3,460	194	\$ 622,365	\$ 1,079,851	(\$ 14,544)	\$ 85,065	\$ -	\$ 3,764,212

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)

	Notes	For the years ended December 31,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 440,006	\$ 447,961
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit and loss		(926)	1,147
Expected credit (gain) loss	12	(2,615)	5,555
(Reverse of allowance) provision for loss on inventory market price decline	6(5)	(10,833)	8,650
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	6(6)	(58,318)	51,071
Depreciation	6(7)(8)(9)(23)	125,699	122,027
Net loss on disposal of property, plant and equipment	6(21)	545	686
Amortisation	6(10)(23)	5,210	5,871
Dividend income	6(20)	(13,957)	(9,120)
Interest income	6(20)	(15,230)	(15,057)
Interest expense	6(22)	6,657	6,960
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(117)	-
Notes receivable		13,087	20,084
Accounts receivable		(1,661)	(57,278)
Other receivables		1,240	(12,587)
Other receivables - related parties		(2,807)	(7)
Inventories		(53,655)	1,868
Prepayments		2,724	(8,257)
Other current assets		(381)	(648)
Changes in operating liabilities			
Contract liabilities - current		13,950	(415)
Notes payable		(19,220)	9,114
Notes payable - related parties		(1,202)	859
Accounts payable		37,640	4,353
Other payables		30,485	(4,553)
Receipts in advance		(119)	(119)
Net defined benefit liability - non-current		(34,981)	(21,837)
Cash inflow generated from operations		461,221	556,328
Dividends received	6(6)(20)	41,257	58,728
Interest received		15,486	13,340
Interest paid		(6,700)	(6,855)
Income tax paid		(113,150)	(88,993)
Net cash flows from operating activities		398,114	532,548

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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,	
		2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in financial assets at amortised cost - current		(\$ 44,230)	\$ 28,800
Decrease (increase) in other receivables - related parties		2,220 (	2,880)
Proceeds from capital reduction of financial assets at fair value through profit and loss - non-current	6(2) and 12(3)	-	3,500
Acquisition of financial assets at fair value through other comprehensive income - non-current		(19,138 ) (	6,340)
Acquisition of investments accounted for using the equity method	6(6)	(256,316 ) (	1,751)
Cash paid for acquisition of property, plant and equipment	6(28)	(32,045 ) (	36,239)
Interest paid for acquisition of property, plant and equipment	6(7)(22)(28)	(113 ) (	85)
Proceeds from disposal of property, plant and equipment		-	99
Acquisition of intangible assets	6(10)	(858 ) (	1,138)
Increase in prepayment for equipment		(37,188 ) (	26,591)
(Increase) decrease in guarantee deposits paid		(7,492)	8,433
Increase in other non-current assets		(19,818 ) (	6,591)
Decrease in other non-current assets		14,508	12,361
Net cash flows used in investing activities		(400,470)	(28,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(29)	365,000	200,000
Decrease in short-term borrowings	6(29)	(220,000 ) (	250,000)
Increase in short-term notes and bills payable	6(29)	50,000	50,000
Payments of lease liabilities	6(29)	(4,357)	-
Decrease in long-term borrowings	6(29)	(100,000)	-
Decrease in guarantee deposit received	6(29)	(3,651 ) (	1,514)
Cash dividends payable expired	6(16)	145	49
Payment of cash dividends	6(17)	(268,044)	(285,914)
Net cash flows used in financing activities		(180,907)	(287,379)
Net (decrease) increase in cash and cash equivalents		(183,263)	216,747
Cash and cash equivalents at beginning of year	6(1)	946,253	729,506
Cash and cash equivalents at end of year	6(1)	\$ 762,990	\$ 946,253

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, 2019 AND 2018

(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 24, 2020.

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") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased 'right-of-use asset' and 'lease liability'

by \$11,727 and \$11,513, respectively, and decreased prepaid rent (shown as 'prepayments') by \$214 with respect to the lease contracts of lessees on January 1, 2019. The Company also decreased 'investments accounted for under the equity method' and 'retained earnings' proportionally to its interest to its associate both by \$7,454, with the effect of retrospective application by its associate.

- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 0.86% to 1.17%.
- E. The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as of December 31, 2018	\$	12,119
Less: Low-value assets	(	86)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	12,033
Incremental borrowing interest rate at the date of initial application		0.86%~1.17%
Lease liabilities recognised as of January 1, 2019 by applying IFRS 16	\$	11,513

(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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non current'	January 1, 2022
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

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 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.

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.

(4) Classification of current and non-current items

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

(5) Cash equivalents

- 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 amortised 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 using 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 profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. 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 the 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:

<u>Assets</u>	<u>Useful Life</u>
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	3 ~ 9 years
Other equipment	2 ~ 15 years

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities (Effective 2019)

- 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.

(17) Leased assets/ operating leases (lessee) (Prior to 2019)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) 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.

(19) Intangible assets

A. Patents

Patents is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 to 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 to 10 years.

(20) 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.

(21) 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.

(22) 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.

(23) Derecognition of financial liabilities

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

(24) Employee benefits

A. Short-term employee benefits

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

iii. Past service costs are recognised immediately in profit or loss.

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 amounts as resolved by the stockholders at the stockholders' meeting and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee 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.

(25) 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 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 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.

(26) 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.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock

dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) 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, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. 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. Evaluation 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 evaluation.

(b) As of December 31, 2019, the carrying amount of inventories was \$574,519.

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 fund 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 fair value estimation for the financial instruments fair value information.

(b) As of December 31, 2019, the carrying amount of unlisted stocks without active market was \$105,499.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash:		
Revolving funds and petty cash	\$ 4,849	\$ 4,223
Checking accounts and demand deposits	<u>278,466</u>	<u>566,780</u>
	<u>283,315</u>	<u>571,003</u>
Cash equivalents:		
Time deposits	403,969	359,469
Repurchase bonds	<u>75,706</u>	<u>15,781</u>
	<u>479,675</u>	<u>375,250</u>
	<u>\$ 762,990</u>	<u>\$ 946,253</u>

- A. The Company associates 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, 2019 and 2018, the carrying amount of more than 3-month time deposits (shown as “Financial assets at amortised cost - current”) was \$74,950 and \$30,720, respectively.
- C. As of December 31, 2019 and 2018, the Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</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	\$ -
Unlisted stocks	<u>11,300</u>	<u>12,786</u>
	<u>12,903</u>	<u>12,786</u>
Valuation adjustment	<u>(2,662)</u>	<u>(3,588)</u>
	<u>\$ 10,241</u>	<u>\$ 9,198</u>

- A. The Company recognised net loss (shown as “other gains and losses”) of \$560 and \$1,147 for the years ended December 31, 2019 and 2018, respectively.
- B. The Company’s financial assets at fair value through profit or loss - non-current, NCKU Venture Capital Co., Ltd., conducted a capital reduction in August 2018. The Company has reversed 350

thousand shares at the initial investment price of \$3,500 proportionately.

- C. As of December 31, 2019 and 2018, the Company 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, 2019</u>	<u>December 31, 2018</u>
Equity instrument:		
Listed stocks	\$ 101,077	\$ 89,725
Unlisted stocks	<u>63,295</u>	<u>55,509</u>
	164,372	145,234
Valuation adjustment	<u>185,678</u>	<u>168,526</u>
	<u>\$ 350,050</u>	<u>\$ 313,760</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. As at December 31, 2019, 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 recognised \$17,152 and \$7,344 in other comprehensive income for fair value change for the years ended December 31, 2019 and 2018, respectively.
- C. The Company recognised \$13,721 and \$8,416 as dividend income in profit or loss (shown as 'other income') in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, respectively.
- D. As of December 31, 2019 and 2018, the Company has no financial assets at fair value through other comprehensive income pledged to others.
- E. 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, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 86,747	\$ 99,834
Less: Allowance for bad debts	<u>–</u>	<u>(55)</u>
	<u>\$ 86,747</u>	<u>\$ 99,779</u>
Accounts receivable	\$ 486,826	\$ 485,165
Less: Allowance for bad debts	<u>(9,445)</u>	<u>(12,005)</u>
	<u>\$ 477,381</u>	<u>\$ 473,160</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable:		
During the credit period	<u>\$ 86,747</u>	<u>\$ 99,384</u>
Accounts receivable:		
During the credit period	\$ 419,459	\$ 399,446
Overdue up to 90 days	49,495	61,670
Overdue 91 to 180 days	17,865	24,049
Overdue 181 to 270 days	7	-
	<u>\$ 486,826</u>	<u>\$ 485,165</u>

The above ageing analysis was based on days overdue.

- B. As of December 31, 2019 and 2018, notes and accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$548,453.
- 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, 2019 and 2018, 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) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Merchandise	\$ 32,000	(\$ 218)	\$ 31,782
Raw materials	231,149	(5,392)	225,757
Supplies	35,159	(794)	34,365
Work in process	58,501	(718)	57,783
Finished goods	227,416	(2,584)	224,832
	<u>\$ 584,225</u>	<u>(\$ 9,706)</u>	<u>\$ 574,519</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 32,092	(\$ 165)	\$ 31,927
Raw materials	210,596	(8,265)	202,331
Supplies	29,350	(1,351)	27,999
Work in process	55,128	(950)	54,178
Finished goods	203,404	(9,808)	193,596
	<u>\$ 530,570</u>	<u>(\$ 20,539)</u>	<u>\$ 510,031</u>

A. The cost of inventories recognised as expenses for the year:

	For the years ended December 31,	
	2019	2018
Cost of goods sold	\$ 1,265,713	\$ 1,256,159
Loss on scrapped inventories	63,891	23,020
(Reversal of allowance) provision for loss on inventory market price decline (Note)	(10,833)	8,650
Gain on physical inventory	(423)	(577)
	<u>\$ 1,318,348</u>	<u>\$ 1,287,252</u>

(Note) For the year ended December 31, 2019, 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.

