

**MEDIGEN BIOTECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

Notice to Readers

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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2023 and for the year then ended prepared under the International Financial Reporting Standards No.10 are the same as the entities to be included in the combined financial statements of the Company, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

Company name: Medigen Biotechnology Corporation

Chairman: Chang, Shi-Chung

March 11, 2024

Independent Auditors' Report

To the Board of Directors and Shareholders of
Medigen Biotechnology Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Medigen Biotechnology Corporation (the “Company”) and its subsidiaries as of December 31, 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2023, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023, and their consolidated financial performance and cash flows for the year ended December 31, 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the report(s) of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company and its subsidiaries recognized NT\$1,157,720 thousand as net sales, which includes sales of goods in the amount of NT\$1,145,037 thousand and services and other operating revenues in the amount of NT\$12,683 thousand for the year ended December 31, 2023. The revenue was mainly generated from the sales of generic drugs and aesthetic medicine products by the consolidated subsidiary, WINSTON MEDICAL SUPPLY CO., LTD. Since the Company and its subsidiaries have a large number of customers including hospitals, clinics, pharmacies, medicine companies and channel vendors in the country, and their revenue has a high inherent risk in nature, As a result, we determined this matter as a key audit matter.

Our audit procedures include (but are not limited to) evaluating the appropriateness of management's accounting policies for revenue recognition, and understanding, evaluating and testing the transaction process of the revenue recognition procedures for the identified performance obligations and the effectiveness of the design and implementation of internal controls that are critical to the timing of revenue recognition to meet performance obligations; performing test of details on a sampling basis by checking relevant vouchers and testing collection records to confirm that transactions have actually occurred; vouching relevant documents of sales transactions before and after a period of the balance sheet date; performing sales revenue cut-off tests to ensure that revenue is recognized in an appropriate period; and reviewing whether there are significant sales returns and allowances in the subsequent period. We also considered the disclosure of revenue recognition in Notes 5 and 6 to the consolidated financial statements.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

The total carrying amount of property, plant and equipment, right-of-use assets and intangible assets of the Company and its subsidiaries was NT\$2,149,747 thousand as of December 31, 2023, representing 25% of the total consolidated assets. Due to the recent operating losses of Medigen Vaccine Biologics Corporation and its subsidiaries, the management had conducted impairment evaluation tests on the cash-generating units to which these assets belong. The impairment evaluation was conducted based on value in use to estimate their recoverable amount. As the estimate of value in use is significant and it involves management judgment, we therefore determined it as a key audit matter.

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of the design and implementation of internal controls related to asset impairment, assessing the appropriateness of accounting policies for asset impairment, assessing the key assumptions used in the management impairment tests, including the growth rate of sales revenue, gross margin and discount rate, and discussing with the management to assess their reasonableness, and recalculating the recoverable amount of the management impairment assessment. We also considered the disclosure of property, plant and equipment, right-of-use assets and intangible assets in Notes 5 and 6 to the consolidated financial statements.

Assessment of allowance for inventory valuation losses

Net inventory of the Company and its subsidiaries amounted to NT\$546,906 thousand as of December 31, 2023. The Company and its subsidiaries mainly engage in manufacturing and selling generic drugs, aesthetic medicine products and vaccine-related products, such inventories are affected by factors such as market demand, expiration date, normal depletion, obsolescence or lack of market value in different channels, and the management needs to evaluate whether the products are obsolete and the inventory price declines. The carrying amount of inventory is significant and the evaluation of inventory allowance involves significant judgment by the management, we therefore determined this matter as a key audit matter.

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of the design and implementation of internal controls related to obsolete and slow-moving inventories, evaluating the method and key assumptions used, including the reasonableness of the loss ratio, testing the sources of basic information, including the age of the inventory and the net realizable value used, recalculating the accuracy of inventory aging, and assessing the adequacy of the overall loss for market price decline of inventory through the analytical procedures. We also considered the disclosure of inventory in Notes 5 and 6 to the consolidated financial statements.

Other Matter –Previous Period Audited by Other Independent Accountants

The consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2022 were audited by other independent accountants, who expressed a unqualified opinions on those statements on March 30, 2023.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We and other independent accountant have audited and expressed an unqualified opinion including an Other Matter Paragraph and an unqualified opinion on the parent company only financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2023 and 2022, respectively.

Kuo, Shao-Pin

Yu, Chien-Ju

Ernst & Young, Taiwan

March 11, 2024

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and December 31, 2022
(Amounts in thousands of New Taiwan Dollars)

Assets	Note	December 31, 2023		December 31, 2022	
Accounts		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4, 6 and 12	\$2,222,926	26	\$2,040,633	20
Financial assets at fair value through profit or loss	4, 6 and 12	486	-	54,225	-
Financial assets measured at amortized cost-current	4, 6 and 12	2,364,100	28	2,979,940	30
Contract assets-current	4, 6, 7 and 12	358	-	8,638	-
Notes receivable, net	4, 6 and 12	108,411	1	120,042	1
Trade receivables, net	4, 6 and 12	220,125	3	263,919	3
Trade receivables from related parties, net	4, 6 and 7	-	-	5,715	-
Other receivables		52,954	1	8,253	-
Other receivables from related parties	7	40	-	41	-
Current tax assets	6	4,790	-	780	-
Inventories, net	4 and 6	546,906	6	692,615	7
Non-current assets or disposal groups held for sale, net	4 and 6	55,211	1	-	-
Other current assets	6	106,318	1	455,259	5
Other financial assets-current	8 and 12	25,412	-	102,766	1
Total current assets		<u>5,708,037</u>	<u>67</u>	<u>6,732,826</u>	<u>67</u>
Non-current assets					
Financial assets at fair value through other comprehensive income-noncurrent	4, 6 and 12	242,596	3	205,634	2
Investments accounted for using equity method	4 and 6	50,271	1	101,696	1
Property, plant and equipment	4, 6 and 8	1,770,209	21	1,918,498	19
Right-of-use assets	4 and 6	272,999	3	279,186	3
Intangible assets	4 and 6	106,539	1	113,072	1
Deferred tax assets	4, 5 and 6	327,495	4	480,938	5
Other non-current assets		25,640	-	113,776	2
Refundable deposits	8 and 12	23,459	-	36,648	-
Total non-current assets		<u>2,819,208</u>	<u>33</u>	<u>3,249,448</u>	<u>33</u>
Total assets		<u><u>\$8,527,245</u></u>	<u><u>100</u></u>	<u><u>\$9,982,274</u></u>	<u><u>100</u></u>

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

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
As of December 31, 2023 and December 31, 2022
(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2023		December 31, 2022	
Accounts	Note	Amount	%	Amount	%
Current liabilities					
Short-term borrowings	6 and 8	\$402,600	5	\$328,000	3
Financial liabilities at fair value through profit or loss-current	4, 6 and 12	29,050	-	-	-
Contract liabilities-current	6 and 7	134,996	2	130,398	1
Notes payable	12	46,700	1	34,771	-
Trade payables	12	75,867	1	150,238	2
Other payables		304,819	4	319,394	3
Current tax liabilities	4, 5 and 6	24,629	-	22,993	-
Lease liabilities-current	4, 6 and 12	17,320	-	13,126	-
Other current liabilities	7	15,500	-	24,541	1
Current portion of long-term liabilities	4, 6, 8 and 12	1,728,410	20	28,862	-
Total current liabilities		2,779,891	33	1,052,323	10
Non-current liabilities					
Financial liabilities at fair value through profit or loss-noncurrent	4, 6 and 12	-	-	19,250	-
Bonds payable	4, 6 and 12	-	-	1,677,850	17
Long-term borrowings	6 and 8	449,099	5	451,307	5
Deferred tax liabilities	4, 5 and 6	14,151	-	14,241	-
Lease liabilities-noncurrent	4, 6 and 12	267,533	3	275,319	3
Net defined benefit liabilities-noncurrent	4 and 6	9,162	-	10,691	-
Other non-current liabilities	4 and 6	10,280	-	10,280	-
Total non-current liabilities		750,225	8	2,458,938	25
Total liabilities		3,530,116	41	3,511,261	35
Equity attributable to owners of the parent					
Share capital	6				
Common stock		1,393,463	16	1,394,463	14
Advance receipts for share capital		3,285	-	-	-
Share capital awaiting retirement		(2,000)	-	-	-
Capital surplus		968,142	12	1,561,666	15
Retained earnings					
Accumulated deficits		(747,509)	(9)	(727,979)	(7)
Other equity		(23,738)	-	(34,123)	-
Total equity attributable to owners of the parent		1,591,643	19	2,194,027	22
Non-controlling interests		3,405,486	40	4,276,986	43
Total equity		4,997,129	59	6,471,013	65
Total liabilities and equity		\$8,527,245	100	\$9,982,274	100

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

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Accounts	Note	2023		2022	
		Amount	%	Amount	%
Operating income	4, 6 and 7	\$1,157,720	100	\$1,055,947	100
Operating costs	6 and 7	(540,391)	(47)	(968,487)	(92)
Gross profit		617,329	53	87,460	8
Operating expenses	6 and 7				
Selling expenses		(251,921)	(22)	(160,752)	(15)
Administrative expenses		(247,721)	(21)	(241,554)	(23)
Research and development expenses		(1,336,337)	(115)	(1,330,997)	(126)
Expected credit losses (gains)	4 and 6	(14,443)	(1)	(21,133)	(2)
Total operating expenses		(1,850,422)	(159)	(1,754,436)	(166)
Operating income		(1,233,093)	(106)	(1,666,976)	(158)
Non-operating income and expenses	6 and 7				
Interest income		89,068	8	8,883	1
Other income		25,278	2	75,863	7
Other gains and losses		(11,993)	(1)	11,283	1
Finance costs		(55,859)	(5)	(39,453)	(3)
Share of profit or loss of associates and joint ventures accounted for using the equity method	4 and 6	(92,261)	(8)	(262,213)	(25)
Total non-operating income and expenses		(45,767)	(4)	(205,637)	(19)
Net loss before tax		(1,278,860)	(110)	(1,872,613)	(177)
Income tax expense	4 and 6	(191,207)	(17)	(58,874)	(6)
Net loss		(1,470,067)	(127)	(1,931,487)	(183)
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plan		(242)	-	(614)	-
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	6	118	-	82,225	8
Income tax relating to those items not to be reclassified to profit or loss		111	-	122	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		17,528	2	(1,266)	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method - Items that may be reclassified subsequently to profit or loss		263	-	-	-
Income tax related to the items that may be reclassified to profit or loss		(1,740)	-	6	-
Other comprehensive income, net of tax		16,038	2	80,473	8
Total comprehensive income		<u>\$ (1,454,029)</u>	<u>(125)</u>	<u>\$ (1,851,014)</u>	<u>(175)</u>
Net income (loss) attributable to:					
Owners of the parent		\$ (561,296)		\$ (675,874)	
Non-controlling interests		<u>(908,771)</u>		<u>(1,255,613)</u>	
		<u>\$ (1,470,067)</u>		<u>\$ (1,931,487)</u>	
Total comprehensive income (loss) attributable to:					
Owners of the parent		\$ (554,889)		\$ (658,955)	
Non-controlling interests		<u>(899,140)</u>		<u>(1,192,059)</u>	
		<u>\$ (1,454,029)</u>		<u>\$ (1,851,014)</u>	
Losses per share (NT\$)	6				
Basic and diluted losses per share (NT\$)					
Current net income (loss)		<u>\$ (4.03)</u>		<u>\$ (4.86)</u>	

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

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent										
Items	Share capital			Capital surplus	Retained earnings	Other equity					
	Common stock	Advance receipts for share capital	Share capital awaiting retirement	Capital surplus	Accumulated deficits	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee compensation	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2022	\$1,393,625	\$225	\$-	\$1,108,539	\$(52,817)	\$(10,950)	\$(35,352)	\$(8,882)	\$2,394,388	\$4,031,716	\$6,426,104
Net loss for the year ended December 31, 2022	-	-	-	-	(675,874)	-	-	-	(675,874)	(1,255,613)	(1,931,487)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	712	(24)	16,231	-	16,919	63,554	80,473
Total comprehensive income	-	-	-	-	(675,162)	(24)	16,231	-	(658,955)	(1,192,059)	(1,851,014)
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	378,040	-	-	-	-	378,040	51,702	429,742
Changes in ownership interests in subsidiaries	-	-	-	90,834	-	-	-	-	90,834	1,400,890	1,491,724
Changes in net equity of associates accounted for using equity method	-	-	-	15,126	-	-	-	-	15,126	(19,494)	(4,368)
Issuance of new shares by employee stock options	838	(225)	-	1,797	-	-	-	-	2,410	-	2,410
Costs of employee stock options	-	-	-	1,603	-	-	-	-	1,603	-	1,603
Costs of restricted stock options	-	-	-	-	-	-	-	4,854	4,854	-	4,854
Effect of organizational structure adjustments within the group	-	-	-	(34,273)	-	-	-	-	(34,273)	34,273	-
Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(30,042)	(30,042)
Balance as of December 31, 2022	\$1,394,463	\$-	\$-	\$1,561,666	\$(727,979)	\$(10,974)	\$(19,121)	\$(4,028)	\$2,194,027	\$4,276,986	\$6,471,013
Balance as of January 1, 2023	\$1,394,463	\$-	\$-	\$1,561,666	\$(727,979)	\$(10,974)	\$(19,121)	\$(4,028)	\$2,194,027	\$4,276,986	\$6,471,013
Net loss for the year ended December 31, 2023	-	-	-	-	(561,296)	-	-	-	(561,296)	(908,771)	(1,470,067)
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	50	6,959	(602)	-	6,407	9,631	16,038
Total comprehensive income	-	-	-	-	(561,246)	6,959	(602)	-	(554,889)	(899,140)	(1,454,029)
Capital surplus used to cover accumulated deficits	-	-	-	(541,716)	541,716	-	-	-	-	-	-
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	125,022	-	-	-	-	125,022	31,552	156,574
Changes in ownership interests in subsidiaries	-	-	-	3,911	-	-	-	-	3,911	27,765	31,676
Changes in net equity of associates accounted for using equity method	-	-	-	(165,182)	-	-	-	-	(165,182)	5,876	(159,306)
Issuance of new shares by employee stock options	-	3,285	-	-	-	-	-	-	3,285	-	3,285
Costs of employee stock options	-	-	-	32	-	-	-	-	32	-	32
Costs of restricted stock options	-	-	-	-	-	-	-	4,028	4,028	-	4,028
Recovery of restricted stock options	(1,000)	-	(2,000)	(15,591)	-	-	-	-	(18,591)	-	(18,591)
Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(37,553)	(37,553)
Balance as of December 31, 2023	\$1,393,463	\$3,285	\$(2,000)	\$968,142	\$(747,509)	\$(4,015)	\$(19,723)	\$-	\$1,591,643	\$3,405,486	\$4,997,129

