

**MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY
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 parent company only 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.

Independent Auditors' Report

To the Board of Directors and Shareholders of
Medigen Biotechnology Corporation

Opinion

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

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the financial performance and the 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.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company's recognized NT\$9,993 thousand as net sales, which was mainly generated from the sales of detection reagents for the year ended December 31, 2023. As the revenue has an inherent high risk and is material to the parent company only financial statements, we therefore determined this matter as a key audit matter.

Our audit procedures include (but are not limited to) assessing 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 and 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 4 and 6 to the parent company only financial statements.

Investments accounted for using equity method - Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets of the subsidiary, Medigen Vaccine Biologics Corporation

The total carrying amount of property, plant and equipment, right-of-use assets and intangible assets of the Company's subsidiary, Medigen Vaccine Biologics Corporation, for the year ended December 31, 2023 was material to the consolidated financial statements. 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 appropriateness of disclosures of property, plant and equipment, right-of-use assets and intangible assets in Notes 5 and 6 to the consolidated financial statements.

Investments accounted for using equity method - Assessment of allowance for inventory valuation losses for the subsidiaries, WINSTON MEDICAL SUPPLY CO., LTD. and Medigen Vaccine Biologics Corporation

Net inventory of the Company and its subsidiaries as of December 31, 2023 was material to the consolidated financial statements. 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 assess whether the products are obsolete and the inventory price declines. 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 Company's parent company only balance sheet as of December 31, 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2022, and notes to the parent company only financial statements, including the summary of material accounting policies, were audited and issued by other independent accountants, who expressed an unqualified opinions on those statements on March 30, 2023.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance, including audit committee, are responsible for overseeing the parent company only financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

Kuo, Shao-Pin

Yu, Chien-Ju

Ernst & Young, Taiwan

March 11, 2024

Notice to Readers

The accompanying parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or 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 Parent Company Only Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY BALANCE SHEET
As of December 31, 2023 and December 31, 2022
(Amounts in thousands of New Taiwan Dollars)

Accounts	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4, 6 and 12	\$348,390	15	\$418,967	14
Financial assets at fair value through profit or loss	4, 6 and 12	486	-	1,232	-
Contract assets-current	4 and 6	358	-	8,638	-
Trade receivables, net	4, 6 and 12	-	-	424	-
Trade receivables from related parties, net	4, 6, 7 and 12	-	-	1,356	-
Other receivables	12	1,724	-	1,320	-
Current tax assets	6	110	-	4,673	-
Inventories, net	4 and 6	7,928	1	9,638	1
Non-current assets or disposal groups held for sale, net	4 and 6	55,211	2	-	-
Other current assets	6	30,341	1	33,493	1
Other financial assets-current	8 and 12	7,800	-	12,800	1
Total current assets		<u>452,348</u>	<u>19</u>	<u>492,541</u>	<u>17</u>
Non-current assets					
Investments accounted for using equity method	4 and 6	1,247,631	52	1,511,674	51
Property, plant and equipment	4, 6 and 8	373,284	16	434,939	15
Right-of-use assets	4 and 6	4,675	-	2,993	-
Intangible assets	4 and 6	457	-	2,948	-
Deferred tax assets	4, 5 and 6	321,302	13	474,230	16
Other non-current assets	7	1,050	-	31,805	1
Refundable deposits		9,267	-	10,037	-
Total non-current assets		<u>1,957,666</u>	<u>81</u>	<u>2,468,626</u>	<u>83</u>
Total assets		<u><u>\$2,410,014</u></u>	<u><u>100</u></u>	<u><u>\$2,961,167</u></u>	<u><u>100</u></u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY BALANCE SHEET (Continued)
As of December 31, 2023 and December 31, 2022
(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Current liabilities					
Short-term borrowings	6, 8 and 12	\$343,000	14	\$268,000	9
Contract liabilities-current	4, 6 and 12	27,442	1	26,385	1
Notes payable	12	1,170	-	815	-
Notes payable to related parties	12	49	-	-	-
Trade payables	12	6	-	94	-
Trade payables to related parties	7	-	-	55	-
Other payables		21,047	1	43,733	1
Other payables to related parties	7	44	-	-	-
Lease liabilities-current	4, 6 and 12	2,172	-	-	-
Other current liabilities	7	640	-	1,348	-
Current portion of long-term liabilities	4, 6, 8 and 12	15,603	1	21,100	1
Total current liabilities		411,173	17	361,530	12
Non-current liabilities					
Long-term borrowings	6 and 8	403,685	17	401,188	14
Deferred tax liabilities	4, 5 and 6	665	-	665	-
Lease liabilities-noncurrent	4, 6 and 12	2,534	-	3,026	-
Net defined benefit liabilities-noncurrent	4	314	-	731	-
Total non-current liabilities		407,198	17	405,610	14
Total liabilities		818,371	34	767,140	26
Share capital	6				
Common stock		1,393,463	58	1,394,463	47
Advance receipts for share capital		3,285	-	-	-
Share capital awaiting retirement		(2,000)	-	-	-
Capital surplus		968,142	40	1,561,666	53
Retained earnings					
Accumulated deficits		(747,509)	(31)	(727,979)	(25)
Other equity		(23,738)	(1)	(34,123)	(1)
Total equity		1,591,643	66	2,194,027	74
Total liabilities and equity		\$2,410,014	100	\$2,961,167	100