(6) Investments accounted for under the equity method

A. Movements of investments accounted for under the equity method:

	For the years ended December 31,	
	2019	2018
At January 1 before adjustments	\$ 1,442,951	\$ 1,606,736
Effects on retrospective application	(7,454)	(1,653)
At January 1 after adjustments	1,435,497	1,605,083
Acquisition of investments accounted for under the equity method	256,316	1,751
Share of profit or loss of investments accounted for under the equity method	58,318	(51,071)
Earnings distribution of investments accounted for under the equity method	(27,300)	(49,608)
Capital surplus — Difference between the price for acquisition or disposal of subsidiaries and carrying amount	7,054	54
Other equity interest — Financial statements translation differences of foreign operations	(4,691)	(707)
Other equity interest — Unrealised gain or loss on valuation of financial assets	(31,550)	(62,429)
Other equity interest — Actuarial losses of defined benefit plan	(291)	(122)
At December 31	<u>\$ 1,693,353</u>	<u>\$ 1,442,951</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 1,525,728	\$ 1,297,026
Associates	167,625	145,925
	<u>\$ 1,693,353</u>	<u>\$ 1,442,951</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Standard Pharmaceutical Co., Ltd.	\$ 117,760	\$ 140,057
Chia Scheng Investment Co., Ltd.	29,072	75,530
STANDARD CHEM. & PHARM. PHILIPPINES, INC.	2,191	3,032
Inforight Technology Co., Ltd.	4,681	4,841
Souriree Biotech & Pharm. Co., Ltd.	25,976	27,157
Multipower Enterprise Corp.	374,778	375,152
Advpharma Inc.	292,089	275,590
Syngen Biotech Co., Ltd.	679,181	395,667
WE CAN MEDICINES CO., LTD.	134,573	140,967
Taiwan Biosim Co., Ltd.	33,052	4,958
	<u>\$ 1,693,353</u>	<u>\$ 1,442,951</u>

C. Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2019 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, 2019	2018
WE CAN MEDICINES CO., LTD.	Taiwan	33.10%	33.10%

(b) The summarised financial information of the associate that is material to the Company is as follows:

i. Balance sheet

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 704,171	\$ 649,428
Non-current assets	717,856	170,673
Current liabilities	(556,972)	(365,287)
Non-current liabilities	(458,489)	(29,110)
Total net assets	<u>\$ 406,566</u>	<u>\$ 425,704</u>
Share in associate's net assets	<u>\$ 134,573</u>	<u>\$ 140,908</u>
Carrying amount of the associate	<u>\$ 134,573</u>	<u>\$ 140,967</u>

ii. Statement of comprehensive income

	For the years ended December 31,	
	2019	2018
Revenue	\$ 2, 287, 208	\$ 2, 304, 700
Net income (loss) for the year	\$ 4, 176	(\$ 7, 726)
Total comprehensive income (loss) for the year	\$ 3, 380	(\$ 8, 271)

- (c) As of December 31, 2019 and 2018, the carrying amount of the Company's individually immaterial associates amounted to \$33,052 and \$4,958, respectively. The share in associate's financial performance is as follows:

	For the years ended December 31,	
	2019	2018
Net loss for the year	(\$ 1, 846)	(\$ 20)
Total comprehensive loss for the year	(\$ 1, 846)	(\$ 20)

- E. For the years ended December 31, 2019 and 2018, the details of the Company's equity transactions are provided in Note 7, "Related party transactions".
- F. As of December 31, 2019 and 2018, the Company has no shares pledged to others.

(7) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Total
At January 1, 2019								
Cost	\$ 314,060	\$ 559,150	\$ 632,460	\$ 132,634	\$ -	\$ -	\$ 912,714	\$ 2,551,018
Accumulated depreciation	-	(226,237)	(450,661)	(91,932)	-	-	(640,964)	(1,409,794)
	<u>\$ 314,060</u>	<u>\$ 332,913</u>	<u>\$ 181,799</u>	<u>\$ 40,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,750</u>	<u>\$ 1,141,224</u>
2019								
At January 1	\$ 314,060	\$ 332,913	\$ 181,799	\$ 40,702	\$ -	\$ -	\$ 271,750	\$ 1,141,224
Additions-cost	-	6,337	7,943	1,067	460	1,884	7,243	24,934
Transfer-cost (Note)	-	359,199	227,586	9,451	18,781	27,590	618,128	24,479
-accumulated depreciation	-	(273,363)	(140,707)	(7,903)	(12,185)	(24,921)	459,079	-
Depreciation	-	(38,852)	(45,395)	(6,132)	(950)	(837)	(28,887)	(121,053)
Disposals-cost	-	(1,717)	(3,768)	(756)	-	(409)	(3,236)	(9,886)
-accumulated depreciation	-	1,272	3,668	756	-	409	3,236	9,341
At December 31	<u>\$ 314,060</u>	<u>\$ 385,789</u>	<u>\$ 231,126</u>	<u>\$ 37,185</u>	<u>\$ 6,106</u>	<u>\$ 3,716</u>	<u>\$ 91,057</u>	<u>\$ 1,069,039</u>
At December 31, 2019								
Cost	\$ 314,060	\$ 922,969	\$ 864,221	\$ 142,396	\$ 19,241	\$ 29,065	\$ 298,593	\$ 2,590,545
Accumulated depreciation	-	(537,180)	(633,095)	(105,211)	(13,135)	(25,349)	(207,536)	(1,521,506)
	<u>\$ 314,060</u>	<u>\$ 385,789</u>	<u>\$ 231,126</u>	<u>\$ 37,185</u>	<u>\$ 6,106</u>	<u>\$ 3,716</u>	<u>\$ 91,057</u>	<u>\$ 1,069,039</u>

(Note) Transferred from "Prepayment for equipment".

	Land	Buildings	Machinery	Utility equipment	Other equipment	Total
At January 1, 2018						
Cost	\$ 314,060	\$ 555,821	\$ 630,825	\$ 132,634	\$ 883,102	\$ 2,516,442
Accumulated depreciation	-	(208,051)	(435,453)	(85,349)	(594,070)	(1,322,923)
	<u>\$ 314,060</u>	<u>\$ 347,770</u>	<u>\$ 195,372</u>	<u>\$ 47,285</u>	<u>\$ 289,032</u>	<u>\$ 1,193,519</u>
2018						
At January 1	\$ 314,060	\$ 347,770	\$ 195,372	\$ 47,285	\$ 289,032	\$ 1,193,519
Additions-cost	-	849	5,446	-	26,948	33,243
Transfer from prepayments for equipment	-	2,480	16,730	-	17,951	37,161
Reclassification-accumulated depreciation	-	(2,298)	(157)	-	2,455	-
Depreciation	-	(15,888)	(34,828)	(6,583)	(64,615)	(121,914)
Disposals-cost	-	-	(20,541)	-	(15,287)	(35,828)
-accumulated depreciation	-	-	19,777	-	15,266	35,043
At December 31	<u>\$ 314,060</u>	<u>\$ 332,913</u>	<u>\$ 181,799</u>	<u>\$ 40,702</u>	<u>\$ 271,750</u>	<u>\$ 1,141,224</u>
At December 31, 2018						
Cost	\$ 314,060	\$ 559,150	\$ 632,460	\$ 132,634	\$ 912,714	\$ 2,551,018
Accumulated depreciation	-	(226,237)	(450,661)	(91,932)	(640,964)	(1,409,794)
	<u>\$ 314,060</u>	<u>\$ 332,913</u>	<u>\$ 181,799</u>	<u>\$ 40,702</u>	<u>\$ 271,750</u>	<u>\$ 1,141,224</u>

- A. As of December 31, 2019 and 2018, the carrying amount of buildings and other equipment held for operating leases are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Buildings	\$ 92	\$ 93
Other equipment	\$ 685	\$ 804

- 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, 2019 and 2018 are as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Capitalised interest payments	\$ 113	\$ 85
Interest rate	0.83%~0.86%	0.92%

- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2019 and 2018 is provided in Note 8.

(8) Leasing arrangements—lessee

- A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 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 charge are as follows:

	<u>December 31, 2019</u>	<u>For the year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 5,147	\$ 1,000
Buildings	2,951	3,533
	<u>\$ 8,098</u>	<u>\$ 4,533</u>

- C. For the year ended December 31, 2019, the additions to right-of-use assets was \$1,613.

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

	<u>For the year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 112
Expense on leases of low-value assets	170
	<u>\$ 282</u>

- E. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$4,639.

(9) Investment property, net

	Land	Buildings	Total
<u>At January 1, 2019</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>-</u>	<u>(3,525)</u>	<u>(3,525)</u>
	<u>\$ 43,295</u>	<u>\$ 3,251</u>	<u>\$ 46,546</u>
<u>2019</u>			
At January 1	\$ 43,295	\$ 3,251	\$ 46,546
Depreciation	<u>-</u>	<u>(113)</u>	<u>(113)</u>
At December 31	<u>\$ 43,295</u>	<u>\$ 3,138</u>	<u>\$ 46,433</u>
<u>At December 31, 2019</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>-</u>	<u>(3,638)</u>	<u>(3,638)</u>
	<u>\$ 43,295</u>	<u>\$ 3,138</u>	<u>\$ 46,433</u>
	Land	Buildings	Total
<u>At January 1, 2018</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>-</u>	<u>(3,412)</u>	<u>(3,412)</u>
	<u>\$ 43,295</u>	<u>\$ 3,364</u>	<u>\$ 46,659</u>
<u>2018</u>			
At January 1	\$ 43,295	\$ 3,364	\$ 46,659
Depreciation	<u>-</u>	<u>(113)</u>	<u>(113)</u>
At December 31	<u>\$ 43,295</u>	<u>\$ 3,251</u>	<u>\$ 46,546</u>
<u>At December 31, 2018</u>			
Cost	\$ 43,295	\$ 6,776	\$ 50,071
Accumulated depreciation	<u>-</u>	<u>(3,525)</u>	<u>(3,525)</u>
	<u>\$ 43,295</u>	<u>\$ 3,251</u>	<u>\$ 46,546</u>

A. Rental income from investment property (shown as "Other income") and direct operating expenses arising from investment property are as follows:

	For the years ended December 31,	
	2019	2018
Rental income from investment property	<u>\$ 4,078</u>	<u>\$ 4,057</u>
Direct operating expenses of investment properties with rental income	<u>\$ 113</u>	<u>\$ 113</u>

B. The fair value of the investment property held by the Company as at December 31, 2019 and

2018 was \$67,016 and \$66,678, 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, 2019 and 2018.