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

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Items	2023	2022
	Amount	Amount
Cash flows from operating activities:		
Net loss before tax, current	\$(1,278,860)	\$(1,872,613)
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation	168,356	177,254
Amortization	10,027	14,392
Prepayments for business facilities transferred to expenses	6,986	-
Expected credit losses	14,443	21,133
Losses on valuation of financial assets and liabilities at fair value through profit or loss	9,582	16,649
Interest expenses	55,859	39,453
Interest income	(89,068)	(8,883)
Share-based payment expenses	22,365	82,066
Share of profit or loss of associates and joint ventures accounted for using the equity method	92,261	262,213
Losses (gains) on disposals of investments	-	7
Losses (gains) on disposals of property, plant and equipment, net	1,032	-
Lease modification gains	-	(4)
Changes in current operating assets and liabilities		
Financial assets and liabilities at fair value through profit or loss	53,956	(832)
Contract assets	(358)	339,147
Notes receivable	11,631	(62,916)
Trade receivables	43,802	117,664
Trade receivables from related parties	(98)	(13,122)
Other receivables	4,971	(1,134)
Other receivables from related parties	1	4,312
Inventories	145,923	60,291
Other current assets	351,022	(194,340)
Contract liabilities	4,598	(114,025)
Notes payable	11,929	(9,723)
Trade payables	(74,371)	30,796
Other payables	(32,546)	(7,083)
Other current liabilities	(9,041)	15,821
Net defined benefit liabilities	(1,479)	(142)
Cash generated from operating activities	(477,077)	(1,103,619)
Interest received	39,396	8,850
Interest paid	(25,608)	(20,098)
Income tax paid	(40,228)	(23,352)
Net cash used in operating activities	(503,517)	(1,138,219)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(37,564)	(69,409)
Acquisition of financial assets measured at amortized cost	(3,146,212)	(2,979,940)
Proceeds from redemption of financial assets measured at amortized cost	3,766,276	800,000
Acquisition of investments accounted for using the equity method	(165,168)	(30,127)
Acquisition of property, plant and equipment	(38,409)	(54,875)
Decrease in refundable deposits	13,189	3,658
Acquisition of intangible assets	(3,494)	(3,214)
Decrease in other financial assets	77,354	-
Increase in other noncurrent assets	(9,016)	-
Increase in prepayments for equipment	-	(93,281)
Decrease in prepayments for equipment	42,919	-
Decrease in restricted assets	-	(8,198)
Increase in prepayments for investments	(2,215)	(17,731)
Net cash provided by (used in) investing activities	497,660	(2,453,117)
Cash flows from financing activities:		
Increase in short-term borrowings	210,000	308,000
Decrease in short-term borrowings	(135,400)	(280,000)
Proceeds from issuing bonds	-	1,755,250
Increase in long-term borrowings	29,696	-
Repayments of long-term borrowings	(10,206)	(11,943)
Cash payment for the principal portion of the lease liabilities	(18,024)	(16,968)
Proceeds from exercise of employee stock options	3,285	2,410
Increase in deposits received	-	3,310
Disposal of ownership interests in subsidiaries (without losing control)	156,574	434,264
Changes in non-controlling interests	13,371	1,326,185
Redemption of restricted stock	(18,591)	-
Cash dividends paid to non-controlling interests	(37,553)	(30,042)
Net cash provided by financing activities	193,152	3,490,466
Effect of changes in exchange rate on cash and cash equivalents	(5,002)	(3,077)
Net increase (decrease) in cash and cash equivalents	182,293	(103,947)
Cash and cash equivalents at the beginning of the year	2,040,633	2,144,580
Cash and cash equivalents at the end of the year	\$2,222,926	\$2,040,633

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(Amounts are Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and Organization

Medigen Biotechnology Corporation (the “Company”) was incorporated on December 31, 1999, and commenced business on September 1, 2000. The Company is primarily engaged in the research and development of new drugs and vaccines, cytototherapy, advanced nucleic acid testing, and production and sales of generic drugs, aesthetic medicine products and vaccine-related products. The Company’s shares were listed and traded on Taipei Exchange in November 2011.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries (the “Group”) for the years ended December 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of Directors on March 11, 2024.

3. Newly Issued or Revised Standards and Interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The application of these new standards and amendments had no material effect on the Group.

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

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

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A. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

B. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

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

C. Non-current Liabilities with Covenants – Amendments to IAS 1

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

D. Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The new or amended standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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

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

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

B. IFRS 17 “Insurance Contracts”

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

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

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

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C. Lack of Exchangeability – Amendments to IAS 21

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

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

4. Summary of Material Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC (“TIFRS”).

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of the consolidated financial statements

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

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

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

- A. the contractual arrangement with the other vote holders of the investee;
- B. rights arising from other contractual arrangements;
- C. the Group's voting rights and potential voting rights.

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

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

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

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfers directly to retained earnings if required by other IFRSs; and
- F. recognizes any resulting difference in profit or loss.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
The Company	TBG Diagnostics Limited.	Biotechnology services and retail and wholesale of medical instrument	51.76%	51.76%	
The Company	TDL Holding Co.	Investment business	100%	100%	Note5
The Company	Medigen Vaccine Biologics Corporation	Research and development and manufacturing and wholesale business of vaccines and biopharmaceutical, and retail and wholesale business of medical devices	18.98%	19.74%	Note 1
The Company	WINSTON MEDICAL SUPPLY CO., LTD.	Manufacturing and marketing of chemistry medicine, ophthalmic anti-infectives, aesthetic medicine, dietary supplement and other medicines and products	59.22%	59.22%	
The Company	Medigen Biotechnology (Xiamen) Corporation	Research and development of clinical new medicine, supports of production technology and consult of related technology and after-sale service	100%	100%	
The Company	Medigen Biotechnology (Beijing) Corporation	Investment business	100%	100%	
The Company	Yingxin Investment Co., Ltd.	Investment business	100%	-	Note 2
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Investment business	100%	100%	
Medigen Vaccine Biologics Corporation	MVC Capital corporation (Originally named Medigen Capital Corporation)	Investment business	100%	100%	Note 3
Medigen Vaccine Biologics Corporation	MVC AUSTRALIA PTY LTD.	To hold drug permit licenses and support local marketing	-	-	Note 4
Medigen Vaccine Biologics Corporation	MVC BIO SUPPLY SDN. BHD.	To hold drug permit licenses and support local marketing	-	-	Note 4
TBG Diagnostics Limited.	TDL Holding Co.	Investment business	-	-	Note 5
TDL Holding Co.	Texas BioGene, Inc.	Biotechnology services and retail and wholesale of medical instruments	100%	100%	
TDL Holding Co.	TBG Biotechnology Corp.	Biotechnology services and retail and wholesale of medical instruments	100%	100%	
WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	Retail and wholesale of skincare products and makeup	100%	100%	
WINSTON MEDICAL SUPPLY CO., LTD.	SHINY LILY CO., LTD.	Retail and wholesale of western medicine	100%	100%	

Note 1: On March 1, 2022, May 3, 2022, November 7, 2022, March 8, 2023, May 5, 2023 and November 2, 2023, the Board of Directors of Medigen Vaccine Biologics Corporation approved the conversion of employee stock options into ordinary shares. In addition, on March 1, 2022, the Board of Directors of Medigen Vaccine Biologics Corporation approved the cash capital increase. However, the Company did not subscribe to the new shares proportionally to its original interest, and 10% of the new share were reserved to be subscribed by employees. Additionally, the Company disposed some shares of Medigen Vaccine Biologics Corporation in the period from January 2022 to December 2023, thus the Company's shareholding ratio decreased from 20.96% to 18.98%. Currently, the Company is still the largest shareholder and other shareholders are relatively dispersed. Therefore, the Company still had control over Medigen Vaccine Biologics Corporation and included it in the consolidated financial statements. However, in the subsequent periods, the Company will continually assess whether the Company still has control over Medigen Vaccine Biologics Corporation.

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Note 2: The Company passed a resolution in the board meeting held on November 7, 2023 to incorporate a company named Yingxin Investment Co., Ltd.

Note 3: The Company's subsidiary, Medigen Vaccine Biologics Corporation, passed a resolution in the board meeting held on November 10, 2021 to invest NT\$200,000 thousand to establish Medigen Capital Corporation, which was approved and established on January 6, 2022, and was renamed MVC Capital corporation with the approval of the competent authority on May 3, 2023.

Note 4: The incorporation of the Company's subsidiary, Medigen Vaccine Biologics Corporation, was approved by the local competent authority; however, as of December 31, 2023, no investment funds have been remitted.

Note 5: As the Company was optimistic about the prospects of molecular diagnostics business, on April 21, 2022, the Board of Directors of the Company approved to carry out a reorganization of the Group and planned to acquire all of the equity interest in TDL Holding Co., which was wholly owned by the subsidiary, TBG Diagnostics Limited, in the amount no higher than AUD 6.5 million by cash. Additionally, on October 28, 2022, the shareholders during the extraordinary general meeting of TBG Diagnostics Limited approved to dispose all of the equity interest in its subsidiary, TDL Holding Co., to the Company, for a consideration of AUD 6.3 million (NT\$130,032 thousand), and the settlement date was on November 2, 2022. After the reorganization of the Group, the Company's equity interest in TDL Holding Co. increased from 51.76% indirect ownership to 100% direct ownership, resulting in a decrease of NT\$34,273 thousand in the Company's capital surplus.

(4) Foreign currency transactions

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

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

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

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

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals: (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Group expects to settle the liability in its normal operating cycle.
- B. the Group holds the liability primarily for the purpose of trading.
- C. the liability is due to be settled within twelve months after the reporting period.
- D. the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investment (including time deposits that have maturity within 3 months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

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

A. Financial instruments Recognition and Measurement

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- (a) the Group’s business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

Financial assets measured at fair value through profit or loss

Financial assets were classified as measured at cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivable.

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

B. Impairment of financial assets

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

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

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

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The loss allowance is measures as follow:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) the rights to receive cash flows from the asset have expired.
- (b) the Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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D. Financial liabilities and equity

Classification of liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Derivative financial instruments

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

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

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

(10) Fair value measurement

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

- A. in the principal market for the asset or liability, or
- B. in the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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(11) Inventories

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

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

Raw materials – Purchase cost on a weighted average basis

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

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

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

(12) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(13) Investments accounted for using equity method

The Group's investment in its associates is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Group estimates:

- A. its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or
- B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 “Impairment of Assets”.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(14) Property, plant and equipment

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

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

Buildings and facilities	3-50 years
Machinery and equipment	2-20 years
Office equipment	3-5 years
Testing equipment	2-15 years
Leasehold improvements	The shorter of lease terms or economic useful lives
Miscellaneous equipment	3-7 years

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(15) Leases

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

- A. the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- B. the right to direct the use of the identified asset.

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

Group as a lessee

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

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

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

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

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

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

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

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

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

Except for those leases that the meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the consolidated income statement.

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

Group as a lessor

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

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

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

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(16) Intangible assets

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

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

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

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

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

Computer software

The cost of computer software is amortized on a straight-line basis over its estimated useful lives of 3 to 10 years.

Drug licenses and special technique

Separately acquired drug licenses are stated at cost and amortized on a straight-line basis over its estimated useful lives of 5 years. Drug licenses acquired in a business combination are the licenses approved and issued by the Food and Drug Administration of the Ministry of Health and Welfare. They are recognized at fair value at the acquisition date and amortized over their estimated useful lives of 15 years.

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Special technique is stated initially at its cost and amortized on a straight-line basis over its estimated useful life of 10 to 20 years.

Goodwill

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

Vaccine patent

Vaccine patent is stated at cost and amortized on a straight-line basis over its estimated useful life of 15 years.

(17) Impairment of non-financial assets

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

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

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

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

(18) Revenue recognition

The Group's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sales of goods

The Group is engaged in the manufacturing and sales of biopharmaceuticals, vaccines, virus test kits, western medicines, medical instruments, aesthetic medicine products and food products, etc. Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales is recognised based on the price specified in the contract, net of sales returns, volume discounts, and 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. Some contracts include multiple deliverables, such as storage, custody and delivery of vaccine and other services. The nature of this service is simple. It does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue from providing services is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Accumulated experience is used to estimate such returns using the expected value method.

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.

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Technical service revenue

The Group provides technical services on HLA (Human Leukocyte Antigen) tissue-typing, cellular therapy and test service, cytotherapy technical supporting service and ophthalmic drug development and technical service. 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 as of the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of delivered reports relative to the total number of committed reports. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Incremental costs of obtaining a contract

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

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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(21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Retirement plans for employees of overseas subsidiaries and branches are implemented in accordance with local laws and regulations.

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

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes related restructuring or termination costs.

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

(22) Share-based payment transactions

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

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

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

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

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

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

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

(23) Income taxes

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

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Current income tax

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

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

Deferred tax

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

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

- A. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- B. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant Accounting Judgements, Estimates and Assumptions

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

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

De facto control without a majority of the voting rights in invested companies

The Group does not have majority of the voting rights in certain invested companies. However, after taking into consideration factors such as a majority of the seats held by the Group on the boards of directors, absolute size of the Group's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, etc., the Group reached the conclusion that it has de facto control over these invested companies. Therefore, it is included in the consolidated financial statements.

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(2) Estimates and assumptions

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

A. Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

B. Income tax

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

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

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C. Inventories

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$1,175	\$1,247
Checking and savings accounts	2,091,158	1,984,282
Time deposits	40,203	25,042
Cash equivalents-bonds sold under repurchase agreement	90,390	30,062
Total	<u>\$2,222,926</u>	<u>\$2,040,633</u>

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

The above cash and cash equivalents were not pledged as collateral or restricted for uses.

(2) Financial assets (liabilities) at fair value through profit or loss — current and noncurrent

	As of	
	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss-current:		
Stocks	\$16,078	\$16,035
Beneficiary certificates	500	54,400
Subtotal (total carrying amount)	16,578	70,435
Valuation adjustment	(16,092)	(16,210)
Total	<u>\$486</u>	<u>\$54,225</u>

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	As of	
	December 31, 2023	December 31, 2022
Held for trading financial liabilities-current and noncurrent:		
Derivative financial instruments	\$2,800	\$2,800
Valuation adjustment	26,250	16,450
Total	<u>\$29,050</u>	<u>\$19,250</u>

The profit (loss) arising from financial asset and liabilities at fair value through profit or loss were NT\$(9,582) thousand and NT\$(16,649) thousand for the years ended December 31, 2023 and 2022, respectively.

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

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

	As of	
	December 31, 2023	December 31, 2022
Equity instrument investments measured at fair value through other comprehensive income:		
Foreign unlisted stocks	\$39,817	\$206,815
Emerging stocks	204,078	-
Subtotal (total carrying amount)	243,895	206,815
Valuation adjustment	(1,299)	(1,181)
Total	<u>\$242,596</u>	<u>\$205,634</u>

Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost — current

	As of	
	December 31, 2023	December 31, 2022
Time deposits (over 3 months)	<u>\$2,364,100</u>	<u>\$2,979,940</u>
Interest rates	<u>1.42%~5.00%</u>	<u>0.965%~4.15%</u>

Financial assets measured at amortized cost were not pledged. Please refer to Note 12 for more details on credit risk.

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The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes receivable

	As of	
	December 31, 2023	December 31, 2022
Notes receivable arising from operating activities	\$108,411	\$120,042
Less: allowance for doubtful debts	-	-
Total	<u>\$108,411</u>	<u>\$120,042</u>

Notes receivable were from operations and were not pledged as collateral or restricted for uses.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6.20 for more details on loss allowance. Please refer to Note 12 for details on credit risk.

(6) Trade receivables and Trade receivables from related parties

	As of	
	December 31, 2023	December 31, 2022
Trade receivables	\$220,152	\$263,954
Less: allowance for doubtful debts	(27)	(35)
Subtotal	<u>220,125</u>	<u>263,919</u>
Trade receivables from related parties	41,107	41,009
Less: allowance for doubtful debts	(41,107)	(35,294)
Subtotal	<u>-</u>	<u>5,715</u>
Total	<u>\$220,125</u>	<u>\$269,634</u>

Trade receivables are generally on 30 to 180 day terms. The total carrying amounts of notes and trade receivables were NT\$369,670 thousand and NT\$425,005 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 6.20 for more details on impairment of trade receivables for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk.

Trade receivables were from operations and were not pledged as collateral or restricted for uses.

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(7) Inventories

	As of	
	December 31, 2023	December 31, 2022
Goods	\$7,523	\$9,171
Raw materials	126,938	249,431
Supplies	230,620	303,382
Work in progress and semi-finished product	68,322	96,572
Finished goods	113,503	34,059
Total	<u>\$546,906</u>	<u>\$692,615</u>

The inventory costs recognized as expenses for the current period:

	December 31, 2023	December 31, 2022
Cost of goods sold	\$527,376	\$465,808
Losses on decline in market price	(107,628)	445,507
Losses on abandonment of inventory	120,643	46,848
Total	<u>\$540,391</u>	<u>\$958,163</u>

The Group generated the gain from price recovery of inventories because the disposal of the slow-moving inventories caused the Group's net realizable value of inventory to rebound for the year ended December 31, 2023.

The Group's allowance for inventory valuation losses amounted to NT\$837,875 thousand and NT\$513,869 thousand, as of December 31, 2023 and 2022, respectively.

No inventories were pledged as of December 31, 2023 and 2022.