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY 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	\$9,993	100	\$30,655	100
Operating costs	6 and 7	(4,717)	(47)	(42,371)	(138)
Gross profit (loss)		5,276	53	(11,716)	(38)
Realized intercompany profit		3,039	30	3,039	10
Gross profit (loss), net		8,315	83	(8,677)	(28)
Operating expenses	6 and 7				
Selling expenses		(946)	(10)	(760)	(2)
Administrative expenses		(82,916)	(830)	(70,356)	(230)
Research and development expenses		(103,573)	(1,036)	(160,164)	(522)
Expected credit losses	4 and 6	(8,487)	(85)	(151)	(1)
Total operating expenses		(195,922)	(1,961)	(231,431)	(755)
Operating losses		(187,607)	(1,878)	(240,108)	(783)
Non-operating income and expenses	6 and 7				
Interest income		1,328	13	605	2
Other income		3,290	33	1,725	6
Other gains and losses		(1,333)	(13)	(7,618)	(25)
Financial costs		(15,180)	(152)	(10,113)	(33)
Share of profit or loss of associates and joint ventures accounted for using the equity method	4 and 6	(210,562)	(2,107)	(391,343)	(1,277)
Total non-operating income and expenses		(222,457)	(2,226)	(406,744)	(1,327)
Net loss before tax		(410,064)	(4,104)	(646,852)	(2,110)
Income tax expense	4 and 6	(151,232)	(1,513)	(29,022)	(95)
Net loss		(561,296)	(5,617)	(675,874)	(2,205)
Other comprehensive income	6				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans		311	3	890	3
Share of other comprehensive income of associates and joint ventures accounted for using the equity method					
- Items that will not be reclassified subsequently to profit or loss		(863)	(9)	16,231	53
Income tax related to the items not to be reclassified to profit or loss		-	-	(178)	(1)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign financial statements of associates and joint ventures accounted for using the equity method	6	8,699	87	(30)	-
Income tax related to the components of other comprehensive income		(1,740)	(17)	6	-
Other comprehensive income, net of tax		6,407	64	16,919	55
Total comprehensive income		<u>\$(554,889)</u>	<u>(5,553)</u>	<u>\$(658,955)</u>	<u>(2,150)</u>
Losses per share (NT\$)					
Basic and diluted losses per share (NT\$)	6				
Current net loss		<u>\$(4.03)</u>		<u>\$(4.86)</u>	