D. As of December 31, 2019 and 2018, the Company has no investment property pledged to others.

(10) Intangible assets

	Patents	Software	Total
<u>At January 1, 2019</u>			
Cost	\$ 11,602	\$ 38,916	\$ 50,518
Accumulated amortisation	(7,235)	(28,020)	(35,255)
	<u>\$ 4,367</u>	<u>\$ 10,896</u>	<u>\$ 15,263</u>
<u>2019</u>			
At January 1	\$ 4,367	\$ 10,896	\$ 15,263
Additions—acquired separately	–	858	858
Amortisation	(1,142)	(4,068)	(5,210)
At December 31	<u>\$ 3,225</u>	<u>\$ 7,686</u>	<u>\$ 10,911</u>
<u>At December 31, 2019</u>			
Cost	\$ 11,602	\$ 39,774	\$ 51,376
Accumulated amortisation	(8,377)	(32,088)	(40,465)
	<u>\$ 3,225</u>	<u>\$ 7,686</u>	<u>\$ 10,911</u>
	Patents	Software	Total
<u>At January 1, 2018</u>			
Cost	\$ 11,602	\$ 37,778	\$ 49,380
Accumulated amortisation	(5,799)	(23,585)	(29,384)
	<u>\$ 5,803</u>	<u>\$ 14,193</u>	<u>\$ 19,996</u>
<u>2018</u>			
At January 1	\$ 5,803	\$ 14,193	\$ 19,996
Additions—acquired separately	–	1,138	1,138
Amortisation	(1,436)	(4,435)	(5,871)
At December 31	<u>\$ 4,367</u>	<u>\$ 10,896</u>	<u>\$ 15,263</u>
<u>At December 31, 2018</u>			
Cost	\$ 11,602	\$ 38,916	\$ 50,518
Accumulated amortisation	(7,235)	(28,020)	(35,255)
	<u>\$ 4,367</u>	<u>\$ 10,896</u>	<u>\$ 15,263</u>

A. No borrowing costs were capitalised as part of intangible assets for the years ended December 31, 2019 and 2018.

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

	For the years ended December 31,	
	2019	2018
Operating costs	\$ 2, 200	\$ 2, 225
Selling expenses	915	1, 173
General and administrative expenses	1, 583	2, 149
Research and development expenses	512	324
	<u>\$ 5, 210</u>	<u>\$ 5, 871</u>

C. As of December 31, 2019 and 2018, the Company has no intangible assets pledged to others.

(11) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Unsecured bank borrowings	\$ 340, 000	1. 00%~1. 05%	None
Bank secured borrowings	225, 000	1. 00%	Land and buildings
	<u>\$ 565, 000</u>		
Type of borrowings	December 31, 2018	Interest rate range	Collateral
Unsecured bank borrowings	\$ 245, 000	1. 00%~1. 05%	None
Bank secured borrowings	175, 000	1. 00%	Land and buildings
	<u>\$ 420, 000</u>		

For more information regarding interest expenses recognised in profit or loss by the Company for the years ended December 31, 2019 and 2018, please refer to Note 6(22), 'Finance costs'.

(12) Short-term notes and bills payable

	December 31, 2019	Interest rate range	Collateral
Commercial papers payable	<u>\$ 300, 000</u>	0. 58%~0. 68%	None
	December 31, 2018	Interest rate range	Collateral
Commercial papers payable	<u>\$ 250, 000</u>	0. 64%~0. 66%	None

A. The above commercial papers payable are issued and secured by Mega Bills Finance Corporation and other financial institutions.

B. For more information regarding interest expenses recognised in profit or loss by the Company for the years ended December 31, 2019 and 2018, please refer to Note 6(22), 'Finance costs'.

(13) Long-term borrowings

Type of borrowings	Maturity date	December 31, 2018	Interest rate	Collateral
Unsecured bank borrowings	2019. 10. 17~ 2020. 3. 19	\$ 100, 000	1. 18%	None
Less: Current portion of long-term borrowings		(30, 000)		
		<u>\$ 70, 000</u>		

A. The Company has repaid all outstanding long-term borrowings in 2019.

B. For more information regarding interest expenses recognised in profit or loss by the Company for the years ended December 31, 2019 and 2018, please refer to Note 6(22), 'Finance costs'.

(14) 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, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 503, 101)	(\$ 492, 483)
Fair value of plan assets	<u>261, 391</u>	<u>223, 062</u>
Net defined benefit liability-non-current	(\$ <u>241, 710</u>)	(\$ <u>269, 421</u>)

(b) Movements in defined benefit liability are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2019			
At January 1	(\$ 492, 483)	\$ 223, 062	(\$ 269, 421)
Current service cost	(4, 813)	-	(4, 813)
Interest (expense) income	(4, 850)	2, 207	(2, 643)
	(502, 146)	225, 269	(276, 877)
Remeasurements:			
Return on plan assets	-	7, 932	7, 932
Change in demographic assumptions	(8)	-	(8)
Change in financial assumptions	(12, 822)	-	(12, 822)
Experience adjustments	(2, 372)	-	(2, 372)
	(15, 202)	7, 932	(7, 270)
Pension fund contribution	-	42, 437	42, 437
Paid pension	14, 247	(14, 247)	-
At December 31	(\$ 503, 101)	\$ 261, 391	(\$ 241, 710)
2018			
At January 1	(\$ 466, 266)	\$ 197, 624	(\$ 268, 642)
Current service cost	(4, 944)	-	(4, 944)
Interest (expense) income	(4, 614)	1, 978	(2, 636)
Reversal of past service cost	1, 858	-	1, 858
	(473, 966)	199, 602	(274, 364)
Remeasurements:			
Return on plan assets	-	5, 962	5, 962
Change in demographic assumptions	(9)	-	(9)
Change in financial assumptions	(25, 548)	-	(25, 548)
Experience adjustments	(3, 021)	-	(3, 021)
	(28, 578)	5, 962	(22, 616)
Pension fund contribution	-	27, 559	27, 559
Paid pension	10, 061	(10, 061)	-
At December 31	(\$ 492, 483)	\$ 223, 062	(\$ 269, 421)

- (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, 2019 and 2018 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,	
	2019	2018
Discount rate	0.75%	1.00%
Future salary increases	2.50%	2.50%

Assumptions regarding future mortality rate are set based on the 5th 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, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 12,823)	\$ 13,299	\$ 13,036	(\$ 12,638)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 13,087)	\$ 13,592	\$ 13,356	(\$ 12,930)

The sensitivity analysis above was arrived at 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 ended December 31, 2020 will be \$10,311.

(f) As of December 31, 2019, the weighted average duration of that retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	12,072
2-5 years		89,737
Over 5 years		438,959
	\$	<u>540,768</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, 2019 and 2018 were \$22,115 and \$20,451, respectively.

(15) 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,	
	2019	2018
Beginning and ending balance	<u>178,696</u>	<u>178,696</u>

B. As of December 31, 2019, 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.

(16) 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. For the years ended December 31, 2019 and 2018, pursuant to the Business letter No. 10602420200 issued by the Ministry of Economic Affairs in September 2017, the Company

reclassified dividends payable of \$145 and \$49, respectively, which was expired and not collected by the shareholders, to capital surplus.

- C. For more information regarding changes of capital surplus due to transactions with non-controlling interest, please refer to Note 6(27), 'Transactions with non-controlling interest'.

(17) 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.
 - (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.
- 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.
- D. As resolved by the shareholders on June 19, 2019 and June 20, 2018, the Company recognised cash dividends distributed to owners amounting to \$268,044 (\$1.5 (in dollars) per share) and \$285,914 (\$1.6 (in dollars) per share) for the appropriations of 2018 and 2017 earnings, respectively. On March 24, 2020, the Board of Directors proposed for the distribution of dividends from 2019 earnings of \$268,044 (\$1.5 (in dollars) per share).