(8) Non-current assets held for sale:

	As of	
	December 31, 2023	December 31, 2022
Land	\$23,747	\$-
Buildings	31,413	-
Miscellaneous equipment	51	-
Total	<u>\$55,211</u>	<u>\$-</u>

On November 7, 2023, the Board of Directors resolved to dispose of Nangang Office Room D and the Group is actively seeking a buyer. The transaction is in compliance with general terms and business practices for immediate sale. It is highly likely that the sale will be completed within 1 year, and the valuation of transaction is measured based on the lower of carrying amount and fair value less costs of disposal.

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(9) Other current assets

	As of	
	December 31, 2023	December 31, 2022
Prepayments	\$33,610	\$382,349
Excess business tax paid	66,933	57,297
Others	5,775	15,613
Total	<u>\$106,318</u>	<u>\$455,259</u>

(10) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	Principal place of business	As of			
		December 31, 2023		December 31, 2022	
		Carrying amount	Percentage of	Carrying amount	Percentage of
			(%)		(%)
Investments in associates:					
U-GEN BIOTECHNOLOGY INC.	Cayman Islands	\$3,898	39.61%	\$31,884	37.31%
CELLXPRT BIOTECHNOLOGY CORP.	China	46,373	37.19%	69,812	44.83%
Total		\$50,271		\$101,696	

U-GEN BIOTECHNOLOGY INC. (hereinafter “U-GEN”) issued new shares in January 2022, and the Company's sub-subsidiary, MVC Capital corporation (originally named Medigen Capital Corporation, hereinafter “MVC Capital”), acquired 0.48% interest in U-GEN for NT\$27,795 thousand.

In March 2022, U-GEN issued new shares, and the Company's subsidiary, TBG Diagnostics Limited (hereinafter “TDL”) and MVC Capital reduced 0.82% of their interest in U-GEN due to not subscribing the shares proportionate to their original shareholdings.

In December 2022, U-GEN issued new shares, MVC Capital acquired 0.46% interest in U-GEN by NT\$57,922 thousand in December 2022, and TDL’s interest in U-GEN reduced by 0.17% as it failed to subscribe the shares proportionate to its original shareholdings.

In March 2023, U-GEN issued new shares, the Company acquired 2.33% interest in U-GEN by NT\$152,952 thousand, and TDL and MVC Capital reduced 0.52% of their interest in U-GEN due to not subscribing the shares proportionate to their original shareholdings.

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In April 2023, the Company's subsidiary, Medigen Biotechnology (Beijing) Corporation, acquired CELLXPRT BIOTECHNOLOGY CORP by NT\$17,724 thousand (including the write-off of prepayments for investments in the amount of NT\$17,608 thousand), its interest reduced by 6.74% due to not subscribing the shares proportionate to its original shareholdings.

In August 2023, U-GEN recovered its own stock, the interest owned by TDL and MVC Capital increased by 0.49% as U-GEN reduced its share capital.

In July 2023, the Company's subsidiary, Medigen Biotechnology (Beijing) Corporation, acquired CELLXPRT BIOTECHNOLOGY CORP by NT\$12,099 thousand, its interest increased by 1.64% due to not subscribing the shares proportionate to its original shareholdings.

In October and December 2023, CELLXPRT BIOTECHNOLOGY CORP. issued new shares, and the Company's subsidiary, Medigen Biotechnology (Beijing) Corporation, reduced its interest by 2.54% due to not subscribing the shares proportionate to its original shareholdings.

A. Investments in associates

Summary financial information on the material associates of the Group is as follows:

Balance sheet

	CELLXPRT BIOTECHNOLOGY CORP.	
	December 31, 2023	December 31, 2022
Current assets	\$159,046	\$135,667
Non-current assets	98,958	175,310
Current liabilities	(133,318)	(92,553)
Non-current liabilities	-	(45,105)
Total net assets	<u>\$124,686</u>	<u>\$173,319</u>
Book value of associate	<u>\$46,373</u>	<u>\$69,812</u>

Statement of comprehensive income

	CELLXPRT BIOTECHNOLOGY CORP.	
	For the year ended December 31, 2023	2022
Operating revenue	\$23,106	\$41,571
Net profit (loss) from continuing operations	(76,951)	(63,100)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$(76,951)</u>	<u>\$(63,100)</u>

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Balance sheet

	U-GEN	
	December 31, 2023	December 31, 2022
Current assets	\$237,345	\$254,654
Non-current assets	-	26,069
Current liabilities	(173,936)	(132,015)
Non-current liabilities	(50,904)	(70,839)
Total net assets	\$12,505	\$77,869
Book value of associate	\$3,898	\$31,884

Statement of comprehensive income

	U-GEN	
	For the year ended December 31, 2023	2022
Operating revenue	\$-	\$-
Net profit (loss) from continuing operations	(147,276)	(637,039)
Other comprehensive income (post-tax)	5,870	329
Total comprehensive income	\$(141,406)	\$(636,710)

- B. No public price was available for the investments in associates.
- C. The Group's shareholding in U-GEN was 39.61% as of December 31, 2023. Although the Company's subsidiary, TDL, is the single biggest shareholder of U-GEN, as the total shareholding of other three major shareholders, who are not related parties, is higher than the Group's shareholding, and the Group does not hold more than half of all directors in U-GEN, indicating that the Group has no actual ability to direct relevant activities, the Group has no control, but has significant influence over U-GEN.
- D. The carrying amount of investments accounted for using the equity method amounted to NT\$50,271 thousand and NT\$101,696 thousand, as of December 31, 2023 and 2022, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amounted to NT\$(92,261) thousand and NT\$(262,213) thousand for the years ended December 31, 2023 and 2022, respectively. The share of other comprehensive income of these associates and joint ventures accounted for using the equity method amounted to NT\$263 thousand and NT\$0 thousand for the years ended December 31, 2023 and 2022, respectively.

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(11) Property, plant and equipment

							As of		
							December 31, 2023	December 31, 2022	
Owner-occupied property, plant and equipment							\$1,770,209	\$1,918,498	
		Buildings and facilities	Machinery equipment	Office equipment	Testing equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Cost:	Land								
As of January 1, 2023	\$354,039	\$1,505,887	\$884,440	\$38,599	\$218,108	\$99,022	\$3,030	\$14,538	\$3,117,663
Additions	-	2,122	7,396	1,964	3,336	301	310	10,700	26,129
Disposals	-	-	(11,523)	(399)	(2,062)	(1,200)	-	-	(15,184)
Reclassification	(23,747)	(42,542)	29,786	-	1,939	(3,425)	-	(3,872)	(41,861)
Exchange differences	-	-	-	3	-	-	-	-	3
As of December 31, 2023	\$330,292	\$1,465,467	\$910,099	\$40,167	\$221,321	\$94,698	\$3,340	\$21,366	\$3,086,750
As of January 1, 2022	\$354,039	\$1,500,203	\$838,218	\$37,927	\$207,418	\$94,695	\$2,552	\$4,695	\$3,039,747
Additions	-	5,361	36,840	665	8,023	3,501	478	14,425	69,293
Disposals	-	-	-	-	-	(276)	-	-	(276)
Reclassification	-	323	9,382	6	2,667	1,102	-	(4,582)	8,898
Exchange differences	-	-	-	1	-	-	-	-	1
As of December 31, 2022	\$354,039	\$1,505,887	\$884,440	\$38,599	\$218,108	\$99,022	\$3,030	\$14,538	\$3,117,663
Depreciation and impairment:									
As of January 1, 2023	\$-	\$436,329	\$459,566	\$36,255	\$189,620	\$75,280	\$2,115	\$-	\$1,199,165
Depreciations	-	67,411	60,888	1,477	10,597	7,138	226	-	147,737
Disposals	-	-	(10,491)	(399)	(2,062)	(1,200)	-	-	(14,152)
Reclassification	-	(12,508)	(328)	-	-	(3,374)	-	-	(16,210)
Exchange differences	-	-	-	1	-	-	-	-	1
As of December 31, 2023	\$-	\$491,232	\$509,635	\$37,334	\$198,155	\$77,844	\$2,341	\$-	\$1,316,541
As of January 1, 2022	\$-	\$369,305	\$394,642	\$34,425	\$175,373	\$68,514	\$1,658	\$-	\$1,043,917
Depreciations	-	67,024	66,880	1,827	14,247	7,042	457	-	157,477
Disposals	-	-	-	-	-	(276)	-	-	(276)
Reclassification	-	-	(1,956)	-	-	-	-	-	(1,956)
Exchange differences	-	-	-	3	-	-	-	-	3
As of December 31, 2022	\$-	\$436,329	\$459,566	\$36,255	\$189,620	\$75,280	\$2,115	\$-	\$1,199,165
Net carrying amount as of:									
December 31, 2023	\$330,292	\$974,235	\$400,464	\$2,833	\$23,166	\$16,854	\$999	\$21,366	\$1,770,209
December 31, 2022	\$354,039	\$1,069,558	\$424,874	\$2,344	\$28,488	\$23,742	\$915	\$14,538	\$1,918,498

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- A. The Group's borrowing costs for property, plant and equipment were not capitalized for the years ended December 31, 2023 and 2022.
- B. Components of building that have different useful lives are electromechanical device and air conditioners, and fire protection engineering, which are depreciated over 3 to 15 years, respectively.
- C. The reclassifications mainly arose from the transfer and reclassification of prepayments for business facilities (recognized as other non-current assets) into non-current assets held for sale.
- D. Please refer to Note 8 for more details on property, plant and equipment under pledge.
- E. Investing activities with only partial cash payments:

	As of	
	December 31, 2023	December 31, 2022
Purchase of property, plant and equipment	\$26,129	\$69,293
Add: Payables at the beginning of the year	20,700	6,282
Less: Payables at the end of the year	(8,420)	(20,700)
Cash payments for the current year	<u>\$38,409</u>	<u>\$54,875</u>

(12) Intangible assets

	Software	Drug licenses and special technique	Goodwill	Vaccine Patent	Total
Cost:					
As of January 1, 2023	\$28,596	\$292,135	\$76,175	\$48,987	\$445,893
Additions	3,494	-	-	-	3,494
Disposals	(590)	-	-	-	(590)
As of December 31, 2023	<u>\$31,500</u>	<u>\$292,135</u>	<u>\$76,175</u>	<u>\$48,987</u>	<u>\$448,797</u>
As of January 1, 2022	\$25,382	\$292,135	\$76,175	\$48,987	\$442,679
Additions	3,214	-	-	-	3,214
As of December 31, 2022	<u>\$28,596</u>	<u>\$292,135</u>	<u>\$76,175</u>	<u>\$48,987</u>	<u>\$445,893</u>

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	Software	Drug licenses and special technique	Goodwill	Vaccine Patent	Total
Amortization and impairment:					
As of January 1, 2023	\$23,033	\$276,585	\$-	\$33,203	\$332,821
Amortization	2,615	4,146	-	3,266	10,027
Disposals	(590)	-	-	-	(590)
As of December 31, 2023	<u>\$25,058</u>	<u>\$280,731</u>	<u>\$-</u>	<u>\$36,469</u>	<u>\$342,258</u>
As of January 1, 2022	\$20,515	\$267,977	\$-	\$29,937	\$318,429
Amortization	2,518	8,608	-	3,266	14,392
As of December 31, 2022	<u>\$23,033</u>	<u>\$276,585</u>	<u>\$-</u>	<u>\$33,203</u>	<u>\$332,821</u>
Net carrying amount as of:					
December 31, 2023	<u>\$6,442</u>	<u>\$11,404</u>	<u>\$76,175</u>	<u>\$12,518</u>	<u>\$106,539</u>
December 31, 2022	<u>\$5,563</u>	<u>\$15,550</u>	<u>\$76,175</u>	<u>\$15,784</u>	<u>\$113,072</u>

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

	As of	
	December 31, 2023	December 31, 2022
Selling expenses	\$472	\$317
Administrative expenses	1,651	1,781
Research and development expenses	7,904	12,294
Total	<u>\$10,027</u>	<u>\$14,392</u>

For the years ended December 31, 2023 and 2022, the Group had no interest capitalization of intangible assets.

Goodwill is identified as belonging to generic drug segment and aesthetic medicine product segment of the Group's operating segments.

The aforementioned drug licenses and special technique primarily include the drug licenses acquired in a business combination, special technique in the research and development of new anti-cancer drugs acquired from licensing, special technique in the research and development of vaccines acquired from licensing and special technique in the research and development of monoclonal antibody acquired externally.

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For the year ended December 31, 2008, the Group signed a strategic alliance contract with Oncolys Biopharma Inc. who licensed related expertise (primarily used in anticancer) to the Group for use in human subject research. The Group is jointly responsible for the development expenses, and the Group can share the royalty based on a certain percentage after the expertise generates commercial profit. On April 8, 2019, the expertise was licensed to Chugai Pharmaceutical Co., Ltd. by Oncolys Biopharma Inc., and the licensed areas were Japan and Taiwan. On October 19, 2021, the Group received the notice of announcement from Oncolys Biopharma Inc. indicating that Oncolys Biopharma Inc. has informed Chugai Pharmaceutical Co., Ltd. to early terminate the licensing contract. Further, on February 25, 2022, Oncolys Biopharma Inc. formally notified the Group that the effective date of termination of the licensing contract will be October 15, 2022. Oncolys Biopharma Inc. and the Group will continue to develop OBP-301 and accept the clinical trial which was formerly performed by Chugai Pharmaceutical Co., Ltd.

In February 2017, the Group processed the unblinding of PI-88 Phase III clinical trial data and statistical analysis procedures, and externally announced on February 28, 2017. The data analysis result showed that the drug safety of PI-88 was good and was in the acceptable range. For the whole efficacy, the primary endpoint of the treatment group who applied PI-88 was not significantly better than the control group, however it did not reach the statistical significance which was asked by the clinical trial. In the clinical trial, the efficacy analysis of sub-group was found that, in the group with microvascular invasion, the treatment group who applied PI-88 was better than control group on the primary endpoint of “disease-free survival”, and the difference belongs to a marginally significant level. According to the research analysis result of the aforementioned PI-88 Phase III clinical trial which the Group had published in the European Society for Medical Oncology (ESMO) and consulted the medicines competent authority of each country and searched for international collaboration. On December 18, 2019, the Group had authorized the global (excluding Taiwan) rights of development and commercialization to CELLXPRT BIOTECHNOLOGY CORP. Please refer to Note 9.3 for details.

The aforementioned vaccine patents pertain to rights of vaccine production technology, clinical trial and the result of market development obtained from CESCO BIOENGINEERING CO., LTD. and Schweitzer Biotech Company Ltd.

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(13) Short-term borrowings

	As of	
	December 31, 2023	December 31, 2022
Secured bank loans	\$402,600	\$228,000
Unsecured bank loans	-	100,000
Total	<u>\$402,600</u>	<u>\$328,000</u>
Interest rates	<u>1.75%~2.80%</u>	<u>1.77%~2.56%</u>

The Group's unused short-term lines of credits amounted to NT\$22,150 thousand and NT\$227,000 thousand, as of December 31, 2023 and 2022, respectively.

Partial property, plant and equipment, restricted assets and marketable securities were pledged as collateral to obtain the secured bank loan. Please refer to Note 8 for more details.

(14) Bonds payable

	As of	
	December 31, 2023	December 31, 2022
Domestic convertible bonds	\$1,708,101	\$1,677,850
Less: current portion	(1,708,101)	-
Net	<u>\$-</u>	<u>\$1,677,850</u>

Domestic convertible bonds payable

	As of	
	December 31, 2023	December 31, 2022
Liability component:		
Principal amount	\$1,750,000	\$1,750,000
Premiums (discounts) on bonds payable	(41,899)	(72,150)
Subtotal	1,708,101	1,677,850
Less: current portion	(1,708,101)	-
Net	<u>\$-</u>	<u>\$1,677,850</u>
Embedded derivatives	<u>\$29,050</u>	<u>\$19,250</u>

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The issuance of domestic convertible bonds by the Company's subsidiary — Medigen Vaccine Biologics Corporation:

A. The terms of the first domestic unsecured convertible bonds issued by Medigen Vaccine Biologics Corporation are as follows:

- (a) Medigen Vaccine Biologics Corporation issued NT\$1,750,000 thousand, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (May 9, 2022 ~ May 9, 2025) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on May 9, 2022.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of Medigen Vaccine Biologics Corporation during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the increase in the number of ordinary shares issued (including private placement) by Medigen Vaccine Biologics Corporation occurs subsequently, including but not limited to issuance of common stock for cash, capital increase out of earnings or capital reserves, company merger, transfer of shares from other companies to issue new shares, stock splits and cash capital increase to participate in the issuance of overseas depositary receipts, etc. The conversion price was NT\$278 (in dollars) per share on the issue date. In response to Medigen Vaccine Biologics Corporation's capital increase out of cash and earnings, the conversion price was adjusted to NT\$277.5 and NT\$187.1 (in dollars) on July 1, 2022 and August 9, 2022, respectively.
- (d) The bondholders have the right to require Medigen Vaccine Biologics Corporation to redeem any bonds at the price of the bonds' face value upon two years from the issue date.