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Items	Share capital			Capital surplus	Retained earnings	Other equity			Total 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	
Balance as of January 1, 2022	\$1,393,625	\$225	\$-	\$1,108,539	\$(52,817)	\$(10,950)	\$(35,352)	\$(8,882)	\$2,394,388
Net loss for the year ended December 31, 2022	-	-	-	-	(675,874)	-	-	-	(675,874)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	712	(24)	16,231	-	16,919
Total comprehensive income	-	-	-	-	(675,162)	(24)	16,231	-	(658,955)
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
Changes in ownership interests in subsidiaries	-	-	-	90,834	-	-	-	-	90,834
Changes in net equity in associates accounted for using equity method	-	-	-	15,126	-	-	-	-	15,126
Issuance of new shares by employee stock options	838	(225)	-	1,797	-	-	-	-	2,410
Costs of employee stock options	-	-	-	1,603	-	-	-	-	1,603
Costs of restricted stock options	-	-	-	-	-	-	-	4,854	4,854
Effect of organizational structure adjustments within the group	-	-	-	(34,273)	-	-	-	-	(34,273)
Balance as of December 31, 2022	<u>\$1,394,463</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,561,666</u>	<u>\$(727,979)</u>	<u>\$(10,974)</u>	<u>\$(19,121)</u>	<u>\$(4,028)</u>	<u>\$2,194,027</u>
Balance as of January 1, 2023	\$1,394,463	\$-	\$-	\$1,561,666	\$(727,979)	\$(10,974)	\$(19,121)	\$(4,028)	\$2,194,027
Net loss for the year ended December 31, 2023	-	-	-	-	(561,296)	-	-	-	(561,296)
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	50	6,959	(602)	-	6,407
Total comprehensive income	-	-	-	-	(561,246)	6,959	(602)	-	(554,889)
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
Changes in ownership interests in subsidiaries	-	-	-	3,911	-	-	-	-	3,911
Changes in net equity in associates accounted for using equity method	-	-	-	(165,182)	-	-	-	-	(165,182)
Issuance of new shares by employee stock options	-	3,285	-	-	-	-	-	-	3,285
Costs of employee stock options	-	-	-	32	-	-	-	-	32
Costs of restricted stock options	-	-	-	-	-	-	-	4,028	4,028
Recovery of restricted stock options	(1,000)	-	(2,000)	(15,591)	-	-	-	-	(18,591)
Balance as of December 31, 2023	<u>\$1,393,463</u>	<u>\$3,285</u>	<u>\$(2,000)</u>	<u>\$968,142</u>	<u>\$(747,509)</u>	<u>\$(4,015)</u>	<u>\$(19,723)</u>	<u>\$-</u>	<u>\$1,591,643</u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

MEDIGEN BIOTECHNOLOGY CORPORATION

PARENT COMPANY ONLY 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	\$(410,064)	\$(646,852)
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation	15,760	18,589
Amortization	2,491	6,154
Expected credit losses	8,487	151
Loss on valuation of financial assets at fair value through profit or loss	(54)	(70)
Interest expenses	15,180	10,113
Interest income	(1,328)	(605)
Share-based payments	4,060	6,457
Share of profit or loss of associates and joint ventures		
accounted for using the equity method	210,562	391,343
Losses (gains) on disposals of investments	-	7
Lease modification gains	-	(4)
Investment cash dividends accounted for using equity method	54,532	43,626
Realized intercompany profit	(3,039)	(3,039)
Changes in current operating asset and liabilities		
Financial assets and liabilities at fair value through profit or loss	800	(667)
Contract assets	(358)	-
Trade receivables	424	4,286
Trade receivables from related parties	1,356	581
Other receivables	(481)	-
Inventories	1,710	6,186
Other current assets	3,286	25,992
Contract liabilities	1,057	-
Notes payable	355	(2,952)
Notes payable to related parties	49	-
Trade payables	(88)	145
Trade payables to related parties	(55)	-
Other payables	(22,642)	19,512
Other current liabilities	(708)	621
Net defined benefit liabilities	(106)	(992)
Cash generated from operating activities	<u>(118,814)</u>	<u>(121,418)</u>
Interest received	1,328	573
Interest paid	(15,180)	(10,113)
Income tax refunded (paid)	4,563	(5,001)
Net cash used in operating activities	<u>(128,103)</u>	<u>(135,959)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(3,439)	(2,106)
Acquisition of investments accounted for using equity method	(153,002)	-
Decrease (increase) in refundable deposits	770	(280)
Increase in prepayments for equipment	(1,050)	(854)
Decrease (increase) in restricted assets	5,000	(7,800)
Net cash provided by (used in) investing activities	<u>(151,721)</u>	<u>(11,040)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	100,000	218,000
Decrease in short-term borrowings	(25,000)	(190,000)
Repayments of long-term borrowings	(3,000)	(3,905)
Disposal of ownership interests in subsidiaries (without losing control)	156,574	434,264
Acquisition of investments accounted for using equity method (capital increase of a subsidiary)	-	(413,864)
Increase in prepayments for investments	-	(30,000)
Cash payment for the principal portion of the lease liabilities	(4,021)	(4,071)
Proceeds from exercise of employee stock options	3,285	2,410
Redemption of restricted stock	(18,591)	-
Net cash provided by financing activities	<u>209,247</u>	<u>12,834</u>
Net decrease in cash and cash equivalents	<u>(70,577)</u>	<u>(134,165)</u>
Cash and cash equivalents at the beginning of the period	418,967	553,132
Cash and cash equivalents at the end of the period	<u>\$348,390</u>	<u>\$418,967</u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 biopharmaceutical research and development, cytototherapy, retail and wholesale of veterinary drugs and medical devices. 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 parent company only financial statements of the Company 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 Company 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 Company.