(18) Other equity

For the year ended December 31, 2019			
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1	(\$ 9,853)	\$ 99,463	\$ 89,610
Currency translation differences			
- Company	(4,691)	-	(4,691)
Valuation adjustment			
- Company	-	17,152	17,152
- Subsidiaries	-	(31,550)	(31,550)
At December 31	<u>(\$ 14,544)</u>	<u>\$ 85,065</u>	<u>\$ 70,521</u>
For the year ended December 31, 2018			
	Currency translation	Unrealised gain on valuation of financial assets	Total
At January 1 before adjustments	(\$ 9,146)	\$ 166,005	\$ 156,859
Effect of retrospective application			
- valuation adjustment	-	(11,717)	(11,717)
- reclassify to retained earnings	-	260	260
At January 1 after adjustments	(\$ 9,146)	\$ 154,548	\$ 145,402
Currency translation differences			
- Company	(707)	-	(707)
Valuation adjustment			
- Company	-	7,344	7,344
- Subsidiaries	-	(62,429)	(62,429)
At December 31	<u>(\$ 9,853)</u>	<u>\$ 99,463</u>	<u>\$ 89,610</u>

(19) 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, 2019			
	Domestic	International	Total
Revenue from sales of medicine	\$ 1,773,881	\$ 320,024	\$ 2,093,905
Revenue from sales of dietary supplement	98,725	22	98,747
Revenue from rendering of services	4,837	-	4,837
Others	82,443	123,746	206,189
	<u>\$ 1,959,886</u>	<u>\$ 443,792</u>	<u>\$ 2,403,678</u>

	For the year ended December 31, 2018		
	Domestic	International	Total
Revenue from sales of medicine	\$ 1,660,424	\$ 414,933	\$ 2,075,357
Revenue from sales of dietary supplement	88,935	–	88,935
Revenue from rendering of services	3,034	–	3,034
Others	106,475	112,018	218,493
	<u>\$ 1,858,868</u>	<u>\$ 526,951</u>	<u>\$ 2,385,819</u>

B. The Company has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities – sales of medicine	<u>\$ 54,476</u>	<u>\$ 40,526</u>	<u>\$ 40,941</u>

Revenue recognised that was included in the contract liability balance at the beginning of the years ended December 31, 2019 and 2018 were \$40,340 and \$25,827, respectively.

(20) Other income

	For the years ended December 31,	
	2019	2018
Dividend income	\$ 13,957	\$ 9,120
Interest income	15,230	15,057
Rental income	5,071	4,629
Technology transfer income	11,803	50,472
Research income	10,061	–
Other income	19,561	35,909
	<u>\$ 75,683</u>	<u>\$ 115,187</u>

(21) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange (loss) gain	(\$ 22,652)	\$ 33,415
Net loss on disposal of property, plant and equipment	(545)	(686)
Net loss on current financial assets at fair value through profit or loss	(560)	(1,147)
Indemnity loss	(11,880)	–
Other losses	(1,854)	(120)
	<u>(\$ 37,491)</u>	<u>\$ 31,462</u>

(22) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	\$ 6,658	\$ 7,045
Lease liabilities	112	-
	6,770	7,045
Less: Capitalisation of qualifying assets	(113)	(85)
	<u>\$ 6,657</u>	<u>\$ 6,960</u>

(23) Expenses by nature

	For the year ended December 31, 2019		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 285,114	\$ 368,264	\$ 653,378
Depreciation on property, plant and equipment	102,028	19,025	121,053
Depreciation on right-of-use assets	-	4,533	4,533
Amortisation on intangible assets	2,200	3,010	5,210
	<u>\$ 389,342</u>	<u>\$ 394,832</u>	<u>\$ 784,174</u>

	For the year ended December 31, 2018		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expenses	\$ 273,493	\$ 352,122	\$ 625,615
Depreciation on property, plant and equipment	101,170	20,744	121,914
Amortisation on intangible assets	2,225	3,646	5,871
	<u>\$ 376,888</u>	<u>\$ 376,512</u>	<u>\$ 753,400</u>

(24) Employee benefit expenses

For the year ended December 31, 2019			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 235,124	\$ 300,761	\$ 535,885
Labour and health insurance expenses	23,638	26,625	50,263
Pension costs	13,983	15,588	29,571
Director's remuneration	-	11,965	11,965
Other personnel expenses	12,369	13,325	25,694
	<u>\$ 285,114</u>	<u>\$ 368,264</u>	<u>\$ 653,378</u>
For the year ended December 31, 2018			
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 225,625	\$ 292,737	\$ 518,362
Labour and health insurance expenses	22,131	24,520	46,651
Pension costs	13,428	12,745	26,173
Director's remuneration	-	11,779	11,779
Other personnel expenses	12,309	10,341	22,650
	<u>\$ 273,493</u>	<u>\$ 352,122</u>	<u>\$ 625,615</u>

- A. For the years ended December 31, 2019 and 2018, the average number of employees were 804 and 784 employees, respectively, which included 4 non-employee directors for both years.
- B. For the years ended December 31, 2019 and 2018, the average employee benefit expense were \$802 and \$787, respectively, while average wages and salaries were \$670 and \$665, respectively. The average wages and salaries increased by 0.75% compared to prior year.
- C. 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.
- D. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at

\$4,471 and \$4,554, respectively; while directors' and supervisors' remuneration was accrued at \$8,942 and \$9,108, respectively. 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 24, 2020, the employees' compensation and directors' and supervisors' remuneration were \$4,536 and \$9,072, respectively, and the employees' compensation will be distributed in the form of cash. The employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors was \$13,837. The difference between the aforementioned amount and the amount of \$13,662 recognised in the 2018 financial statements by \$175, mainly caused by estimation differences, had been adjusted in the profit or loss for 2019. 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,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 56,348	\$ 83,062
Tax on undistributed earnings	415	2,839
Under (over) provision of prior year's income tax	15,164	(4,646)
	<u>71,927</u>	<u>81,255</u>
Deferred tax:		
Origination and reversal of temporary differences	(8,403)	9,015
Impact of change in tax rate	-	(16,668)
	<u>(8,403)</u>	<u>(7,653)</u>
Income tax expense	<u>\$ 63,524</u>	<u>\$ 73,602</u>

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

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligation	(\$ 1,454)	(\$ 4,523)
Impact of change in tax rate	-	2,108
	<u>(\$ 1,454)</u>	<u>(\$ 2,415)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 88,001	\$ 89,592
Effect of amount not allowed to recognise under regulations	(18,331)	5,014
Effect from tax-exempt income	(1,971)	(2,529)
Tax on undistributed earnings	415	2,839
Under (over) provision of prior year's income tax	15,164	(4,646)
Impact of change in tax rate	-	(16,668)
Effect from realised loss on investments	(19,754)	-
Income tax expense	<u>\$ 63,524</u>	<u>\$ 73,602</u>

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

	For the year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 4,469	(\$ 500)	\$ -	\$ 3,969
Unrealised loss on inventories from market value decline	4,108	(2,167)	-	1,941
Unrealised exchange loss	-	4,672	-	4,672
Investment loss	32,384	3,607	-	35,991
Unrealised sales discount	4,381	1,397	-	5,778
Unused compensated absences	4,719	244	-	4,963
Pensions	46,893	(6,996)	1,454	41,351
Unrealised loss on scrapped inventories	1,345	40	-	1,385
Unrealised loss on indemnity	-	2,376	-	2,376
Lease expenditure	-	3	-	3
Unrealised loss on financial assets through profit or loss	250	(250)	-	-
	<u>\$ 98,549</u>	<u>\$ 2,426</u>	<u>\$ 1,454</u>	<u>\$ 102,429</u>

For the year ended December 31, 2019				
		Recognised in	Recognised in	
		profit or loss	comprehensive	
	January 1		income	December 31
Deferred tax liabilities				
Temporary differences:				
Provision for land value increment tax	(\$ 61,992)	\$ -	\$ -	(\$ 61,992)
Unrealised exchange gain	(5,415)	5,415	-	-
Others	(562)	562	-	-
	<u>(\$ 67,969)</u>	<u>\$ 5,977</u>	<u>\$ -</u>	<u>(\$ 61,992)</u>
	<u>\$ 30,580</u>	<u>\$ 8,403</u>	<u>\$ 1,454</u>	<u>\$ 40,437</u>
For the year ended December 31, 2018				
		Recognised in	Recognised in	
		profit or loss	comprehensive	
	January 1		income	December 31
Deferred tax assets				
Temporary differences:				
Bad debts	\$ 3,018	\$ 1,451	\$ -	\$ 4,469
Unrealised loss on inventories from market value decline	2,021	2,087	-	4,108
Unrealised exchange loss	6,788	(6,788)	-	-
Investment loss	24,558	7,826	-	32,384
Unrealised sales discount	1,827	2,554	-	4,381
Unused compensated absences	3,767	952	-	4,719
Pensions	39,727	4,751	2,415	46,893
Unrealised loss on scrapped inventories	798	547	-	1,345
Unrealised loss on financial assets through profit or loss	-	250	-	250
	<u>\$ 82,504</u>	<u>\$ 13,630</u>	<u>\$ 2,415</u>	<u>\$ 98,549</u>
Deferred tax liabilities				
Temporary differences:				
Provision for land value increment tax	(\$ 61,992)	\$ -	\$ -	(\$ 61,992)
Unrealised exchange gain	-	(5,415)	-	(5,415)
Others	-	(562)	-	(562)
	<u>(\$ 61,992)</u>	<u>(\$ 5,977)</u>	<u>\$ -</u>	<u>(\$ 67,969)</u>
	<u>\$ 20,512</u>	<u>\$ 7,653</u>	<u>\$ 2,415</u>	<u>\$ 30,580</u>

D. The Company qualifies for “Regulations for Encouraging Manufacturing Enterprises and

Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries” and is entitled to income tax exemption for 5 consecutive years starting from 2015.

E. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 24, 2020.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(26) Earnings per share

For the year ended December 31, 2019			
	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	\$ 376,482	178,696	\$ 2.11
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 376,482	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	–	156	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 376,482	178,852	\$ 2.10
For the year ended December 31, 2018			
	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	\$ 374,359	178,696	\$ 2.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 374,359	178,696	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	–	172	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 374,359	178,868	\$ 2.09

(27) Transactions with non-controlling interest

- A. In January 2018, the Company acquired part of shares of its subsidiary—Multipower Enterprise Corp. for a total cash consideration of \$1,260. The carrying amount was \$1,312 at the acquisition date. This transaction resulted in an increase in the equity attributable to owners of the parent by \$52.
- B. In August 2018, the Company acquired part of shares of its subsidiary—Syngen Biotech Co., Ltd. for a total cash consideration of \$1. The carrying amount was \$3 at the acquisition date. This transaction resulted in an increase in the equity attributable to owners of the parent by \$2.
- C. From May 2019 to August 2019, the Company acquired part of shares of its subsidiary—Advpharma Inc. for a total cash consideration of \$18,136. The carrying amount was \$13,404 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$4,732.
- D. In October 2019, the subsidiary of the Company, Syngen Biotech Co., Ltd., increased its capital by issuing new shares. The Group did not acquire shares proportionally to its interest. The transaction resulted in an increase in the equity attributable to owners of parent by \$11,786 and a decrease in non-controlling interest by \$11,786.
- E. Based on the above transactions, the details of changes in capital surplus due to transactions with non-controlling interest for the years ended December 31, 2019 and 2108 are as follows:

	For the years ended December 31,	
	2019	2018
Effect on acquisition of equity interest in subsidiaries	\$ 7,054	\$ 54

(28) Supplemental cash flow information

- A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2019	2018
Purchases of property, plant and equipment	\$ 24,934	\$ 33,243
Add: Opening balance of notes payable	500	6,810
Opening balance of payable on equipment (shown as “Other payables”)	11,233	8,004
Less: Ending balance of notes payable	(705)	(500)
Ending balance of payable on equipment (shown as “Other payables”)	(3,804)	(11,233)
Capitalised interest	(113)	(85)
Cash paid for acquisition of property, plant and equipment	\$ 32,045	\$ 36,239

B. Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2019	2018
(1) Elimination of allowance for bad debts	\$ <u> – </u>	\$ <u> 648 </u>
(2) Prepayments for equipment transferred to property, plant and equipment	\$ <u> 24,479 </u>	\$ <u> 37,161 </u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings (including current portion)	Guarantee deposits received	Total
At January 1, 2019	\$ 420,000	\$ 250,000	\$ –	\$ 100,000	\$ 3,857	\$ 773,857
Effect of retrospective application	–	–	11,513	–	–	11,513
Changes in cash flow from financing activities	145,000	50,000	(4,357)	(100,000)	(3,651)	86,992
Changes in other non-cash items	–	–	913	–	–	913
At December 31, 2019	\$ <u>565,000</u>	\$ <u>300,000</u>	\$ <u>8,069</u>	\$ <u>–</u>	\$ <u>206</u>	\$ <u>873,275</u>

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Guarantee deposits received	Total
At January 1, 2018	\$ 470,000	\$ 200,000	\$ 100,000	\$ 5,371	\$ 775,371
Changes in cash flow from financing activities	(50,000)	50,000	–	(1,514)	(1,514)
At December 31, 2018	\$ <u>420,000</u>	\$ <u>250,000</u>	\$ <u>100,000</u>	\$ <u>3,857</u>	\$ <u>773,857</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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
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)
SYN-TECH CHEM & PHARM CO., LTD. (SYN-TECH)	Other related party (The Company is SYN-TECH's corporate director)
Fan Dao Nan Foundation	Other related party (The corporate director of the Company)
Chen, Wei-Jen	Other related party (The executive of the Company)

(2) Significant related party transactions

A. Sales of goods

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 6,761	\$ 4,473
Associates	5,602	4,229
Other related parties	17,686	20,840
	<u>\$ 30,049</u>	<u>\$ 29,542</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,	
	2019	2018
Subsidiaries	\$ 96,185	\$ 83,455
Other related parties	64,532	59,608
	<u>\$ 160,717</u>	<u>\$ 143,063</u>

Goods are purchased based on the price lists in force and terms that would be available to regular suppliers. Payment terms are cheques with a maturity of 3~4 months after inspection has passed.

C. Equity transactions

- (a) The Company acquired shares of its subsidiary, Adv, for \$1,125 from other related party, Chen, Wei-Jen, in July 2019.
- (b) The Company participated in the cash capital increase of the subsidiary, Syngen, by investing \$207,741 in October 2019.
- (c) The Company participated in the cash capital increase of the subsidiary, Chia Scheng, by investing \$500 in November 2019.
- (d) The Company participated in the cash capital increase of the associate, Biosim, by investing \$29,940 in November 2019.
- (e) The Company participated in the cash capital increase of the other related party, SUN YOU, by investing \$6,184 in January 2018.

D. Other expenses

	For the years ended December 31,	
	2019	2018
Advertisement expenses:		
Subsidiaries	\$ 348	\$ 349
Associates	231	95
Other related parties	731	726
	<u>\$ 1,310</u>	<u>\$ 1,170</u>
Research and development expenses:		
Subsidiaries	\$ 242	\$ 435
Associates	–	216
Other related parties	102	1,066
	<u>\$ 344</u>	<u>\$ 1,717</u>
Professional service fees:		
Subsidiaries	<u>\$ 2,185</u>	<u>\$ 2,160</u>

		For the years ended December 31,	
		2019	2018
Miscellaneous expenses:			
Subsidiaries		\$ 361	\$ 541
Associates		16	242
Other related parties		-	37
		<u>\$ 377</u>	<u>\$ 820</u>

E. Rental income

		For the years ended December 31,	
		2019	2018
	<u>Leased assets</u>		
Subsidiaries	Land, Buildings and other equipments	<u>\$ 5,042</u>	<u>\$ 4,600</u>
	<u>Rent collection</u>		
	Monthly		

F. Other income

		For the years ended December 31,	
		2019	2018
Subsidiaries		\$ 5,299	\$ 12,713
Associates		2,812	-
Other related parties		776	975
		<u>\$ 8,887</u>	<u>\$ 13,688</u>

G. Ending balance of goods sold

		December 31, 2019	December 31, 2018
Receivables from related parties:			
Subsidiaries		\$ 671	\$ 2,206
Associates		584	599
Other related parties		8,807	9,881
		<u>\$ 10,062</u>	<u>\$ 12,686</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

H. Ending balance of payment on behalf of others (Shown as 'Other receivables-related parties')

		December 31, 2019	December 31, 2018
Receivables from related parties:			
Subsidiaries		<u>\$ 3,000</u>	<u>\$ 193</u>

I. Ending balance of goods purchased

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payables to related parties:		
Subsidiaries	\$ 21,737	\$ 21,551
Other related parties	23,971	14,368
	<u>\$ 45,708</u>	<u>\$ 35,919</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

J. Lease transactions — lessee

- (a) The Company leases land from other related party, Fan Dao Nan. Rental contracts are made for the periods from October 1, 2016 to September 30, 2027. Rents are paid quarterly.
- (b) On January 1, 2019 (the date of initial application of IFRS 16), the Company increased ‘right-of-use asset’ by \$5,247. As of December 31, 2019, the carrying amount of ‘right-of-use asset’ is \$4,647.
- (c) As of December 31, 2019, the carrying amount of lease liability is \$4,674. For the year ended December 31, 2019, the Company recognised interest expense amounting to \$57 (Shown as ‘Finance costs’).

K. Financing (Shown as ‘Other receivables-related parties’)

<u>For the year ended December 31, 2019</u>					
	<u>Date of maximum balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Annual rate</u>	<u>Interest income</u>
Standard P	2019. 12. 31	<u>\$ 89,940</u>	<u>\$ 89,940</u>	2.5%	<u>\$ 2,315</u>
<u>For the year ended December 31, 2018</u>					
	<u>Date of maximum balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Annual rate</u>	<u>Interest income</u>
Standard P	2018. 12. 31	<u>\$ 92,160</u>	<u>\$ 92,160</u>	2.5%	<u>\$ 2,079</u>

L. Endorsements and guarantees provided to related parties

<u>Endorser/ guarantor</u>	<u>Endorsee/guarantee</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Purpose</u>
				Secured
The Company	Standard P	<u>\$ 89,940</u>	<u>\$ 92,160</u>	borrowings

As of December 31, 2019 and 2018, the actual endorsement/guarantee amount provided by the Company for its subsidiary, Standard P, amounted to \$89,940 and \$92,160, respectively.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	<u>\$ 20,299</u>	<u>\$ 20,124</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purposes
	December 31, 2019	December 31, 2018	
Land (Note)	288,489	288,489	Short-term and long-term borrowings
Buildings-net (Note)	108,202	112,268	Short-term and long-term borrowings
	<u>\$ 396,691</u>	<u>\$ 400,757</u>	

(Note) Shown as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2019 and 2018, except for the information provided in Note 7 on the related party transactions, the Company's significant contingent liabilities and unrecognised contract commitments are as follows:

- (1) The balances for contracts that the Company entered into for the purchase of property, plant and equipment, but not yet due were \$30,281 and \$12,405, respectively.
- (2) In two voluntary recalls in July and August 2018, the Company recalled heart and hypertension medication for the presence of possible carcinogen in the API manufactured by Zhejiang Huahai Pharmaceutical Co., Ltd and Zhuhai Rundu Pharmaceutical Co., Ltd. As of March 24, 2020, no potential lawsuits have been identified relative to this event.