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- (e) Medigen Vaccine Biologics Corporation may repurchase all the bonds outstanding in cash at the bonds' face value at any time after either of the following events occurs: (i) the closing price of Medigen Vaccine Biologics Corporation's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

Regarding the issuance of convertible bonds, the equity conversion options amounting to NT\$89,930 thousand were separated from the liability component and were recognized in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognized in 'financial liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.7882%.

(15) Long-term borrowings

Details of long-term borrowings as of December 31, 2023 and 2022 are as follows:

Bank name	Contract period and repayment term	Nature	As of			
			December 31, 2023		December 31, 2022	
			Interes		Interes	
			Amount	t rate	Amount	t rate
Taiwan Cooperative Bank	Borrowing period is from August 25, 2014 to August 25, 2029; a grace period was given till June 9, 2023; and interest was paid monthly from June 25, 2023 to June 25, 2024. The principal will be paid evenly in 62 monthly installments starting from June 25, 2024.	Mortgage loan of real estate	\$48,000	2.17%	\$48,000	2.05%

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Bank name	Contract period and repayment term	Nature	As of			
			December 31, 2023		December 31, 2022	
			Interes		Interes	
			Amount	t rate	Amount	t rate
Taiwan Cooperative Bank	Borrowing period is from June 22, 2015 to June 22, 2035; a grace period was given till June 9, 2023; and after the principal of NT\$3,000 thousand was repaid, interest was paid monthly from June 22, 2023 to June 22, 2024. The principal will be paid evenly in 132 monthly installments starting from June 22, 2024.	Mortgage loan of real estate	175,000	2.17%	178,000	1.92%
Taiwan Cooperative Bank	Borrowing period is from May 9, 2014 to May 9, 2034 with a grace period of 3 years; interest is payable monthly and principal is evenly paid in 204 monthly instalments from the fourth year.	Mortgage loan of real estate	33,698	2.17%	36,933	1.92%
Taiwan Cooperative Bank	Borrowing period is from February 2, 2015 to February 2, 2035 with a grace period of 3 years; interest is payable monthly and principal is evenly paid in 204 monthly instalments from the fourth year.	Mortgage loan of real estate	16,422	2.17%	17,893	1.92%
Shanghai Commercial and Savings Bank	Borrowing period is from November 2020 to November 2023; interest and principal are payable monthly.	Mortgage loan of restricted assets	-	3.25%	3,055	2.5%
Sunny Bank Ltd.	The principal and interests are payable monthly from April 17, 2018 to April 17, 2038 (however, only interest is payable monthly in the grace period from September 2018 to August 2024).	Mortgage loan of real estate	196,288	2.24%	196,288	1.99%
Subtotal			469,408		480,169	
Less: current portion			(20,309)		(28,862)	
Total			<u>\$449,099</u>		<u>\$451,307</u>	

Please refer to Note 8 for more details on the guarantee provided for the above long-term borrowings.

(16) Post-employment benefits

A. Defined contribution plan

The defined contribution plan of the Company's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Company makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

For the years ended December 31, 2023 and 2022, the expenses related to defined contribution plan amounted to NT\$15,240 thousand and NT\$17,571 thousand, respectively.

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B. Defined benefits plan

The defined benefit plan of the Company's Employee Retirement Plan is regulated according to the Labor Standards Act. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, two base points are given for each full year on the first 15 years of service and one base point is given for each full year after 15 years of service. The total bases points given shall not exceed 45. Under the retirement plan, the Company contributes an amount equal to 2% of gross salary to the pension reserve fund monthly, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company should make up the difference in one appropriation before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31 2023, the amount of contribution expected to be made in the following accounting year is NT\$3,115 thousand.

As at December 31, 2023 and 2022, the defined benefit plan of the Group was expected to be expired in 2029 to 2035 and 2030 to 2034, respectively.

C. Pension costs recognized in profit or loss are as follows:

	For the year ended December 31,	
	2023	2022
Current service cost	\$-	\$-
Net interest on net defined benefit liabilities (assets)	144	79
Total	<u>\$144</u>	<u>\$79</u>

D. Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of	
	December 31, 2023	December 31, 2022
Defined benefit obligation	\$20,052	\$19,506
Plan assets at fair value	<u>(10,890)</u>	<u>(8,815)</u>
Other non-current liabilities, net defined benefit liabilities (assets)	<u>\$9,162</u>	<u>\$10,691</u>

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E. Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets fair value	Net defined benefit liabilities (assets)
As of January 1, 2022	\$18,201	\$(7,368)	\$10,833
Current service cost	-	-	-
Interest expenses (income)	132	(53)	79
Subtotal	18,333	(7,421)	10,912
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(1,004)	-	(1,004)
Experience adjustments	2,177	-	2,177
Remeasurements of defined benefit assets	-	(559)	(559)
Subtotal	1,173	(559)	614
Payment of benefit obligation	-	-	-
Contributions by employer	-	(835)	(835)
As of December 31, 2022	\$19,506	\$(8,815)	\$10,691
Current service cost	-	-	-
Interest expenses (income)	260	(116)	144
Subtotal	19,766	(8,931)	10,835
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	153	-	153
Experience adjustments	133	-	133
Remeasurements of defined benefit assets	-	(44)	(44)
Subtotal	286	(44)	242
Payment of benefit obligation	-	-	-
Contributions by employer	-	(1,915)	(1,915)
As of December 31, 2023	\$20,052	\$(10,890)	\$9,162

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F. The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As of	
	December 31, 2023	December 31, 2022
Discount rate	1.18%~1.38%	1.16%~1.5%
Expected rate of salary increases	1%~2.25%	1%~2.25%

G. Sensitivity analysis for significant assumptions is as follows:

	For the year ended December 31,			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$-	\$920	\$-	\$937
Discount rate decreases by 0.5%	993	-	1,015	-
Rate of future salary increases by 0.5%	971	-	994	-
Rate of future salary decreases by 0.5%	-	908	-	927

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

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

(17) Equity

A. Common stock

The Company's authorized share capital was both NT\$2,500,000 thousand, at a par value of NT\$10 per share, divided into 250,000 thousand shares (including 21,000 thousand shares that can be subscribed by employee stock option certificates). The issued share capital was NT\$1,393,463 thousand and NT\$1,394,463 thousand, at a par value of NT\$10, divided into 139,346 thousand shares and 139,446 shares, as of December 31, 2023 and 2022, respectively. Each share has one voting right and a right to receive dividends.

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The number of outstanding shares of the Company's ordinary shares at the beginning and end of the period is adjusted as follows (thousands of shares):

	As of	
	December 31, 2023	December 31, 2022
Outstanding at beginning of period	\$139,446	\$139,363
Exercised in prior period but registered in current period	-	22
Exercised but not registered	83	61
Not met the subscription conditions	(200)	-
Restricted stock awards cancelled	(100)	-
Outstanding at end of period	<u>\$139,229</u>	<u>\$139,446</u>

B. Capital surplus

	As of	
	December 31, 2023	December 31, 2022
Additional paid-in capital	\$20,174	\$20,174
The difference between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	910,255	785,233
Changes in ownership interests in subsidiaries	3,911	541,716
Share of changes in net assets of associates and joint ventures accounted for using the equity method	16,525	181,707
Employee stock options	17,277	17,245
Restricted stocks for employees	-	15,591
Total	<u>\$968,142</u>	<u>\$1,561,666</u>

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

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C. Retained earnings and dividend policies

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

- (a) payment of all taxes, if any;
- (b) to offset prior years' deficit, if any;
- (c) to set aside 10% of the remaining amount as legal reserve after deducting items (a) and (b);
- (d) set aside or reverse special reserve in accordance with law and regulations; and
- (e) the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Group's dividend policies were that dividends should be distributed in the forms of shares (including retained earnings or capital surplus) or cash. The Board of Directors proposed the appropriation of earnings with reference to the operating status, capital requirement and earnings of current year (reducing the provision in accordance with regulations and appropriation of directors' and supervisors' remuneration and employees' bonus), and the appropriation of earnings should be approved by the shareholders. The amount of cash dividends should not exceed 50% of distributable dividends, however, if there will be significant capital expenditure plans in the future, the dividends could all be distributed in shares after obtaining approval from the shareholders.

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

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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

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On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

Shareholders' meetings were held on June 26, 2023 and June 6, 2022 to approve loss make-up proposal for the years ended December 31, 2022 and 2021, respectively.

The Company's accumulated deficit exceeds one-half of the Company's paid-in capital. In accordance with the Company Act, a resolution was passed in the regular shareholders' meeting on June 26, 2023 to offset the losses for the year ended December 31, 2022, and capital surplus was used to offset the losses in the amount of NT\$541,716 thousand.

The Company's accumulated deficit exceeds one-half of the Company's paid-in capital. In accordance with the Company Act, a resolution was passed by the Board of Directors on March 11, 2024 to offset the losses for the year ended December 31, 2023, and capital surplus was used to offset the losses in the amount of NT\$598,007 thousand, which would be reported to shareholders' meeting for admission on May 28, 2024.

D. Non-controlling interests

	As of	
	December 31, 2023	December 31, 2022
Beginning balance	\$4,276,986	\$4,031,716
Net loss attributable to non-controlling interests	(908,771)	(1,255,613)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Remeasurements of defined benefit plans	(181)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	720	65,994
Exchange differences resulting from translating the financial statements of foreign operations	9,092	(2,440)
Changes in ownership interests in subsidiaries	27,765	1,400,890
Share of changes in net assets of associates accounted for using the equity method	5,876	(19,494)
Difference between consideration given/received and carrying amount of interests in subsidiaries acquired/disposed of	31,552	51,702
Effect of organizational structure adjustments within the group	-	34,273
Cash dividends paid to non-controlling interests	(37,553)	(30,042)
Ending Balance	<u>\$3,405,486</u>	<u>\$4,276,986</u>

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(18) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remuneration. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees of the parent entity

For the year ended December 31, 2023, the Company's share-based payment arrangement was as follows:

Type	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock option plans	December 12, 2018	1,410 thousand shares	6 years	Served for 2 to 4 years
Employee stock option plans	March 12, 2019	90 thousand shares	6 years	Served for 2 to 4 years
Restricted stock to employees	December 31, 2019	200 thousand shares	Note 1	Note 1

For the year ended December 31, 2022, the Company's share-based payment arrangement was as follows:

Type	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock option plans	December 12, 2018	1,410 thousand shares	6 years	Served for 2 to 4 years
Employee stock option plans	March 12, 2019	90 thousand shares	6 years	Served for 2 to 4 years
Restricted stock to employees	December 31, 2019	300 thousand shares	Note 2	Note 2

Note 1: The Company proceeded with the registration of capital change in August 2023, recovering and canceling 100,000 shares of the issued restricted stock awards due to capital reduction.

Note 2: After the restricted stock awards were distributed to employees, for those employees who have reached the Company's requirement of "operating performance target", shares shall be vested in different tranches in accordance with the Company's regulations on the issuance of restricted stock awards.

After the restricted stock awards were distributed to employees, if there were violations with labor contract and work rules, the Company would collect back and cancel those distributed and but yet vested restricted stock awards with no consideration.

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After the restricted stock awards were distributed to employees, and before reaching the vesting conditions, employees may not sell, pledge, transfer, gift to another person, set real right, or otherwise dispose, excluding inheritance. Before the vesting conditions of restricted stock awards which were issued by the Company were achieved, other rights including but not limited to dividends, bonuses and capital surplus, and share options and voting rights of the cash capital increase, etc., are the same as those of the Company's issued ordinary shares.

The abovementioned share-based payment arrangements are all equity-settled.

The following table contains further details on the aforementioned share-based payment plan:

	For the year ended December 31,			
	2023		2022	
	Number of share options outstanding (in thousands)	Weighted average exercise price (NT\$)	Number of share options outstanding (in thousands)	Weighted average exercise price (NT\$)
Outstanding at beginning of period	993	41.60	1,063	\$41.60
Exercised	(84)	39.35	(61)	39.35
Expired	(15)	39.35	(9)	39.35
Outstanding at end of period	894	41.63	993	41.76
Exercisable at end of period	888	41.23	971	41.20
Weight granted				
Average fair value (NT\$)	-		-	

Expenses arising from share-based payment transactions are as follows:

	For the year ended December 31,	
	2023	2022
Equity-settled	\$4,060	\$6,457

The information on the outstanding share options as of December 31, 2023 and 2022 is as follows:

		As of			
		December 31, 2023		December 31, 2022	
Approved issuance date	Expiry date	Shares (thousand shares)	Exercise price (NT\$)	Shares (thousand shares)	Exercise price (NT\$)
November 29, 2018	December 11, 2024	804	\$39.35	903	\$39.35
November 29, 2018	March 11, 2025	90	65.90	90	65.90

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No modification or cancellation of share-based payment plan has occurred in the year ended December 31, 2023.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options on the grant date. The relevant information is as follows:

Type	Grant date	Share price (NT\$)	Exercise price (NT\$)	Expected volatility (Note)	Expected remaining years	Expected dividends	Risk-free interest rate	Fair value per unit (NT\$)
Employee stock option plans	December 12, 2018	39.35	39.35	45.84%	4 years	0%	0.7194%	14.27
Employee stock option plans	December 12, 2018	39.35	39.35	48.84%	4.5 years	0%	0.7487%	15.97
Employee stock option plans	December 12, 2018	39.35	39.35	48.86%	5 years	0%	0.7759%	16.78
Employee stock option plans	March 12, 2019	65.90	65.90	46.42%	4 years	0%	0.6383%	24.10
Employee stock option plans	March 12, 2019	65.90	65.90	48.61%	4.5 years	0%	0.6542%	26.54
Employee stock option plans	March 12, 2019	65.90	65.90	49.95%	5 years	0%	0.6697%	28.55
Restricted stock awards plans	December 31, 2019	61.97	-	-	-	-	-	61.97

Note: The expected volatility of the share-based payment arrangement granted by the Company is determined based on the average volatility of the Company's monthly average price announced by the Taipei Exchange.

B. Share-based payment plan for employees of the subsidiary, Medigen Vaccine Biologics Corporation

For the years ended December 31, 2023 and 2022, Medigen Vaccine Biologics Corporation's share-based payment arrangement is as follows:

Type	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock option plans	July 19, 2017	2,135 thousand shares	6 years	Served for 2 to 4 years
Employee stock option plans	April 18, 2018	365 thousand shares	6 years	Served for 2 to 4 years
Employee stock option plans	November 5, 2018	3,035 thousand shares	6 years	Served for 2 to 4 years
Employee stock option plans	August 13, 2019	465 thousand shares	6 years	Served for 2 to 4 years
Employee stock option plans	March 23, 2021	2,500 thousand shares	6 years	Served for 2 to 4 years
Cash capital increase and retained employee subscription	May 31, 2022	508 thousand shares	0.074 years	Vested immediately

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Details of share-based payment arrangement for employees of the subsidiary, Medigen Vaccine Biologics Corporation are as follows:

	For the year ended December 31,			
	2023		2022	
	Number of share options outstanding (in thousands)	Weighted average exercise price (NT\$)	Number of share options outstanding (in thousands)	Weighted average exercise price (NT\$)
Outstanding at beginning of period	3,135	\$121.76	4,501	\$140.45
Exercised	(577)	23.18	(1,187)	33.20
Expired	(415)	144.39	(179)	118.55
Outstanding at end of period	2,143	143.91	3,135	121.76
Exercisable at end of period	1,146	136.18	657	24.03
Weight granted				
Average fair value (NT\$)	-		-	

Medigen Vaccine Biologics Corporation passed a resolution in the board meeting held on March 1, 2022 to increase its share cash capital in cash and issue new shares. 10% of new shares were reserved for employee stock options.

The costs of remuneration recognized by Medigen Vaccine Biologics Corporation for granting employee stock options for the years ended December 31, 2023 and 2022 were NT\$18,305 thousand and NT\$68,135 thousand, respectively.

Expenses arising from the share-based payment transactions of Medigen Vaccine Biologics Corporation are as follows:

	For the year ended December 31,	
	2023	2022
Equity-settled	\$18,305	\$75,609

The information on the outstanding share options as of December 31, 2023 and 2022, is as follows:

		As of			
		December 31, 2023		December 31, 2022	
Approved issuance date	Expiry date	Shares (thousand shares)	Exercise price (NT\$)	Shares (thousand shares)	Exercise price (NT\$)
July 19, 2017	July 18, 2023	-	\$-	17	\$19.90
April 18, 2018	April 17, 2024	-	-	75	26.60
November 5, 2018	November 4, 2024	144	24.80	475	24.80
August 13, 2019	August 12, 2025	5	18.60	185	18.60
March 23, 2021	March 22, 2027	1,994	152.80	2,383	152.80

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The Company's subsidiary, Medigen Vaccine Biologics Corporation, uses the Black-Scholes option pricing model to estimate the fair value of the stock options on the grant date. The relevant information is as follows:

Type	Grant date	Fair value of shares (NT\$)	Exercise price (NT\$)	Expected volatility (Note)	Expected remaining years	Expected dividends	Risk-free interest rate	Fair value per unit (NT\$)
Employee stock option plans	July 19, 2017	25.82	29.50	40.77%	4 years	0%	0.7128%	7.27
Employee stock option plans	July 19, 2017	25.82	29.50	42.35%	4.5 years	0%	0.7383%	8.12
Employee stock option plans	July 19, 2017	25.82	29.50	42.40%	5 years	0%	0.7643%	8.64
Employee stock option plans	April 18, 2018	39.45	39.50	40.05%	4 years	0%	0.6595%	12.62
Employee stock option plans	April 18, 2018	39.45	39.50	39.65%	4.5 years	0%	0.6909%	13.26
Employee stock option plans	April 18, 2018	39.45	39.50	40.14%	5 years	0%	0.7242%	14.12
Employee stock option plans	November 5, 2018	36.75	36.75	40.55%	4 years	0%	0.7180%	11.94
Employee stock option plans	November 5, 2018	36.75	36.75	40.60%	4.5 years	0%	0.7530%	12.66
Employee stock option plans	November 5, 2018	36.75	36.75	40.16%	5 years	0%	0.7939%	13.22
Employee stock option plans	August 13, 2019	27.65	27.65	39.13%	4 years	0%	0.5253%	8.62
Employee stock option plans	August 13, 2019	27.65	27.65	39.15%	4.5 years	0%	0.5308%	9.13
Employee stock option plans	August 13, 2019	27.65	27.65	39.16%	5 years	0%	0.5395%	9.61
Employee stock option plans	March 23, 2021	226.5	226.5	41.05%	4 years	0%	0.2921%	73.00
Employee stock option plans	March 23, 2021	226.5	226.5	39.74%	4.5 years	0%	0.3055%	75.00
Employee stock option plans	March 23, 2021	226.5	226.5	39.65%	5 years	0%	0.3172%	78.70
Cash capital increase and retained employee subscription	May 31, 2022	223.5	220.0	53.63%	0.074 years	0%	0.7326%	14.70

Note: The expected volatility used is based on the average stock market volatility in the industry or the average volatility of the monthly average share price announced by the Taipei Exchange.

(19) Operating revenues

	For the year ended December 31,	
	2023	2022
Revenue from contracts with customers		
Sale of goods		
Services of testing reagents, instruments and inspection on behalf of others	\$54,554	\$77,828
Vaccine products	389,257	365,042
Technical service of cytotherapy	-	600
Generic drugs	344,499	313,000
Aesthetic medicine products	332,496	231,243
Dietary supplement	32,079	45,486
Others	4,835	22,748
Total	<u>\$1,157,720</u>	<u>\$1,055,947</u>

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Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

Components of revenue for the year ended December 31, 2023 are as follows:

	Nucleic acid department	New drug and vaccine research and development segment	Generic drug, aesthetic medicine product, dietary supplement segment and cytotherapy department	Total
Sales of goods				
Services of testing reagents, instruments and inspection on behalf of others	\$54,554	\$-	\$-	\$54,554
Vaccine products	-	389,257	-	389,257
Generic drugs	-	-	344,499	344,499
Aesthetic medicine products	-	-	332,496	332,496
Dietary supplement	-	-	32,079	32,079
Others	4,468	367	-	4,835
Total	\$59,022	\$389,624	\$709,074	\$1,157,720
Revenue recognition point:				
At a point in time	\$59,022	\$389,624	\$709,074	\$1,157,720

Components of revenue for the year ended December 31, 2022 are as follows:

	Nucleic acid department	New drug and vaccine research and development segment	Generic drug, aesthetic medicine product, dietary supplement segment and cytotherapy department	Total
Sales of goods				
Services of testing reagents, instruments and inspection on behalf of others	\$77,828	\$-	\$-	\$77,828
Vaccine products	-	365,042	-	365,042
Technical service of cytotherapy	-	-	600	600
Generic drugs	-	-	313,000	313,000
Aesthetic medicine products	-	-	231,243	231,243
Dietary supplement	-	-	45,486	45,486
Others	5,960	-	16,788	22,748
Total	\$83,788	\$365,042	\$607,117	\$1,055,947
Revenue recognition point:				
At a point in time	\$83,788	\$313,585	\$590,329	\$987,702
Over time	-	51,457	16,788	68,245
Total	\$83,788	\$365,042	\$607,117	\$1,055,947

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B. Contract balances

Contract assets-current

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Service contract	\$358	\$8,638	\$347,785

Contract liabilities-current

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Advance sales receipts	\$108,692	\$104,094	\$218,119
Advance royalty receipts	26,304	26,304	26,304
Total	\$134,996	\$130,398	\$244,423

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31,	
	2023	2022
The opening balance transferred to revenue	\$52,632	\$199,039
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	\$56,373	\$85,014

Contract assets and contract liabilities mainly arose from the domestic procurement contract of COVID-19 vaccine signed by the Company's subsidiary, Medigen Vaccine Biologics Corporation, with the Centers for Disease Control, Ministry of Health and Welfare. In addition, the penalties for delayed delivery of vaccine were treated as variable consideration and recognized as a deduction of revenue, which in total amounted to NT\$88,164 thousand for the year ended December 31, 2022.

C. Assets recognized from costs to fulfil a contract

None.

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(20) Expected credit gains (losses)

	For the year ended December 31,	
	2023	2022
Operating expenses – Expected credit gains (losses)		
Contract assets	\$(8,638)	\$-
Trade receivables	(5,805)	(21,133)
Total	<u>\$(14,443)</u>	<u>\$(21,133)</u>

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

The Group measures the loss allowance of its receivables (including notes receivable and trade receivables, excluding trade receivables from related parties) at an amount equal to lifetime expected credit losses. Receivables are treated as a single group based on past experience and a provision matrix is used to measure loss allowance. The assessment of the Group's loss allowance as of December 31, 2023 and 2022 is as follows:

As of December 31, 2023

	Not yet due	Past due			
	(Note)	1-90 days	91-180 days	Over 180 days	Total
Gross carrying amount	\$327,292	\$1,262	\$9	-	\$328,563
Loss ratio	0.01%~5.45%	0.16%~44.15%	2.27%~53.68%	100%	
Lifetime expected credit losses	25	2	-	-	27
Total	<u>\$327,267</u>	<u>\$1,260</u>	<u>\$9</u>	<u>\$-</u>	<u>\$328,536</u>

As of December 31, 2022

	Not yet due	Past due			
	(Note)	1-90 days	91-180 days	Over 180 days	Total
Gross carrying amount	\$379,351	\$4,532	\$113	-	\$383,996
Loss ratio	0.03%~3.75%	0.03%~44.15%	0.03%~55.60%	100%	
Lifetime expected credit losses	27	6	2	-	35
Total	<u>\$379,324</u>	<u>\$4,526</u>	<u>\$111</u>	<u>\$-</u>	<u>\$383,961</u>

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

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The Group's trade receivables from related parties amounted to NT\$41,107 thousand and NT\$41,009 thousand, respectively, as of December 31, 2023 and 2022. Individual impairment assessments have been conducted for the Group's trade receivables from related parties and the recognized impairment losses were NT\$5,805 thousand and NT\$35,294 thousand, respectively.

The movement in the provision for impairment of contract assets, notes receivable and trade receivables during the years ended December 31, 2023 and 2022 are as follows:

	Contract assets	Trade receivables
As of January 1, 2023	\$-	\$35,329
Addition/(reversal) for the current period	8,638	5,805
As of December 31, 2023	<u>\$8,638</u>	<u>\$41,134</u>
As of January 1, 2022	\$-	\$14,196
Addition/(reversal) for the current period	-	21,133
As of December 31, 2022	<u>\$-</u>	<u>\$35,329</u>

(21) Leases

A. Group as a lessee

The Group leases various properties, including land, buildings, company cars and printing machines. The periods of the lease contracts for land and buildings range from 10 to 48 years, while others range from 2 to 8 years. Lease contracts are negotiated individually and include various terms and conditions. No other restrictions are imposed except that the leased assets cannot be used as security for loans.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

(a) Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of	As of
	December 31, 2023	December 31, 2022
Land	\$171,822	\$175,818
Buildings	96,502	100,374
Transportation equipment	4,675	2,619
Miscellaneous equipment	-	375
Total	<u>\$272,999</u>	<u>\$279,186</u>

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The Group's additions to right-of-use assets amounted to NT\$14,432 thousand and NT\$105,462 thousand for the years ended December 31, 2023 and 2022, respectively.

(ii) Lease liabilities

	As of	
	December 31, 2023	December 31, 2022
Lease liabilities	\$284,853	\$288,445
Current	\$17,320	\$13,126
Non-current	\$267,533	\$275,319

Please refer to Note 6.23.D for the interest on lease liabilities recognized for the years ended December 31, 2023 and 2022 and refer to Note 12.5 for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the year ended December 31,	
	2023	2022
Land	\$3,996	\$3,996
Buildings	12,685	11,720
Transportation equipment	3,564	3,687
Miscellaneous equipment	374	374
Total	\$20,619	\$19,777

(c) Income and costs relating to leasing activities

	For the year ended December 31,	
	2023	2022
The expenses relating to short-term leases	\$8,156	\$4,187

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(d) Cash outflows relating to leasing activities

For the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases including lease principal repayments and interest payments amounted to NT\$25,535 thousand and NT\$28,867 thousand, respectively. Cash payments for short-term leases amounted to NT\$8,156 thousand and NT\$4,187 thousand, respectively.

(e) Other information relating to leasing activities

None.

(22) Summary statement of employee benefits, depreciation and amortization expenses by function is as follow:

By nature \ By function	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salaries and wages	\$91,105	247,678	\$338,783	\$79,276	\$293,616	\$372,892
Labor and health insurance	9,310	20,642	29,952	8,259	22,701	30,960
Pension	4,386	11,519	15,905	4,029	13,621	17,650
Other personnel expenses	2,518	8,770	11,288	2,267	8,564	10,831
Depreciation	78,154	90,202	168,356	60,975	116,279	177,254
Amortization	-	10,027	10,027	-	14,392	14,392

According to the Articles of Incorporation, the profit of the current year shall be distributed by no lower than 2% as employees' compensation and no higher than 2% as directors' and supervisors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated based on the aforementioned ratios. Employees' compensation can be distributed to subsidiaries who meet certain specific requirements in the form of shares or cash. If the Company's current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and then, the Company appropriates or reverses special reserve as requirements or regulations when necessary. The remainder, if any, should be combined with beginning undistributed earnings to be retained or to be appropriated which shall be proposed by the Board of Directors and resolved by the stockholders at their meetings.

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The Group's dividend policies were that dividends should be distributed in the forms of shares (including retained earnings or capital surplus) or cash. The Board of Directors proposed the appropriation of earnings with reference to the operating status, capital requirement and earnings of current year (reducing the provision in accordance with regulations and appropriation of directors' and supervisors' remuneration and employees' bonus), and the appropriation of earnings should be approved by the shareholders. The amount of cash dividends should not exceed 50% of distributable dividends, however, if there will be significant capital expenditure plans in the future, the dividends could all be distributed in shares after obtaining approval from the shareholders.

For the years ended December 31, 2023 and 2022, the Company still had accumulated deficit, and thus did not accrue employees' compensation and directors' remuneration.

For the year ended December 31, 2022, the Company still had accumulated deficit, and thus did not distribute employees' compensation and directors' remuneration.

(23) Non-operating income and expenses

A. Interest income

	For the year ended December 31,	
	2023	2022
Interest income from bank deposits	\$11,468	\$6,750
Financial assets measured at amortized cost	77,452	2,100
Other interest income	148	33
Total	<u>\$89,068</u>	<u>\$8,883</u>

B. Other income

	For the year ended December 31,	
	2023	2022
Government grant income	\$-	\$19,864
Other income-others	25,278	55,999
Total	<u>\$25,278</u>	<u>\$75,863</u>

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C. Other gains and losses

	For the year ended December 31,	
	2023	2022
Losses on disposal of property, plant and equipment	\$(1,032)	\$-
Gains (losses) on disposal of investments	-	(7)
Gains on lease modification	-	4
Foreign exchange losses (gains), net	(133)	29,491
Losses on financial assets at fair value through profit or loss	(9,582)	(16,649)
Other losses-others	(1,246)	(1,556)
Total	\$(11,993)	\$11,283

D. Finance costs

	For the year ended December 31,	
	2023	2022
Interest on borrowings from bank	\$18,104	\$12,386
Interest on lease liabilities	7,504	7,712
Total interest expenses	25,608	20,098
Discounted amortization of bonds payable	30,251	19,355
Total finance costs	\$55,859	\$39,453

(24) Components of other comprehensive income

For the year ended December 31, 2023:

	Arising during the period	Reclassification adjustments during the period	Others comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(242)	\$-	\$(242)	\$111	\$(131)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	118	-	118	-	118
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	17,528	-	17,528	(1,740)	15,788
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	263	-	263	-	263
Total	\$17,667	\$-	\$17,667	\$(1,629)	\$16,038

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For the year ended December 31, 2022:

		Reclassification adjustments during the period	Others comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
	Arising during the period				
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(614)	\$-	\$(614)	\$122	\$(492)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	82,225	-	82,225	-	82,225
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(1,266)	-	(1,266)	6	(1,260)
Total	\$80,345	\$-	\$80,345	\$128	\$80,473

(25) Income tax

The major components of income tax expense are as follows:

Income tax income (expense) recognized in profit or loss

	For the year ended December 31,	
	2023	2022
Current income tax expense:		
Current income tax payable	\$(39,169)	\$(28,386)
Surtax on undistributed retained earnings	-	(345)
Adjustments in respect of current income tax of prior periods	(314)	11,115
Deferred tax expenses:		
Deferred tax expense relating to origination and reversal of temporary differences	(4,690)	(41,258)
Deferred tax expense relating to origination and reversal of tax loss and tax credit	(147,034)	-
Income tax expense	\$(191,207)	\$(58,874)

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Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2023	2022
Deferred tax income (expense):		
Exchange differences resulting from translating the financial statements of foreign operations	\$(1,740)	\$6
Remeasurements of defined benefit plans	111	122
Income tax relating to components of other comprehensive income	<u>\$(1,629)</u>	<u>\$128</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates of parent company is as follows:

	For the year ended December 31,	
	2023	2022
Accounting profit (loss) before tax from continuing operations	<u>\$(1,278,860)</u>	<u>\$(2,028,754)</u>
Income tax calculated by statutory tax rates	\$(295,296)	\$(89,400)
Gains and losses on investments accounted for using equity method	40,506	-
Tax effect of revenues exempt from taxation	(948)	(13,903)
Tax effect of non-deductible expense	26	85,618
Tax effect of deferred tax assets/liabilities	405,186	87,614
Unusable amount after the dividend revenue is calculated into loss deduction	41,593	-
Adjustments in respect of current income tax of prior periods	269	(11,115)
Tax effects of other adjustments from tax law	(129)	(285)
Corporate income tax on undistributed retained earnings	<u>-</u>	<u>345</u>
Total income tax expense (income) recognized in profit or loss	<u>\$191,207</u>	<u>\$58,874</u>