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, 2019</u>	<u>December 31, 2018</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>10,241</u>	\$ <u>9,198</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ <u>350,050</u>	\$ <u>313,760</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 762,990	\$ 946,253
Financial assets at amortised cost	74,950	30,720
Notes receivable	86,747	99,779
Accounts receivable	477,381	473,160
Other receivables	109,603	110,512
Guarantee deposits paid	<u>28,006</u>	<u>20,514</u>
	\$ <u>1,539,677</u>	\$ <u>1,680,938</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 565,000	\$ 420,000
Short-term notes and bills payable	300,000	250,000
Notes payable	129,781	149,998
Accounts payable	97,434	59,794
Other payables	245,111	222,107
Long-term borrowings (including current portion)	–	100,000
Guarantee deposits received	<u>206</u>	<u>3,857</u>
	\$ <u>1,337,532</u>	\$ <u>1,205,756</u>
Lease liabilities	\$ <u>8,069</u>	\$ <u>–</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, thus, 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, 2019			
(Foreign currency: functional currency)	Foreign currency		
	amount		
	(In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 30,388	29.98	\$ 911,032
JPY: NTD	139,002	0.276	38,365
RMB: NTD	14,285	4.305	61,497
<u>Investments accounted for under the equity method</u>			
USD: NTD	3,928	29.98	117,760
PHP: NTD	3,748	0.5847	2,191

December 31, 2018			
Foreign currency			
amount			
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 29,904	30.72	\$ 918,651
JPY: NTD	8,022	0.2782	2,232
RMB: NTD	10,304	4.472	46,079
<u>Investments accounted for under the equity method</u>			
USD: NTD	4,559	30.72	140,057
PHP: NTD	5,254	0.5771	3,032

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, 2019 and 2018 would have increased/decreased by \$9,049 and \$8,883, respectively.

- v. Total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to (\$22,652) and 33,415, 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, 2019 and 2018 would have increased/decreased by \$249 and \$248, 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 \$1,644 and \$1,452, 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 long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, 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, 2019 and 2018 would have been \$52 and \$56 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 their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in 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, 2019			
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 55	\$ 12,005	\$ 12,060
Reversal of impairment	(55)	(2,560)	(2,615)
Ending balance	<u>\$ -</u>	<u>\$ 9,445</u>	<u>\$ 9,445</u>

For the year ended December 31, 2018			
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 357	\$ 6,796	\$ 7,153
(Reversal of) provision for impairment	(302)	5,857	5,555
Write-offs during the year	-	(648)	(648)
Ending balance	<u>\$ 55</u>	<u>\$ 12,005</u>	<u>\$ 12,060</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, 2019	December 31, 2018
Floating rate:		
Expiring within one year	\$ 284,900	\$ 137,520
Expiring beyond one year	<u>100,000</u>	<u>-</u>
	<u>\$ 384,900</u>	<u>\$ 137,520</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, 2019	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 565,764	\$ -	\$ -	\$ -
Short-term notes and bills payable	300,000	-	-	-
Notes payable	103,420	-	-	-
Notes payable-related parties	26,361	-	-	-
Accounts payable	97,434	-	-	-
Other payables	245,111	-	-	-
Lease liabilities	3,076	1,523	1,973	1,732
Guarantee deposits received	-	206	-	-
December 31, 2018	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 420,606	\$ -	\$ -	\$ -
Short-term notes and bills payable	250,000	-	-	-
Notes payable	122,435	-	-	-
Notes payable-related parties	27,563	-	-	-
Accounts payable	59,794	-	-	-
Other payables	222,107	-	-	-
Long-term borrowings (including current portion)	31,117	70,172	-	-
Guarantee deposits received	-	3,857	-	-

- v. For non-derivative financial liabilities, the Company's non-derivative financial liabilities do 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 and emerging stocks with active market 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, 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, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values.
- C. The related information of 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 of nature of the assets is as follows:

<u>December 31, 2019</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	\$ -	\$ -	\$ 10,241	\$ 10,241
Financial assets at fair value through other comprehensive income				
Equity securities	254,792	-	95,258	350,050
	<u>\$ 254,792</u>	<u>\$ -</u>	<u>\$ 105,499</u>	<u>\$ 360,291</u>
<u>December 31, 2018</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	-	-	9,198	9,198
Financial assets at fair value through other comprehensive income				
Equity securities	229,065	-	84,695	313,760
	<u>\$ 229,065</u>	<u>\$ -</u>	<u>\$ 93,893</u>	<u>\$ 322,958</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>	<u>Unlisted stocks</u>
Market quoted price	Closing price	Latest closing price on the balance sheet date

- 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 2019 and 2018.

E. The following table presents the changes in Level 3 instruments in 2019 and 2018:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
At January 1 before adjustments	\$ 93,893	\$ 88,323
Effect of retrospective application	—	15,107
At January 1 after adjustments	93,893	103,430
Purchase	9,389	6,184
Capital reduction and return of shares	—	(3,500)
Recognised in profit or loss (Note 1)	(560)	(1,147)
Recognised in other comprehensive loss (Note 2)	2,777	(11,074)
At December 31	<u>\$ 105,499</u>	<u>\$ 93,893</u>

(Note 1) Shown as "Other gains and losses".

(Note 2) Shown as "Unrealised gain or loss on financial assets at fair value through other

comprehensive income”.

- F. Except for the use of modified retrospective approach under IFRS 9, for the year ended December 31, 2018, there was no transfer from or to Level 3. For the year ended December 31, 2019, there was no transfer into or out from 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.

		<u>Fair value at December 31, 2019</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	\$	105,499	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, 2018</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	\$	93,893	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 of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	± 3%	\$ 439	(\$ 439)	\$ 4,082	(\$ 4,082)

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	± 3%	\$ 394	(\$ 394)	\$ 3,630	(\$ 3,630)

13. SUPPLEMENTARY DISCLOSURES

(Only 2019 information is disclosed in accordance with the current regulatory requirements.)

(1) Significant transactions information

- Loans to others: Please refer to table 1.
- Provision of endorsements and guarantees to others: Please refer to table 2.
- Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- Trading in derivative instruments undertaken during the reporting periods: None.
- Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

Not applicable.

STANDARD CHEM & PHARM. CO., LTD.

Loans to others

For the year ended December 31, 2019

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				(Notes 3)
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Other receivables	Yes	\$ 89,940	\$ 89,940	\$ 89,940	2.5%	2	\$ -	- Operating capital	-	\$ -	-	\$ 188,211	\$ 376,421	(Notes 3)
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Other receivables	Yes	89,940	89,940	89,940	2.5%	2	-	- Operating capital	-	-	-	235,520	235,520	(Notes 3)
2	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Jiangsu Standard-Dia Biopharma Co., Ltd.	Other receivables	Yes	4,520	4,520	4,520	2.5%	2	-	- Operating capital	-	-	-	4,205	8,410	(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 5% 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 the Company to single party is 10% of the Company's net assets.

(b) Ceiling on total loans granted by Standard Pharmaceutical Co., Ltd. to single party is 200% of the creditor's net assets.

(c) Ceiling on total loans granted by Jiangsu Standard Biotech Pharmaceutical to single party is 10% 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, 2019 as follows: USD: NTD 1:29.98 and RMB: NTD 1:4.305.

STANDARD CHEM & PHARM. CO., LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/guarantor	Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 1)	Provision of			Note
												endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees by subsidiary to parent company	endorsements/ guarantees to the party in Mainland China	
0	Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.		Subsidiary	\$ 752,842	\$ 89,940	\$ 89,940	\$ 89,940	\$ -	2%	\$ 1,882,106	Y	N	N	-

Note 1: Under "Procedures for Provision of Endorsements and Guarantees", the total endorsement and guarantee provided shall not exceed 50% of the Company's net assets; the amount provided for each counterparty shall not exceed 20% of the Company's net assets.

Note 2: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2019 as follows: USD: NTD 1:29.98.

STANDARD CHEM & PHARM. CO., LTD.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	As of December 31, 2019			Note
					Book value	Ownership (%)	Fair value	
Standard Chem & Pharm. Co., Ltd.	Bonds with repurchase agreement:							
	International Bills Finance Corporation	—	1	—	\$ 59,960	-	\$ 59,960	-
	Mega Bills Finance Co., Ltd.	—	1	—	15,746	-	15,746	-
	Stocks (investment certificate):							
	Original BioMedicals Co., Ltd.	—	2	200,000	-	0.73%	-	-
	NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	3	650,000	3,055	4.17%	3,055	-
	NTU Innovation & Incubation Co., Ltd.	—	3	480,000	4,181	3.76%	4,181	-
	TaiwanJ Pharmaceuticals Co., Ltd.	—	3	258,133	3,005	0.37%	3,005	-
	SYN-TECH CHEM & PHARM CO., LTD.	The Company is SYN-TECH CHEM & PHARM Co., Ltd.'s corporate director	4	3,073,484	254,792	10.22%	254,792	-
	HER-SING CO., LTD.	The Company is HER-SING Co., Ltd.'s corporate director	4	3,055,000	43,167	17.71%	43,167	-
Chia Scheng Investment Co., Ltd.	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s director	4	3,378,006	42,833	18.13%	42,833	-
	Green Management International Co., Ltd.	—	4	109,672	1,629	5.14%	1,629	-
	Kenda Pharmaceutioal Co., Ltd.	—	4	5,000,000	7,629	19.42%	7,629	-
	Beneficiary certificates:							
	Taishin Ta-Chong Money Market Fund	—	2	368,142	5,250	-	5,250	-
	Taishin 1699 Money Market Fund	—	2	50,000	679	-	679	-
	Stocks:							
	SUN YOU BIOTECH PHARM CO., LTD.	The manager of the Company is SUN YOU BIOTECH PHARM CO., LTD.'s director	4	240,846	3,054	1.29%	3,054	-
	Siason Pharmaceuticals, Inc.	—	4	4,000,000	17,958	13.02%	17,958	-
	Beneficiary certificates:							
Inforght Technology Co., Ltd.	Capital Money Market Fund	—	2	121,952	1,975	-	1,975	-
	Beneficiary certificates:							
	Taiwan Cooperative Bank Money Market Fund	—	2	2,000,000	20,396	-	20,396	-
	Mega Diamond Money Market Fund	—	2	3,166,588	39,871	-	39,871	-
	FSITC Taiwan Money Market Fund	—	2	1,782,508	27,385	-	27,385	-
	Taishin 1699 Money Market Fund	—	2	1,473,047	20,010	-	20,010	-
	UPAMC James Bond Money Market Fund	—	2	477,020	8,003	-	8,003	-
	Shin Kong US Harvest Balanced TWD A	—	2	424,967	4,624	-	4,624	-
	Cathay Senior Secured High Yield Bond Fund	—	2	271,919	2,995	-	2,995	-
	Advpharma Inc.							