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Deferred tax assets (liabilities) relate to the following:

(a) For the year ended December 31, 2023

	Beginning	Recognized in	Recognized in other comprehensive	Ending
	Balance	profit or loss	income	Balance
Temporary differences:				
Unrealized gross profit from sales	\$2,937	\$(607)	\$-	\$2,330
Unrealized exchange losses	189	(33)	-	156
Impairment loss on financial instruments	45,609	-	-	45,609
Losses on investments accounted for using equity method	93,995	-	-	93,995
Share of other profit or loss from subsidiaries	8,838	-	-	8,838
Exchange differences resulting from translating the financial statements of foreign operations	2,744	-	(1,740)	1,004
Losses for market price decline and obsolete and slow-moving inventories	13,145	(3,955)	-	9,190
Others	4,867	(185)	111	4,793
Tax losses	40,655	(1,941)	-	38,714
Investment tax credits	267,959	(145,093)	-	122,866
Subtotal	480,938			327,495
Deferred tax liabilities, others	(665)	-	-	(665)
Arising from business combinations	(13,576)	90	-	(13,486)
Deferred tax expense		<u>\$(151,724)</u>	<u>\$(1,629)</u>	
Net deferred tax assets (liabilities)	<u>\$466,697</u>			<u>\$313,344</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$480,938</u>			<u>\$327,495</u>
Deferred tax liabilities	<u>\$(14,241)</u>			<u>\$(14,151)</u>

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(b) For the year ended December 31, 2022

	Beginning	Recognized in	Recognized in other comprehensive	Ending
	balance	profit or loss	income	Balance
Temporary differences:				
Unrealized gross profit from sales	\$3,545	\$(608)	\$-	\$2,937
Unrealized exchange losses	4	185	-	189
Impairment loss on financial instruments	45,609	-	-	45,609
Losses on investments accounted for using equity method	93,979	16	-	93,995
Share of other profit or loss from subsidiaries	8,838	-	-	8,838
Exchange differences resulting from translating the financial statements of foreign operations	2,738	-	6	2,744
Losses for market price decline and obsolete and slow-moving inventories	13,102	43	-	13,145
Others	3,642	925	300	4,867
Tax losses	82,759	(42,104)	-	40,655
Investment tax credits	267,959	-	-	267,959
Subtotal	522,175			480,938
Deferred tax liabilities, others	(665)	-	-	(665)
Arising from business combinations	(13,683)	285	(178)	(13,576)
Deferred tax expense		<u>\$(41,258)</u>	<u>\$128</u>	
Net deferred tax assets (liabilities)	<u>\$507,827</u>			<u>\$466,697</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$522,175</u>			<u>\$480,938</u>
Deferred tax liabilities	<u>\$(14,348)</u>			<u>\$(14,241)</u>

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Details of the investment tax credits available to the Company and the relevant amounts not recognized as deferred tax assets are as follows:

As of December 31, 2023

Legal Basis	Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Act for the Development of Biotech and Pharmaceuticals Industry	Research and development expenses	\$267,959	\$145,093	Note

As of December 31, 2022

Legal Basis	Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Act for the Development of Biotech and Pharmaceuticals Industry	Research and development expenses	\$267,959	\$-	Note

Note: On June 10, 2011, the Company was approved as a biotechnology and new medicine Company by the Ministry of Economic Affairs. Consequently, the Company and the Company's shareholders are entitled to incentives under the 'Act for the Development of Biotech and Pharmaceutical Industry'. The approval letter of the Ministry of Economic Affairs allows the Company, starting from the year that the Company first incurs income tax, to use the tax credits to offset its income taxes for five consecutive years. As of December 31, 2023 the Company had no profits.

Summary information on the unused tax losses is as follows:

Year	Taxes losses for the period	Unused tax losses as at		Expiration year
		December 31, 2023	December 31, 2022	
2013	\$390,187	\$-	\$390,187	2023
2014	551,819	551,819	551,819	2024
2015	435,038	435,038	435,038	2025
2016	290,254	290,254	290,254	2026
2017	223,002	223,002	223,002	2027
2018	198,593	198,593	198,593	2028
2020	110,869	110,869	110,869	2030
2021	225,368	192,649	192,649	2031
2022	251,946	208,321	208,321	2032
2023	228,195	173,663	-	2033
		<u>\$2,384,208</u>	<u>\$2,600,732</u>	

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The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2021
Subsidiary, Medigen Vaccine Biologics Corporation	Assessed and approved up to 2021
Subsidiary, WINSTON MEDICAL SUPPLY CO., LTD.	Assessed and approved up to 2021
Sub-subsidiary, MVC Capital corporation	Incorporated in 2022, its income tax returns is not yet assessed
Sub-subsidiary, UMO INTERNATIONAL CO., LTD.	Assessed and approved up to 2021
Sub-subsidiary, SHINY LILY CO., LTD.	Assessed and approved up to 2021

(26) Earnings per share

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

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

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Basic/diluted losses per share		
Profit attributable to ordinary equity holders of the company (in thousand NT\$)	\$(561,296)	\$(675,874)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>139,346</u>	<u>139,126</u>
Basic/diluted losses per share (NT\$)	<u>\$(4.03)</u>	<u>\$(4.86)</u>

Due to the loss in 2023 and 2022, the calculation of diluted earnings per share was not necessary.

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

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(27) Changes in parent's interest in subsidiaries

A. Disposal of equity interests in a subsidiary (without losing control)

During the period from January 2023 to December 2023, the Group disposed of 2,370 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, reducing its ownership from 19.74% to 18.98%. The cash consideration received was NT\$156,497 thousand. The transaction caused non-controlling interests to increase by NT\$31,552 thousand, and equity attributable to owners of the parent to increase by NT\$125,022 thousand.

During the period from January 2022 to March 2022, the Group disposed of 560 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, reducing its ownership from 20.96% to 20.69%. The cash consideration received was NT\$145,212 thousand. The transaction caused non-controlling interests to increase by NT\$12,603 thousand, and equity attributable to owners of the parent to increase by NT\$132,609 thousand.

During the period from April 2022 to May 2022, the Group disposed of 400 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, reducing its ownership from 20.67% to 20.48%. The cash consideration received was NT\$92,697 thousand. The transaction caused non-controlling interests to increase by NT\$8,608 thousand, and equity attributable to owners of the parent to increase by NT\$84,089 thousand.

In June 2022, the Group disposed of 210 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, reducing its ownership from 20.45% to 20.35%. The cash consideration received was NT\$50,175 thousand. The transaction caused non-controlling interests to increase by NT\$4,543 thousand, and equity attributable to owners of the parent to increase by NT\$45,632 thousand.

For the years ended December 31, 2023 and 2022, the effect of changes in the equity of Medigen Vaccine Biologics Corporation on the equity attributable to the owners of the parent company is as follows:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Carrying amount of transaction with non-controlling interests	\$(31,552)	\$(51,702)
Consideration received from non-controlling interests (Note)	<u>156,574</u>	<u>429,742</u>
Capital surplus, difference between consideration given/received and carrying amount of interests in a subsidiary acquired/disposed of	<u>\$125,022</u>	<u>\$378,040</u>

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Note: It included the receivables from shares sold of NT\$1,397 thousand and NT\$1,320 thousand (recognized as other receivables) as of December 31, 2023 and 2022, respectively.

B. Acquisition of new shares in a subsidiary not proportional to ownership interest

Medigen Vaccine Biologics Corporation issued new shares because its employees exercised options on March 8, 2023, May 5, 2023 and November 2, 2023. The Group did not subscribe to the new shares issued proportionally to its original interest that decreased its interest by 0.02%. The transaction caused non-controlling interests to increase by NT\$27,765 thousand and equity attributable to owners of the parent to increase by NT\$3,911 thousand.

Medigen Vaccine Biologics Corporation issued new shares because its employees exercised options on March 1, 2022. The Group did not subscribe to the new shares issued proportionally to its original interest that decreased its interest by 0.02%. The transaction caused non-controlling interests to increase by NT\$7,486 thousand and equity attributable to owners of the parent to increase by NT\$774 thousand.

Medigen Vaccine Biologics Corporation issued new shares because its employees exercised options on May 3, 2022. The Group did not subscribe to the new shares issued proportionally to its original interest that decreased its interest by 0.03%. The transaction caused non-controlling interests to increase by NT\$11,367 thousand and equity attributable to owners of the parent to increase by NT\$1,214 thousand.

On July 1, 2022, Medigen Vaccine Biologics Corporation carried out a cash capital increase in a total amount of NT\$1,540,000 thousand by issuing 7,000 thousand ordinary shares with a par value of NT\$10 (in dollars) per share and a premium issuance price of NT\$220 (in dollars) per share. The Company participated in the capital increase in the amount of NT\$253,220 thousand. Due to the inproportional subscription and employees' preemptive rights, the Group's equity interest decreased by 0.12%. The transaction also resulted in an increase in the non-controlling interest by NT\$1,233,680 thousand and an increase in the equity attributable to owners of the parent by NT\$306,320 thousand.

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Medigen Vaccine Biologics Corporation issued new shares because its employees exercised options on November 7, 2022. The Group did not subscribe to the new shares issued proportionally to its original interest that decreased its interest by 0.04%. The transaction caused non-controlling interests to increase by NT\$19,946 thousand and equity attributable to owners of the parent to increase by NT\$2,133 thousand.

The effect of changes in interest in Medigen Vaccine Biologics Corporation on the equity attributable to the owners of the parent for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31,	
	2023	2022
Cash from capital injection	\$31,676	\$1,582,921
Less: increase in non-controlling interests	(27,765)	(1,272,480)
Difference in equity-capital	<u>\$3,911</u>	<u>\$310,441</u>

As of December 31, 2023 and 2022, the amounts of advance receipts for exercised stock options of Medigen Vaccine Biologics Corporation were NT\$0 (0 shares) and NT\$4,744 thousand (191,300 shares), respectively, which were recorded in non-controlling interests.

(28) Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name of subsidiaries	Country of incorporation and operation	As of	
		December 31, 2023	December 31, 2022
Medigen Vaccine Biologics Corporation	Hsinchu	81.02%	80.26%
WINSTON MEDICAL SUPPLY CO., LTD.	Tainan	40.78%	40.78%
TBG Diagnostics Limited	Australia	48.24%	48.24%

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	As of	
	December 31, 2023	December 31, 2022
Accumulated balances of material non-controlling interest:		
Medigen Vaccine Biologics Corporation	\$3,113,757	\$3,993,585
WINSTON MEDICAL SUPPLY CO., LTD.	239,029	211,457
TBG Diagnostics Limited	52,700	71,944
	For the year ended December 31,	
	2023	2022
Profit/(loss) allocated to material non-controlling interest:		
Medigen Vaccine Biologics Corporation	\$(940,258)	\$(276,584)
WINSTON MEDICAL SUPPLY CO., LTD.	65,306	16,851
TBG Diagnostics Limited	(33,819)	(16,829)

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summary information of profit or loss for the year ended December 31, 2023:

	WINSTON		
	Medigen Vaccine Biologics Corporation	MEDICAL SUPPLY CO., LTD.	TBG Diagnostics Limited
Operating revenue	\$389,624	\$709,074	\$-
Profit from continuing operations	(1,159,835)	158,755	(70,105)
Total comprehensive income	(1,214,102)	158,313	(70,105)

Summary information of profit or loss for the year ended December 31, 2022:

	WINSTON		
	Medigen Vaccine Biologics Corporation	MEDICAL SUPPLY CO., LTD.	TBG Diagnostics Limited
Operating revenue	\$365,042	\$606,517	\$-
Profit from continuing operations	(1,474,573)	111,261	(248,241)
Total comprehensive income	(1,391,996)	110,057	(251,231)

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Summarized information of financial position as of December 31, 2023:

	WINSTON		
	Medigen Vaccine	MEDICAL SUPPLY	TBG Diagnostics
	Biologics Corporation	CO., LTD.	Limited
Current assets	\$4,401,325	\$599,822	\$109,751
Non-current assets	1,691,322	201,954	4,957
Current liabilities	(1,991,711)	(298,690)	(5,463)
Non-current liabilities	(254,356)	(75,185)	-

Summarized information of financial position as of December 31, 2022:

	WINSTON		
	Medigen Vaccine	MEDICAL SUPPLY	TBG Diagnostics
	Biologics Corporation	CO., LTD.	Limited
Current assets	\$5,462,422	\$498,432	\$124,017
Non-current assets	1,885,267	202,999	28,470
Current liabilities	(355,232)	(263,457)	(3,349)
Non-current liabilities	(1,963,452)	(76,301)	-

As of December 31, 2023 and 2022, the subscription amount of Medigen Vaccine Biologics Corporation amounted to NT\$0 thousand and NT\$4,744 thousand, which were recognized as non-controlling interests.

Summary information on cash flows for the year ended December 31, 2023:

	WINSTON		
	Medigen Vaccine	MEDICAL SUPPLY	TBG Diagnostics
	Biologics Corporation	CO., LTD.	Limited
Operating activities	\$(478,334)	\$215,448	\$(32,237)
Investing activities	669,827	(19,882)	(301)
Financing activities	1,593	(99,098)	-
Exchange differences	(4,221)	-	15,893
Net increase/(decrease) in cash and cash equivalents	<u>\$188,865</u>	<u>\$96,468</u>	<u>\$(16,645)</u>

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Summary information on cash flows for the year ended December 31, 2022:

	Medigen Vaccine Biologics Corporation	WINSTON MEDICAL SUPPLY CO., LTD.	TBG Diagnostics Limited
Operating activities	\$(1,100,963)	\$124,884	\$(17,661)
Investing activities	(2,397,917)	(8,622)	129,968
Financing activities	3,323,091	(76,394)	-
Exchange differences	352	-	-
Net increase/(decrease) in cash and cash equivalents	<u>\$(175,437)</u>	<u>\$39,868</u>	<u>\$112,307</u>

7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Chang, Shi-Chung	Chairman of the Company
Chang, Tse-Ling	Director of the Company
SCHWEITZER BIOTECH COMPANY LTD.	Substantive related party of the Group
Taiwan Bio Therapeutics Co., Ltd.	Substantive related party of the Group
CELLXPRT BIOTECHNOLOGY CORP.	Associates
TBG Biotechnology (Xiamen) Inc.	Associates
U-GEN	Associates

Significant transactions with the related parties

(1) Sales

	For the year ended December 31,
	2023 2022
Associates	<u>\$6,295</u> <u>\$21,087</u>

The terms and conditions to related parties are similar to those with non-related parties.

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(2) Trade receivables from related parties

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology (Xiamen) Inc.	\$41,107	\$41,009
Less: allowance for doubtful debts	(41,107)	(35,294)
Net	<u>\$-</u>	<u>\$5,715</u>

The receivables from related parties arise mainly from sales of goods and provision of services. The receivables are unsecured in nature and bear no interest.

(3) Advance sales receipts

	As of	
	December 31, 2023	December 31, 2022
Associates	<u>\$305</u>	<u>\$-</u>

(4) Contract assets

	As of	
	December 31, 2023	December 31, 2022
CELLXPRT BIOTECHNOLOGY CORP.	<u>\$-</u>	<u>\$8,638</u>

(5) Contract liabilities

	As of	
	December 31, 2023	December 31, 2022
CELLXPRT BIOTECHNOLOGY CORP.	<u>\$26,304</u>	<u>\$26,304</u>

Contract liabilities arise mainly from royalty revenue received in advance.

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(6) Professional service fees

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology (Xiamen) Inc.	\$-	\$2,183

(7) Financing

A. Other receivables from related parties (including interest receivable)

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology (Xiamen) Inc.	\$-	\$1
U-GEN	40	40
Total	\$40	\$41

B. Interest income

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology (Xiamen) Inc.	\$-	\$8

The loans to associates are repayable within a year and carry interest at 1% ~ 3.5% per annum for the years ended December 31, 2023 and 2022.

(8) Others

A. For the years ended December 31, 2023 and 2022, the Group participated in the cash capital increase of the associate, U-Gen, in the amount of NT\$152,952 thousand and NT\$30,127 thousand, respectively.

B. For the year ended December 31, 2023, the Group participated in the cash capital increase of the associate, CELLXPRT BIOTECHNOLOGY CORP., in the amount of NT\$17,724 thousand.

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C. For the year ended December 31, 2022, the Group participated in the cash capital increase of the associate, CELLXPRT BIOTECHNOLOGY CORP., in the amount of NT\$17,731 thousand, which was recorded as prepayments for investment (included in the line item of “other non-current assets”).

D. For the years ended December 31, 2023 and 2022, the joint guarantor of the Group’s loan from financial institutions was the related party, Chang Shi Chung.

(9) Key management personnel compensation

	For the year ended December 31,	
	2023	2022
Short-term employee benefits	\$48,013	\$53,427
Post-employment benefits	915	1,022
Share-based payment	9,530	15,932
Total	<u>\$58,458</u>	<u>\$70,381</u>

8. Assets Pledged as Collateral

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

Assets pledged as collateral	Carrying Amount		Purpose of pledge
	December 31, 2023	December 31, 2022	
Restricted assets-current (recognized as other financial assets-current)	\$25,412	\$42,316	Security for loan, loan plans and lease deposits
Property, plant and equipment:			Security for loan
Land	235,221	258,968	
Buildings	202,936	243,521	
Restricted assets-noncurrent (recognized as refundable deposits)	9,626	13,626	Security for purchase of materials and lease deposits
Total	<u>\$473,195</u>	<u>\$558,431</u>	

The Company provided 13,900 thousand shares and 12,600 shares of Medigen Vaccine Biologics Corporation as security against short-term borrowings as of December 31, 2023 and 2022, respectively.

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9. Significant Contingencies and Unrecognized Contractual Commitments

Significant Commitments

- (1) In November 2011, the Company obtained the grant from Industry - Technology Development Programs of Ministry of Economic Affairs - Fast Track “PI-88 treatment after curative resection for hepatocellular carcinoma global phase III clinical trial development plan”. Under the plan, commitments were as follows: (1) After the beginning of the plan, if the plan product, PI-88, were licensed externally successfully, the Company was committed to appropriating 5% of the signing bonus and milestones bonus as feedbacks, and 2% of the feedback should be donated to the research foundations with the nature of charity and work in the biomedical related research, in order to fulfill the research and development expenditures of domestic biomedical research institutes with the nature of charity. Additionally, 3% will be the collaborative research and development expenditure of the Company and domestic academic research institutes or legal entity. The amount of feedbacks was not limited to the grants. (2) If “PI-88” which would be developed under the plan was approved to sell in the market in the country, before obtaining payments from national health insurance, the Company needed to provide this medicine to at least 15 underprivileged or low-income post-operative hepatocellular carcinoma patients.
- (2) On October 7, 2019, the Company entered into an exclusive license agreement with a listed Japan Group, MEDINET Co., Ltd. (collectively referred to herein as the “MEDINET”), obtaining MEDINET’s exclusive license of immunocyte, Gamma Delta T cell (collectively referred to herein as the “GDT cell”), in Taiwan. In the future, the Company would collaborate with medical institutions in accordance with “Regulations Governing the Application or Use of Specific Medical Techniques or Examinations, or Medical Devices” to use GDT cell in the immunotherapy and pays royalties at certain proportion in accordance with the agreement.
- (3) On December 18, 2019, the Company entered into the PI-88 license agreement with CELLXPRT BIOTECHNOLOGY CORP. to exclusively license the global rights (excluding Taiwan) of development and commercialization to CELLXPRT BIOTECHNOLOGY CORP., who could research, develop, manufacture, sales, reauthorize and conduct other commercialization activities in the authorized area. The Company would receive upfront payments after entering into the license agreement and milestone payments based on each milestone achieved. Additionally, the Company could proportionately share profits from income of sales and relicensing of PI-88.

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- (4) The Group's capital expenditure contracted as of at the balance sheet date but not yet incurred is as follows:

	As of	
	December 31, 2023	December 31, 2022
Property, plant and equipment	\$10,673	\$29,058

- (5) The Company's subsidiary, Medigen Vaccine Biologics Corporation, signed a three party technical license agreement with Centers for Disease Control, Department of Health, Executive Yuan (now Taiwan Centers for Disease Control, CDC) and National Health Research Institute (NHRI) on June 28, 2013 for the development of Enterovirus Vaccine 71 (EV71). Under the contract, the subsidiary shall pay milestone payments as the research progresses and net sales royalty when products are launched in the future. The final data from the Phase III multi-region clinical trial for EV71 vaccine were unblinded on June 20, 2022, and the results were as expected. Accordingly, the subsidiary applied for a new drug application (NDA) for EV71 vaccine to the Food and Drug Administration on October 1, 2022. The Food and Drug Administration approved the application on April 12, 2023.
- (6) The Company's subsidiary, Medigen Vaccine Biologics Corporation, signed the license agreement with NHRI for the H7N9 novel influenza vaccine. The contract period is from April 25, 2014 through April 24, 2029. The contract includes authorized H7N9 novel influenza virus strains, vaccine manufacturing process, pre-clinical animal trials and other intellectual properties, and the complete rights to manufacture and sell the vaccine products in Taiwan. The subsidiary is required to pay fixed and running royalties as specified in the contract. The phase I and phase II clinical trials have passed the review by Taiwan CDC and approved for future reference.
- (7) The Company's subsidiary, Medigen Vaccine Biologics Corporation, contracted with United States National Institute of Health (NIH) on November 17, 2016 regarding the license agreement for the dengue fever vaccine, which granted the subsidiary complete rights of R&D, manufacture, selling and re-licensing. There were 17 countries included in the original authorized region. On September 17, 2017, the rights for 9 additional countries were obtained, which has expanded the total licensed region to 26 countries. The subsidiary is required to make a certain amount of fixed and running royalties and milestone payments under the contract. The subsidiary has completed phase II clinical trials and received clinical trial reports.
- (8) The Company's subsidiary, Medigen Vaccine Biologics Corporation, signed a global commercial COVID-19 vaccine license agreement with US NIH on May 5, 2020 in order to attain the complete rights for the R&D, manufacture, and sales of COVID-19 vaccine. Under the contract, the subsidiary is required to pay a certain amount of fixed and running royalties and milestone payments.

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10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

- (1) In order to improve the overall operating efficiency, a resolution was passed by the Board of Directors on January 30, 2024 to enter into strategic alliance cooperation with Taiwan Exosome Company. The Company planned to invest in Taiwan Exosome Company in the amount of NT\$125 million to acquire 50 million shares, each at NT\$2.5 per share, via a wholly owned subsidiary. The Company is expected to hold 29.76% interest in Taiwan Exosome Company after this investment. The Company will focus on the development of new drugs in the field of cytotherapy in the future. Its core business is to conduct clinical trials to verify efficacy. Cell production will be entrusted to qualified cell processing vendors.

12. Others

- (1) Categories of financial instruments

Financial assets

	As of	
	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss	\$486	\$54,225
Financial assets measured at fair value through other comprehensive income	242,596	205,634
Financial assets measured at amortized cost		
Cash and cash equivalents	2,221,751	2,039,388
Financial assets measured at amortized cost	2,364,100	2,979,940
Notes receivable	108,411	120,042
Trade receivables (including related parties)	220,125	269,634
Other receivables (including related parties)	52,994	8,294
Restricted assets, current (recognized as other financial assets, current)	25,412	42,316
Other financial assets, current	-	60,450
Restricted assets, non-current (recognized as refundable deposits)	9,626	13,626
Refundable deposits	23,459	23,022
Subtotal	5,025,878	5,556,712
Total	\$5,268,960	\$5,816,571

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Financial liabilities

	As of	
	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss:		
Held for trading financial assets	\$29,050	\$19,250
Financial liabilities at amortized cost:		
Short-term borrowings	402,600	328,000
Payables	427,387	504,403
Bonds payable (including current portion with maturity less than 1 year)	1,708,101	1,677,850
Long-term borrowings (including current portion with maturity less than 1 year)	469,408	480,169
Lease liabilities (current and non-current)	284,853	288,445
Deposits received	10,280	10,280
Subtotal	3,302,629	3,289,147
Total	<u>\$3,331,679</u>	<u>\$3,308,397</u>

(2) Financial risk management objectives and policies

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

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Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD, AUD and CNY. The information of the sensitivity analysis is as follows:

- A. When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2023 and 2022 decreases/increases by NT\$7,823 thousand and NT\$3,167 thousand, respectively.
- B. When NTD appreciates or depreciates against AUD by 1%, the profit for the years ended December 31, 2023 and 2022 decreases/increases by NT\$2,136 thousand and NT\$985 thousand, respectively.
- C. When NTD appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2023 and 2022 decreases/increases by NT\$230 thousand and NT\$164 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowings at variable interest rates.

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The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a rise/fall of 0.25% of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT\$1,174 thousand and NT\$960 thousand, respectively.

Equity price risk

The Group's equity instruments and open-end funds issued by domestic and foreign companies are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's equity instruments and open-end funds issued by domestic and foreign companies are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a rise/fall of 1% in the price of the equity instruments and open-end funds issued by domestic and foreign companies classified as equity instrument investments measured at fair value through profit or loss could have an increase/decrease in the amount of NT\$5 thousand and NT\$542 thousand on the profit or loss attributable to the Group for the years ended December 31, 2023 and 2022, respectively.

At the reporting date, a rise/fall of 1% in the price of the equity instruments and open-end funds issued by domestic and foreign companies classified as equity instrument investments measured at fair value through other comprehensive income could have an increase/decrease in the amount of NT\$2,426 thousand and NT\$2,056 thousand on the equity attributable to the Group for the years ended December 31, 2023 and 2022, respectively.

(4) Credit risk management

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

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

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

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and liquid equity investments. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	Less than 5 years	Total
As of December 31, 2023					
Borrowings	\$436,693	\$100,022	\$99,612	\$306,897	\$943,224
Bonds payables	1,750,000	-	-	-	1,750,000
Lease liabilities	25,078	47,911	35,530	-	108,519
As of December 31, 2022					
Borrowings	\$37,586	\$48,113	\$99,635	\$356,385	\$541,719
Bonds payables	-	1,750,000	-	-	1,750,000
Lease liabilities	23,275	432,791	-	-	456,066

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the years ended December 31, 2023 and 2022 is as follows:

	Short-term borrowings	Long-term borrowings (including current portion)	Bonds payables (including current portion)	Lease liabilities (current and non-current)	Total liabilities from financing activities
As of January 1, 2023	\$328,000	\$480,169	\$1,677,850	\$288,445	\$2,774,464
Cash flows	74,600	(10,206)	-	(18,024)	46,370
Non-cash movement	-	(555)	30,251	14,432	44,128
As of December 31, 2023	<u>\$402,600</u>	<u>\$469,408</u>	<u>\$1,708,101</u>	<u>\$284,853</u>	<u>\$2,864,962</u>
As of January 1, 2022	\$300,000	\$492,112	\$-	\$199,955	\$992,067
Cash flows	28,000	(11,943)	1,755,250	(16,968)	1,754,339
Non-cash movement	-	-	(77,400)	105,458	28,058
As of December 31, 2022	<u>\$328,000</u>	<u>\$480,169</u>	<u>\$1,677,850</u>	<u>\$288,445</u>	<u>\$2,774,464</u>

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(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

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

- (a) The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information.
- (d) Fair value of bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets (including held-to-maturity investments, loans and receivables) and financial liabilities (including bank loans, bonds payable and lease payables) measured at amortized cost approximates their fair value.

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C. Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions of assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed stock investments and beneficiary certificates invested by the Group falls within this level.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the corporate bonds invested by the Group falls within this level.

Level 3: Unobservable inputs for the asset or liability. The Group's investments in equity instruments without market quotations fall within this level.

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

B. Fair value measurement hierarchy of the Group's assets and liabilities

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

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As of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Beneficiary certificate	\$486	\$-	\$-	\$486
Measured at fair value through other comprehensive income				
Equity securities	203,577	-	39,019	242,596
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	29,050	-	29,050

As of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Beneficiary certificate	\$54,225	\$-	\$-	\$54,225
Measured at fair value through other comprehensive income				
Equity securities	-	-	205,634	205,634
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	19,250	-	19,250

Transfers between Level 1 and Level 2 during the period

During the year ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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Details of changes in Level 3 of the recurring fair value measurement hierarchy

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

	Assets	
	Measured at fair value through other comprehensive income	
	For the year ended December 31,	
	2023	2022
Beginning balance	\$205,634	\$54,000
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	118	82,225
Acquired for the current period	40,943	69,409
Transfer out of Level 3	(207,676)	-
Ending Balance	\$39,019	\$205,634

Total gains and losses recognized in profit or loss for the years ended December 31, 2023 and 2022 in the table above contain valuation gains and losses related to assets on hand as of December 31, 2023 and 2022 in the amount of NT\$118 thousand and NT\$82,225 thousand, respectively.

Information on significant unobservable inputs to valuation

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

As of December 31, 2023:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Unlisted company stocks	Comparable listed company method	Multiplier of price-book ratio	3.2%	The higher the multiplier, the higher the fair value	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$527 thousand
		Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$226 thousand
Unlisted company stocks	Based on the latest transaction price without market quotations	Not applicable	10%	Not applicable	

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As of December 31, 2022:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Unlisted company stocks	Comparable listed company method	Multiplier of price-book ratio	4.38%	The higher the multiplier, the higher the fair value	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$1,756 thousand
		Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$753 thousand
Unlisted company stocks	Based on the latest transaction price without market quotations	Not applicable	Not applicable	Not applicable	

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

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

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2023		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$26,434	30.71	811,788
CNY	5,326	4.33	23,046
AUD	10,181	20.98	213,597

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	As of December 31, 2022		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$12,892	30.71	\$395,913
CNY	4,662	4.41	20,550
AUD	5,908	20.83	123,064

(10) Capital management

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

(11) Others

None.

13. Additional disclosure

(1) Information on significant transactions:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held at the end of the period: Please refer to Attachment 1.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital: None.

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- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: None.
 - H. Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: None.
 - I. Financial instruments and derivative transactions: Please refer to Note 6.2.
 - J. Significant inter-company transactions between consolidated entities: Please refer to Attachment 2.
- (2) Names, locations and related information of investees (excluding investees in Mainland China): Please refer to Attachment 3.
- (3) Information on investments in mainland China:
- A. Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 4.
 - B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third region: Please refer to Attachment 5.
- (4) Information on major shareholders: Please refer to Attachment 6.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (1) Nucleic acid department: responsible for services of testing reagents, instruments and inspection on behalf of others.
- (2) New drug and vaccine research and development segment: responsible for the development and relevant services of new drugs and vaccine.
- (3) Cytotherapy department: responsible for research and development and relevant services of cytotherapy.
- (4) Generic drug, aesthetic medicine product and dietary supplement segment : responsible for production and sales and relevant services of western medicine, aesthetic medicine product and dietary supplement.