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	As of December 31, 2019			
					Book value	Ownership (%)	Fair value	Note
Advpharma Inc.	Stocks:							
	YungShin Global Holding Corporation	--	2	108,000	\$ 4,628	0.04%	\$ 4,628	-
	Der Yang Biotechnology Venture Capital Co., Ltd.	--	3	168,568	1,702	3.70%	1,702	-
	TaiwanJ Pharmaceuticals Co., Ltd.	--	3	25,203	293	0.04%	293	-
Syngen Biotech Co., Ltd.	SYN-TECH CHEM & PHARM CO., Ltd.	The Company is SYN-TECH CHEM & PHARM Co., Ltd.'s corporate director	4	643,000	53,305	2.14%	53,305	-
	Stocks:							
	NCKU Venture Capital Co., Ltd.	The Company is NCKU Venture Capital Co., Ltd.'s corporate director.	3	650,000	3,055	4.17%	3,055	-

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, 2019 as follows: USD: NTD 1:29.98.

STANDARD CHEM & PHARM. CO., LTD.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

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.	Standard Pharmaceutical Co., Ltd.	1	Other receivables	\$ 90,127	—		1%
			1	Endorsements and guarantee	89,940	—		1%
		Sourtree Biotech & Pharm. Co., Ltd.	1	Purchases	30,855	Pay cheques with a maturity of 3-4 months after inspection had passed		1%
		Syngen Biotech Co., Ltd.	1	Purchases	64,586	Pay cheques with a maturity of 3-4 months after inspection had passed		2%
1	Standard Pharmaceutical Co., Ltd.	Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	1	Notes payable	(10,824)	—		—
			3	Other receivables	90,171	—		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, 2019 as follows: USD: NTD 1:29.98.

STANDARD CHEM & PHARM. CO., LTD.

Information on investees

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended		Investment income (loss) recognised for the year ended December 31, 2019	Note
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	December 31, 2019	December 31, 2019		
Standard Chem & Pharm. Co., Ltd.	Standard Pharmaceutical Co., Ltd.	Samoa	Research and development, trading, investment and other business of medical products	\$ 310,283	\$ 310,283	10,000,000	100.00	\$ 117,760	\$ 18,032	\$ 18,032	18,032	Subsidiary
	Chia Seheng Investment Co., Ltd.	Taiwan	General investment	161,356	160,856	14,553,000	100.00	29,072	(12,032)	(12,032)	12,032	Subsidiary
	STANDARD CHEM. & PHARM. PHILIPPINES, INC.	Philippines	Import and export of various medical products, medicine, supplements	6,762	6,762	192,195	100.00	2,191	(889)	(889)	889	Subsidiary
	Inforight Technology Co., Ltd.	Taiwan	Wholesale of multi-function printers and information software	5,000	5,000	500,000	100.00	4,681	(160)	(160)	160	Subsidiary
	Sourtee Biotech & Pharm. Co., Ltd	Taiwan	Manufacturing of western medicine and retail and wholesale of various medicines	41,549	41,549	5,649,126	93.17	25,976	(748)	(1,088)	1,088	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	374,778	(431)	(374)	374	Subsidiary
	Advpharma Inc.	Taiwan	Research and development, manufacturing and sale of various medicine	525,468	507,332	53,164,806	88.61	292,089	609	227	227	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	122,463	12,651,146	46.68	679,181	188,765	91,189	91,189	Subsidiary (Note 1)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Net profit (loss) of the investee for the year ended December 31, 2019		Investment income (loss) recognised for the year ended December 31, 2019	Note
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	December 31, 2019		
Standard Chem & Pharm. Co., Ltd.	WE CAN MEDICINES CO., LTD.	Taiwan	Wholesale of various medicine	\$ 213,136	\$ 213,136	10,273,272	33.10	\$ 134,573	\$ 4,176	\$ 1,323	-
Chia Scheng Investment Co., Ltd.	Taiwan Biosim, Co., Ltd.	Taiwan	Research and development of various medicine	34,930	4,990	3,493,000	49.90	33,052	(3,701)	(1,846)	-
	SANTOS BIOTECH INDUSTRIES, INC.	America	Research and development, trading, investment and other business of medical products	-	94,629	-	-	-	(12,552)	-	Subsidiary (Note 2&4)
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	3,901	(1,048)	-	Subsidiary (Note 2)
Advpharma Inc.	CNH TECHNOLOGIES INC.	America	Inspection of medicine, retail and wholesale of various chemistry	13,734	13,734	400,000	35.60	12,375	6,389	-	Subsidiary (Note 2)

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: Not required to disclose income (loss) recognised.

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2019 as follows: USD: NTD 1:29.98.

Note 4: Please refer to Note 6(9) 'Intangible assets' of the Company's 2019 consolidated financial statements.

STANDARD CHEM & PHARM. CO., LTD.
Information on investments in Mainland China
For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income (loss) of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
				Remitted to Mainland China	Remitted back to Taiwan							
Jiangsu Standard Biotech Pharmaceutical Co., Ltd.	Main business activities: Research and development, technical consulting and technical services of medicine	\$ 269,820	(Note 1)	\$ -	\$ -	\$ 269,522	\$ 269,522	\$ 18,020	100.00	(\$ 18,020)	\$ 83,953	\$ -
Jiangsu Standard-Dia Biopharma Co., Ltd.	Research and development, manufacturing and sale of various medicine	182,511	(Note 2)	-	-	-	-	(8,942)	55.00	(4,847)	16,465	-
												Note (Note 3)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Standard Chem & Pharm. Co., Ltd.	\$ 269,522	\$ 269,820	\$ 2,787,853

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: Recognition is based on investees' financial statements audited and attested by independent accountants.
Note 4: Ceiling is the higher of net assets or 60% of consolidated equity.
Note 5: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2019 as follows: USD: NTD 1:29.98 and RMB: NTD 1:4.305.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Revolving funds and petty cash		\$ 4,849
Checking accounts		1,992
Demand deposits-New Taiwan Dollar		146,676
-Foreign currency	Including USD 2,835 thousand @29.98	84,980
	EUR 7 thousand @35.2	238
	JPY 138,072 thousand @0.276	38,108
	CNY 1,503 thousand @4.305	6,472
Cash equivalents:		
Time deposits-Foreign currency	Including USD 12,039 thousand @29.98 due on 2020/1/1~2020/3/30, interest rate at 2.00%~2.40%	360,919
	Including CNY 10,000 thousand @4.305 due on 2020/1/30, interest rate at 2.20%	43,050
Repurchase bonds-Foreign currency	Including USD 2,525 thousand @29.98 due on 2020/1/9~2020/3/25, interest rate at 2.15%~2.60%	75,706
		<u>\$ 762,990</u>

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST - CURRENT
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Time deposits	USD 2,500 thousand @29.98; from 2019/9/5 to 2020/3/26; interest rate at 2.50%~2.52%	<u>\$ 74,950</u>

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF NOTES RECEIVABLE, NET
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
others (less than 5%)	Notes receivable	\$ 80,660	—
Related parties:			
SUN YOU BIOTECH PHARM CO., LTD.	Notes receivable	5,392	—
Souriree Biotech & Pharm. Co., LTD.	Notes receivable	651	—
SYN-TECH CHEM & PHARM CO., LTD.	Notes receivable	35	—
Syngen Biotech Co., Ltd.	Notes receivable	9	—
		6,087	
		<u>\$ 86,747</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLES (NET)
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
Non-related parties:			
Company A	Accounts receivable	\$ 96,663	—
Others (less than 5%)	Accounts receivable	386,188	—
		482,851	
Less: Allowance for doubtful accounts		(9,445)	—
		473,406	
Related parties:			
SUN YOU BIOTECH PHARM CO.,	Accounts receivable	3,380	—
WE CAN MEDICINES CO., LTD.	Accounts receivable	584	—
Syngen Biotech Co., Ltd.	Accounts receivable	11	—
		3,975	
		<u>\$ 477,381</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Receivables-financing	Financing	\$ 89,940	—
Others (less than 3%)	Payment on behalf of others	3,000	—
		<u>\$ 92,940</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount		Note
		Cost	Net Realisable Value	
Merchandise	—	\$ 32,000	\$ 59,320	(Note)
Raw materials	—	231,149	225,757	(Note)
Supplies	—	35,159	34,836	(Note)
Work in progress	—	58,501	58,501	(Note)
Finished goods	—	227,416	447,579	(Note)
		584,225	<u>\$ 825,993</u>	
Less: Allowance for inventory valuation losses		(9,706)		
		<u>\$ 574,519</u>		

(Note) Please refer to Note 4(10) for the method to determine the net realisable value.

STANDARD CHEM. & PHARM. CO., LTD.