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Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on significant accounting policies information consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(1) The information on profit or loss, assets, and liabilities of reportable segments

For the year ended December 31, 2023

	New drug and		Generic drug, aesthetic medicine product and				
	Nucleic acid	vaccine research and	Cytotherapy	dietary supplement	Subtotal for	Adjustment and	
	department	development segment	department	segment	reportable segments	elimination	Consolidated
Revenue							
External customer	\$59,046	\$389,624	\$-	\$709,050	\$1,157,720	\$-	\$1,157,720
Inter-segment	2,680	-	-	24	2,704	(2,704)	-
Total revenue	<u>\$61,726</u>	<u>\$389,624</u>	<u>\$-</u>	<u>\$709,074</u>	<u>\$1,160,424</u>	<u>\$(2,704)</u>	<u>\$1,157,720</u>
Interest income	2,323	83,282	1,452	2,011	89,068	-	89,068
Rental income	441	-	-	-	441	-	441
Interest expenses	(16,760)	(37,571)	-	(1,528)	(55,859)	-	(55,859)
Depreciation and							
amortization	(21,822)	(131,171)	-	(27,979)	(180,972)	2,589	(178,383)
Segment profit	<u>\$(418,920)</u>	<u>\$(1,159,835)</u>	<u>\$(101,285)</u>	<u>\$198,818</u>	<u>\$(1,481,222)</u>	<u>\$202,362</u>	<u>\$(1,278,860)</u>
Assets							
Investments accounted							
for using equity							
method	1,252,173	-	46,373	-	1,298,546	(1,248,275)	50,271
Segment assets	<u>\$2,558,621</u>	<u>\$6,092,646</u>	<u>\$166,026</u>	<u>\$801,776</u>	<u>\$9,619,069</u>	<u>\$(1,091,824)</u>	<u>\$8,527,245</u>
Segment liabilities	<u>\$891,319</u>	<u>\$2,246,067</u>	<u>\$5,462</u>	<u>\$373,875</u>	<u>\$3,516,723</u>	<u>\$13,393</u>	<u>\$3,530,116</u>

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	New drug and		Generic drug, aesthetic medicine product and				
	Nucleic acid	vaccine research and	Cytotherapy	dietary supplement	Subtotal for	Adjustment and	
	department	development segment	department	segment	reportable segments	elimination	Consolidated
Revenue							
External customer	\$83,788	\$365,042	\$600	\$606,517	\$1,055,947	\$-	\$1,055,947
Inter-segment	-	-	-	-	-	-	-
Total revenue	<u>\$83,788</u>	<u>\$365,042</u>	<u>\$600</u>	<u>\$606,517</u>	<u>\$1,055,947</u>	<u>\$-</u>	<u>\$1,055,947</u>
Interest income	628	7,605	252	398	8,883	-	8,883
Rental income	-	-	-	-	-	-	-
Interest expenses	(11,506)	(26,888)	-	(1,059)	(39,453)	-	(39,453)
Depreciation and amortization	(29,105)	(127,892)	-	(36,296)	(193,293)	1,647	(191,646)
Segment profit	<u>\$ (263,599)</u>	<u>\$ (1,653,455)</u>	<u>\$ (95,534)</u>	<u>\$ 139,975</u>	<u>\$ (1,872,613)</u>	<u>\$-</u>	<u>\$ (1,872,613)</u>
Assets							
Investments accounted for using equity method	1,511,674	-	69,812	-	1,581,486	(1,479,790)	101,696
Segment assets	<u>\$3,267,790</u>	<u>\$7,292,716</u>	<u>\$102,026</u>	<u>\$701,431</u>	<u>\$11,363,963</u>	<u>\$ (1,381,689)</u>	<u>\$9,982,274</u>
Segment liabilities	<u>\$840,110</u>	<u>\$2,318,073</u>	<u>\$16</u>	<u>\$339,757</u>	<u>\$3,497,956</u>	<u>\$13,305</u>	<u>\$3,511,261</u>

Note 1: Inter-segment revenue are eliminated on consolidation and reflected in the adjustment and elimination section.

Note 2: Profit or loss of each reportable segment does not include the share of profits of associates and joint ventures and the foreign currency exchange gains and losses.

(2) Reconciliations of income, profit or loss, assets, liabilities and other major items in reportable segment

A. Revenue

	For the year ended December 31,	
	2023	2022
Total revenue for reportable segments	\$1,160,424	\$1,055,947
Elimination of inter-segment revenue	(2,704)	-
Group revenue	<u>\$1,157,720</u>	<u>\$1,055,947</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts are Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Profit or loss

	For the year ended December 31,	
	2023	2022
Total profit or loss for reportable segments	\$(1,481,222)	\$(1,872,613)
Adjustment of segment profit	202,362	-
Profit (loss) before tax from continuing operations	<u>\$(1,278,860)</u>	<u>\$(1,872,613)</u>

C. Assets

	For the year ended December 31,	
	2023	2022
Total assets for reportable segments	\$9,619,069	\$11,363,963
Adjustment of segment assets	(1,091,824)	(1,381,689)
Group assets	<u>\$8,527,245</u>	<u>\$9,982,274</u>

D. Liabilities

	For the year ended December 31,	
	2023	2022
Total liabilities for reportable segments	\$3,516,723	\$3,497,956
Adjustment of segment liabilities	13,393	13,305
Group liabilities	<u>\$3,530,116</u>	<u>\$3,511,261</u>

E. Other material items

For the year ended December 31, 2023

	Total for reportable segments	Reconciliation	Consolidated
Interest income	\$89,068	\$-	\$89,068
Rental income	441	-	441
Interest expenses	(55,859)	-	(55,859)
Depreciation and amortization	(180,972)	2,589	(178,383)
Equity accounted investments	1,298,546	(1,248,275)	50,271

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For the year ended December 31, 2022

	Total for reportable segments	Reconciliation	Consolidated
Interest income	\$8,883	\$-	\$8,883
Rental income	-	-	-
Interest expenses	(39,453)	-	(39,453)
Depreciation and amortization	(193,293)	1,647	(191,646)
Equity accounted investments	1,581,486	(1,479,790)	101,696

The reconciling item to adjust other material items are mainly generated by equity accounted investments.

(3) Geographical information

Revenue from external customers:

	For the year ended December 31,	
	2023	2022
Taiwan	\$1,146,467	\$1,005,387
China	6,295	39,587
Other countries	4,958	10,973
Total	<u>\$1,157,720</u>	<u>\$1,055,947</u>

The revenue information above is based on the location of the customer.

Non-current assets:

	For the year ended December 31,	
	2023	2022
Taiwan	\$2,197,787	\$2,406,778
Other countries	51,330	146
Total	<u>\$2,249,117</u>	<u>\$2,406,924</u>

Non-current assets include property, plant and equipment and other assets but exclude financial instruments and deferred tax assets.

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(4) Major customers

For the year ended December 31, 2023

Client	Sales amount	Sales department
Client A	\$136,525	New drug and vaccine research and development segment
Client B	\$272,091	Generic drug and aesthetic medicine product segment

Client	Sales amount	Sales department
Client A	\$365,042	New drug and vaccine research and development segment
Client B	\$176,805	Generic drug and aesthetic medicine product segment

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Attachment 1: Marketable securities held as of December 31 ,2023:

(Amount in Thousands of New Taiwan Dollars/Shares)

Holding Company Name	Type and Name of the Securities (Note 1)	Relationship with the securities issuer (Note 2)	Financial Statement Account	As of December 31, 2023					Note (Note 4)
				Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	Pledge/Collateral	
The Company	Lanka Graphite Limited	-	Financial assets at fair value through profit or loss	3,000,000	\$-	2.77%	\$-	None	Note 5
"	CytoPharm Inc.	-	"	537,000	-	0.95%	-	"	
"	Neuberger Berman Global Strategic Income Securities Investment Trust Fund Class TWD T Accumulating	-	"	50,000	486	-	486	"	
MVC Capital Corporation (Originally named Medigen Capital Corporation)	Taiwan Bio Therapeutics Co., Ltd.	Subsidiary of the Company - MVC Capital Corporation is its corporate director	Financial assets at fair value through other comprehensive income-noncurrent	6,077,230	193,135	9.79%	207,112	"	
"	Thermolysis Co., Ltd.	Subsidiary of the Company - Medigen Vaccine Biologics Corporation is its corporate director	"	2,545,454	38,334	5.92%	35,484	"	
TBG Diagnostics Limited	Lanka Graphite Limited	-	"	3,750,000	-	3.46%	-	"	
"	Zucero Therapeutics Limited	-	"	12,500,000	-	9.62%	-	"	

Note 1: Marketable securities include stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS No. 9 "Financial Instruments".

Note 2: Not required if the issuer of securities is not a related party.

Note 3: For items measured at fair value, please fill in the adjusted carrying amount after fair value assessment and deduction of accumulated impairment in "Carrying amount" column. For items not measured at fair value, please fill in the carrying amount after deducting accumulated impairment from the original cost or amortized cost in "Carrying amount" column.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: Name changed to MVC Capital Corporation was approved by the competent authority on May 3, 2023.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified otherwise)

Attachment 2: Significant intercompany transactions between consolidated entities

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	(Amounts in Thousands of New Taiwan Dollars)			
				Transaction			
				Accounts	Amount	Transaction terms	Percentage of total revenues or total assets (Note 3)
1	WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	3	Sales revenue	\$28,868	General	2.49%
2	TBG Biotechnology Corp.	Medigen Biotechnology Corporation	2	Sales revenue	2,680	General	0.23%

Note 1: The numbers filled in for the transactions company in respect of inter-company transactions are as follows.

(1) Parent company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order .

Note 2: 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 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified otherwise)

Attachment 3: Names, locations and related information of investees (excluding investees in Mainland China):

(Amount in Thousands of New Taiwan Dollars/Shares)											
Investor Company	Investee Company (Notes 1 and 2)	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of Investee Company	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Shares	Percentage of Ownership (%)	Carrying Amount			
Medigen Biotechnology Corporation	TBG Diagnostics Limited	Australia	Biotechnology services and retail and wholesale of medical devices	\$599,056	\$599,056	112,615,938	51.76%	\$55,456	\$(70,105)	\$(37,375)	
Medigen Biotechnology Corporation	Medigen Vaccine Biologics Corporation	Taiwan	R&D and manufacturing and wholesale business of vaccines and biopharmaceutical, and retail and wholesale business of medical devices	911,186	983,015	62,358,844	18.98%	717,787	(1,159,835)	(223,475)	
Medigen Biotechnology Corporation	WINSTON MEDICAL SUPPLY CO., LTD.	Taiwan	Manufacturing and marketing of chemistry medicine, ophthalmic anti-infectives, aesthetic medicine, dietary supplement and other medicines and products	205,716	205,716	10,906,400	59.22%	347,116	158,754	93,088	
Medigen Biotechnology Corporation	TDL HOLDING	Cayman Islands	Investment Business	249,716	219,437	975,600	100%	75,658	(8,856)	(8,856)	
Medigen Biotechnology Corporation	Yingxin Investment Co., Ltd.	Taiwan	Investment Business	50	-	-	100%	50	-	-	
Medigen Biotechnology Corporation	U-GEN (originally named TBG Inc.)	Cayman Islands	Biotechnology services and retail and wholesale of medical devices	152,952	-	4,363,383	2.36%	295	(147,276)	(2,762)	
TBG Diagnostics Limited	U-GEN (originally named TBG Inc.)	Cayman Islands	Biotechnology services and retail and wholesale of medical devices	529,522	529,522	67,129,159	36.32%	4,735	(147,276)	(53,633)	
WINSTON MEDICAL SUPPLY CO., LTD	UMO INTERNATIONAL CO., LTD.	Taiwan	Retail and wholesale of skincare products and makeup	10,000	10,000	1,000,000	100%	16,389	4,675	-	Note 3
WINSTON MEDICAL SUPPLY CO., LTD	SHINY LILY CO., LTD.	Taiwan	Retail and wholesale of western medicine	3,271	3,271	-	100%	3,287	66	-	Note 3
TDL HOLDING	Texas BioGene, Inc.	United States	Biotechnology services and retail and wholesale of medical devices	19,682	19,682	739,328	100%	(27)	(58)	-	Note 3
TDL HOLDING	TBG Biotechnology Corp.	Taiwan	Biotechnology services and retail and wholesale of medical devices	199,755	199,755	20,000,000	100%	40,218	(9,172)	-	Note 3
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Cayman Islands	Investment Business	7,081	7,081	50,000	100%	3,309	(203)	-	Note 3
Medigen Vaccine Biologics Corporation	MVC Capital Corporation (Originally named Medigen Capital Corporation)	Taiwan	Investment Business	300,000	200,000	30,000,000	100%	327,718	(164)	-	Notes 3 and 4
Medigen Vaccine Biologics Corporation	MVC Australia Pty Ltd.	Australia	To hold drug permit licenses and support local marketing	Note 5	-	Note 5	Note 5	Note 5	Note 5	Note 5	
Medigen Vaccine Biologics Corporation	MVC Bio Supply Sdn. Bhd.	Malaysia	To hold drug permit licenses and support local marketing	Note 5	-	Note 5	Note 5	Note 5	Note 5	Note 5	
MVC Capital Corporation	U-GEN (originally named TBG Inc.)	Cayman Islands	Biotechnology services and retail and wholesale of medical devices	57,922	57,922	1,727,893	0.93%	151	(147,276)	(3,898)	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclosure the information of the overseas holding company about the disclosure of related overseas investee in information.

Note 2: If situation does not belong to Note 1, filled in the conlumnns according to the following regulations:

- (1) The columns of "Investee Company", "Location", "Main businesses and Products", "Original Investment Amount" and "Shares held as at December 31, 2023" should fill orderly in the Company's (public company's) information on the investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'foot note' column.
- (2) The "Net Income (Loss) of Investee Company" column should fill in amount of net profit (loss) of the investee for this period.
- (3) The "Investment Income (Loss) Recognized" column should fill the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under equity method for this period.

When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Note 3: According to the related regulations, it was not required to disclose gains (losses) on investments recognized by the Company.

Note 4: Name was renamed MVC Capital Corporation which was approved by the competent authority on May 3, 2023.

Note 5: The incorporation of this company was approved by the local competent authority. However, as of December 31, 2023, no investment funds have been remitted.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Attachment 4: Information on investments in Mainland China

(Amounts in thousands of New Taiwan Dollars)													
Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Medigen Biotechnology (Xiamen) Corporation	Research and development of clinical new medicine, supports of production technology and consult of related technology and after-sale service	\$3,026	1	\$3,026	\$-	\$-	\$3,026	\$(12)	100%	\$(12)	\$2,484	\$-	Note 2(2)(B)
Medigen Biotechnology (Beijing) Corporation	Investment Business	182,686	1	182,686	-	-	182,686	(31,170)	100%	(31,170)	48,785	-	Note 2(2)(B)
CELLXPRT BIOTECHNOLOGY CORP.	Cytotherapy business	444,868	3	-	-	-	-	(76,951)	37.19%	(31,179)	46,373	-	Note 2(2)(B)

Company Name	Accumulated Investment in Mainland China as of December 31, 2023 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
Medigen Biotechnology Corporation	\$185,712 (USD 6,361 thousand)	\$533,423 (USD 17,628 thousand)	\$2,998,277

Note 1: Investment methods are classified into the three categories; fill in the number of category each case belongs to:

- (1) Direct investment in a company in Mainland China.
- (2) Through investing in an existing company in the third area, when then invested in the investee in Mainland China.
- (3) Through investing in an existing company in the third area, when then invested in the investee in Mainland China.

Note 2: In the "Share of Profits/Losses" column:

- (1) It should be indicate if the investee was still in the incorporation arrangements and had not yet any profit or loss during this period.
- (2) The basis of recognition of investment income is classified into the following three types, which should be marked out:
 - A. The financial statements were audited by international accounting firm which has cooperative relationship with accounting firm registered in the R.O.C.
 - B. The financial statements were attested by R.O.C parent company's CPA.
 - C. Others

Note 3: According to the MOEA Regulation No. 09704604680, "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", announced on August 29, 2008, limit on accumulated amount of investment in Mainland China is the higher of 60% of net assets and consolidated net assets. The ultimate limit of investment is 60% of the consolidated net assets (4,997,129x 60% =2,998,277).

Note 4: The accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was disclosed based on the amounts of subsidiaries included in the consolidated financial statements and investees accounted for using the equity method.

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(Amounts in Thousands of New Taiwan Dollars, Unless Specified otherwise)

Attachment 5: Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third region

(Amounts in thousands of New Taiwan Dollars)

Investee Company	Sales (Purchases)		Property Transaction		Trade Receivables (Payables)		Provision of Endorsements/Guarantees or Collaterals		Financing				Others
	Amount	%	Amount	%	Balance	%	Ending balance	%	Maximum balance	Ending balance	Interest Rate	Current Interest	
CELLXPRT BIOTECHNOLOGY CORP.	\$-	-	\$-	-	\$-	-	\$-	-	\$-	\$-	-	\$-	Note

The unearned royalty income for the current period was NT\$26,304 (recognized as current contract liabilities), representing 0.75% in the consolidated total liabilities.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified otherwise)

Attachment 6: Information of major shareholder

Unit: shares

Name of major shareholders information	Shares			
	Number of ordinary shares	Number of preference shares	Total of shares held	Percentage of ownership (%)
EVERSPRING INDUSTRY CO., LTD.	14,093,380	-	14,093,380	10.10%

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The number of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.