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition	Valuation Adjustments		Ending Balance		Collateral	Note
	Shares (in thousands)	Fair Value	Shares (in thousands)	Amount	Amount	(in thousands)	Fair Value		
Listed stocks:									
SYN-TECH CHEM & PHARM CO., LTD.	2,925	\$229,065	148	\$11,352	\$14,375	3,073	\$254,792		None
Unlisted stocks:									
HER-SING CO., LTD.	3,055	41,823	-	-	1,344	3,055	43,167		None
SUN YOU BIOTECH PHARM CO., LTD.	3,378	41,414	-	-	1,419	3,378	42,833		None
Green Management International Co., Ltd.	93	1,458	17		171	110	1,629		None
Kenda Pharmaceutical Co., Ltd.	-	-	5,000	7,786	(157)	5,000	7,629		None
	<u>9,451</u>	<u>\$313,760</u>	<u>5,165</u>	<u>\$19,138</u>	<u>\$17,152</u>	<u>14,616</u>	<u>\$350,050</u>		

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance			Effect on Retrospective Application (Note)			Addition			Decrease			Ending Balance			Market Value or Net Assets Value		
	Shares (in thousands)	Amount	Shares (in thousands)	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note		
Standard Pharmaceutical Co., Ltd.	10,000	\$ 140,057	-	\$ -	-	-	(\$ 22,297)	10,000	100%	\$ 117,760	100%	\$ 117,760	\$ 11.78	\$ 117,760	None	-		
Chia Scheng Investment Co., Ltd.	16,103	75,530	-	-	50	500	(1,600)	(46,958)	14,553	100%	29,072	2.00	29,071	None	-			
Standard CHEM. & PHARM. PHILIPPINES, INC.	192	3,032	-	-	-	48	(889)	(889)	192	100%	2,191	11.40	2,191	None	-			
Inforight Technology Co.,	500	4,841	-	-	-	-	(160)	(160)	500	100%	4,681	9.36	4,681	None	-			
Sourire Biotech & Pharm. Co., Ltd.	5,649	27,157	-	-	-	-	(1,181)	(1,181)	5,649	93.17%	25,976	9.20	51,952	None	-			
Multipower Enterprise Corp.	19,841	375,152	-	-	-	-	(374)	(374)	19,841	90.72%	374,778	15.35	304,497	None	-			
Advpharma Inc.	50,747	275,590	-	-	2,418	21,511	-	(5,012)	53,165	88.61%	292,089	5.63	299,092	None	-			
Syngen Biotech Co., Ltd.	10,920	395,667	-	-	1,731	310,814	(27,300)	(27,300)	12,651	46.68%	679,181	118.00	1,486,510	None	-			
WE CAN MEDICINES CO., LTD.	10,273	140,967	-	(7,454)	-	1,323	(263)	(263)	10,273	33.10%	134,573	13.10	134,573	None	-			
Taiwan Biosim Co., Ltd.	499	4,958	-	-	2,994	29,940	-	(1,846)	3,493	49.90%	33,052	9.46	33,052	None	-			
	124,724	\$1,442,951	-	(\$7,454)	7,193	\$364,136	(1,600)	(\$106,280)	130,317		\$1,693,353		\$2,463,379					

(Note) Information related to retrospective application is provided in Note 3(1) 'Effect of the adoption of new issuances of or amendments to IFRSs as endorsed by the FSC'.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CHANGES IN COST OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(7) for the information related to property, plant and equipment.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND
EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(7) for the information related to property, plant and equipment and Note 4(15) for the method to determine depreciation and useful lives for assets.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CHANGES IN DEFERRED INCOME TAX ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(25) for the information related to income tax.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending Balance	Contract Period	Interest Rate	Credit Line	Collateral
Bank secured borrowings	First Commercial Bank	\$ 125, 000	2019.12.20~2020.1.20	1.00%	\$ 125, 000	Land and buildings
	Hua Nan Commercial Bank, Ltd.	50, 000	2019.12.20~2020.1.20	1.00%	50, 000	Land and buildings
	Bank of Taiwan	50, 000	2019.12.26~2020.3.26	1.00%	50, 000	Land and buildings
Unsecured bank borrowings	Citibank Taiwan Ltd.	100, 000	2019.12.10~2020.3.9	1.02%	USD 5,000 thousand	None
	Hua Nan Commercial Bank, Ltd.	95, 000	2019.12.20~2020.1.20	1.00%	100, 000	None
	CTBC Bank Co., Ltd.	70, 000	2019.12.27~2020.1.22	1.05%	200, 000	None
	E.SUN COMMERCIAL BANK, LTD.	50, 000	2019.11.21~2020.2.21	1.05%	150, 000	None
	First Commercial Bank	25, 000	2019.12.20~2020.1.20	1.00%	25, 000	None
		<u>\$ 565, 000</u>				

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Guarantor or Accepting Institution	Contract Period	Interest Rate	Amount			Collateral
				Issurance Amount	Unamortised Discounts	Carrying Amount	
Commercial Paper	MEGA BILLS FINANCE CO., LTD.	2019.12.6~2020.2.4	0.68%	\$ 150,000	\$ -	\$ 150,000	None
	China Bills Finance Corporation	2019.11.19~2020.1.17	0.58%	150,000	-	150,000	None
				<u>\$ 300,000</u>		<u>\$ 300,000</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
Company B	Notes payable	\$ 5,599	—
Company C	Notes payable	5,233	—
Others (less than 5%)	Notes payable	92,588	—
		<u>\$ 103,420</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
Non-related parties:			
Company D	Accounts payable	\$ 8,550	—
Company E	Accounts payable	5,318	—
Company F	Accounts payable	4,034	—
Others (less than 5%)	Accounts payable	60,185	—
		<u>78,087</u>	
Related parties:			
SYN-TECH CHEM & PHARM CO., LTD.	Accounts payable	7,555	—
Syngen Biotech Co., Ltd.	Accounts payable	7,480	—
Souiree Biotech & Pharm. Co., Ltd.	Accounts payable	3,433	—
SUN YOU BIOTECH PHARM CO., LTD.	Accounts payable	879	—
		<u>19,347</u>	
		<u>\$ 97,434</u>	

STANDARD CHEM. & PHARM. CO., LTD.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries payable	—	\$ 96,731	—
Provisions for employee benefits	—	24,816	—
Pollution prevention cost payable	—	14,500	—
Employees' compensation and directors' and supervisors' remuneration	—	13,413	—
Others (less than 5%)	—	95,651	—
		<u>\$ 245,111</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CHANGES IN DEFERRED INCOME TAX LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(25) for the information related to income tax.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF CHANGES IN DEFINED BENEFIT LIABILITY-NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(14) for the information related to pensions.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Volume	Subtotal	Total	Note
Medicine:				
Troche	1,181,306 thousand	\$ 1,489,922		—
Ampoule	8,313 thousand	238,405		—
Capsule	146,558 thousand	234,091		—
Liquids	756,231 L	250,221		—
Others		<u>140,222</u>	\$ 2,352,861	—
Dietary supplement			101,627	—
Rendering of services			4,837	—
Others			<u>206,298</u>	—
			2,665,623	
Less: Sales return, discounts and allowances			(261,945)	—
Operating revenue			<u>\$ 2,403,678</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1, 2019	\$ 32,092
Add : Merchandise purchased	164,646
Less : Transferred to expenses	(853)
Disposal	(1,541)
Merchandise at December 31, 2019	(32,000)
Merchandise sold during this period	<u>162,344</u>
Raw materials and materials at January 1, 2019	210,596
Add : Raw materials purchased	532,144
Work in process transfer in	565
Finished goods transfer in	36,193
Supplies transfer in	23
Gain on physical inventory	291
Less: Transferred to expenses	(8,553)
Disposal	(2,755)
Raw materials sold	(106)
Raw materials and materials at December 31, 2019	(231,149)
Raw materials used during this period	<u>537,249</u>
Supplies at January 1, 2019	29,350
Add : Supplies purchased	184,756
Gain on physical inventory	141
Less: Transferred to expenses	(2,206)
Transferred to raw materials	(23)
Disposal	(1,236)
Supplies sold	(8)
Supplies at December 31, 2019	(35,159)
Supplies used during this period	<u>175,615</u>
Direct labour	<u>142,059</u>
Manufacturing overhead	<u>384,891</u>
Manufacturing cost	1,239,814

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF OPERATING COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Work in process at January 1, 2019	\$ 55,128
Less: Transferred to expenses	(116)
Transferred to raw materials	(565)
Loss on physical inventory	(9)
Disposal	(8,467)
Work in process at December 31, 2019	(58,501)
Cost of finished goods	1,227,284
Finished goods at January 1, 2019	203,404
Less: Transferred to expenses	(13,932)
Transferred to raw materials	(36,193)
Disposal	(49,892)
Finished goods at December 31, 2019	(227,416)
Cost of production and marketing	1,103,255
Cost of finished goods sold	1,265,599
Cost of raw materials sold	106
Cost of supplies sold	8
Cost of inventory sold	1,265,713
Losses on scrapped inventory	63,891
Reversal of allowance for loss on inventory market price decline	(10,833)
Gain on physical inventory	(423)
Operating costs	<u>\$ 1,318,348</u>

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries	—	\$ 124, 973	—
Repair and maintenance	—	20, 690	—
Utilities	—	34, 985	—
Depreciation	—	102, 028	—
Others (less than 5%)	—	102, 215	—
		<u>\$ 384, 891</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries	—	\$ 190,214	—
Travelling expenses	—	26,098	—
Commission	—	63,598	—
Entertainment	—	22,480	—
Others (less than 5%)	—	126,912	—
		<u>\$ 429,302</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries	—	\$ 75,536	—
Insurance	—	11,786	—
Depreciation	—	7,985	—
Professional service fees	—	9,831	—
Pollution Prevention	—	19,467	—
Others (less than 5%)	—	34,669	—
		<u>\$ 159,274</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries	—	\$ 62,564	—
Depreciation	—	9,447	—
Research expenses	—	51,301	—
Others (less than 5%)	—	<u>25,904</u>	—
		<u>\$ 149,216</u>	

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF OTHER INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(20) for the information related to other income.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(21) for the information related to other gains or losses.

STANDARD CHEM. & PHARM. CO., LTD.
STATEMENT OF FINANCE COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(22) for the information related to finance costs.

STANDARD CHEM. & PHARM. CO., LTD.
SUMMARY STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND
AMORTISATION EXPENSES IN CURRENT PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(23) for the additional information related to expenses
and Note 6(24) for the information related to employee benefits.