- (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 Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN BIOTECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	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 Company.

4. Summary of Material Accounting Policies

(1) Statement of compliance

The parent company only financial statements of the Company 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”).

(2) Basis of preparation

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”). According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners’ equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

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

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in NT\$.

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for 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.

(4) 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.

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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.

(5) Current and non-current distinction

An asset is classified as current when:

- A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. the Company holds the asset primarily for the purpose of trading.
- C. the Company 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 Company expects to settle the liability in its normal operating cycle.
- B. the Company 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 Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents 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.

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(7) Financial instruments

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

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

A. Financial instruments Recognition and Measurement

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

The Company classified financial assets as subsequently measured at amortized cost or fair value through profit or loss on the basis of:

- (a) the Company’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.

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

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company 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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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 Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at financial assets measured at amortized cost.

The Company 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 Company 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 Company 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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 Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) the Company 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 Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Financial liabilities

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

Financial liabilities at 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.

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

(8) Fair value measurement

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

A. in the principal market for the asset or liability, or

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

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

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

(9) Inventories

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

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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.

(10) 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.

(11) Investments accounted for using equity method

The parent company only financial statements of the Company 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”). According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners’ equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

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The Company’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 Company 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.

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 Company’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 Company 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 Company and the associate or joint venture are eliminated to the extent of the Company’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 Company’s percentage of ownership interests in the associate or joint venture, the Company 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 Company’s interest in an associate or a joint venture is reduced or increased as the Company 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 Company disposes the associate or joint venture.

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

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The Company 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 Company 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 Company 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.

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 Company 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.

(12) 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 Company 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.

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

Buildings and facilities	25-49 years
Office equipment	3-5 years
Testing equipment	3-5 years
Miscellaneous equipment	5-6 years

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

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

(13) Leases

The Company 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 Company 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 Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

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Company as a lessee

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

At the commencement date, the Company 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 Company 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 Company 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 Company 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 Company 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.

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

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

Company as a lessor

At inception of a contract, the Company 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 Company 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 Company allocates the consideration in the contract applying IFRS 15.

The Company 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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(14) Intangible assets

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

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

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

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

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 5 years.

Special technique

Special technique is stated initially at its cost and amortized on a straight-line basis over its estimated useful life of 10 to 13 years.

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(15) Impairment of non-financial assets

The Company 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 Company 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 Company 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.

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

(16) Revenue recognition

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

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Sales of goods

The Company is engaged in the manufacturing and sale of biopharmaceutical and virus reagent related products. 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 Company 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. 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.

Technical service revenue

The Company provides cytotherapy technical supporting services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided 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.

(17) 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.

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(18) Post-employment benefits

All regular employees of the Company 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. Therefore, fund assets are not included in the Company's consolidated financial statements.

For the defined contribution plan, the Company 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.

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.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company 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.

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 Company'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.

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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 Company 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.

(20) Income taxes

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

Current income tax

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

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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.

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 Company 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 Company's parent company only 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 Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

None.

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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 Company 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 Company 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 Company 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 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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6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$68	\$156
Checking and savings accounts	348,322	418,811
Total	<u>\$348,390</u>	<u>\$418,967</u>

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

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	\$14,505	\$14,505
Beneficiary certificates	500	1,300
Subtotal (total carrying amount)	15,005	15,805
Valuation adjustment	(14,519)	(14,573)
Total	<u>\$486</u>	<u>\$1,232</u>

The profit (loss) arising from financial asset and liabilities at fair value through profit or loss were NT\$54 thousand and NT\$(77) thousand for the years ended December 31, 2023 and 2022, respectively.

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

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(3) Trade receivables and Trade receivables from related parties

	As of	
	December 31, 2023	December 31, 2022
Trade receivables	\$-	\$424
Less: loss allowance for doubtful debts	-	-
Subtotal	-	424
Trade receivables from related parties	-	1,507
Less: loss allowance for doubtful debts	-	(151)
Subtotal	-	1,356
Total	\$-	\$1,780

Trade receivables are generally on 60 day terms. The total carrying amounts of notes and trade receivables were NT\$0 thousand and NT\$1,931 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 6.16 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.

(4) Inventories

	As of	
	December 31, 2023	December 31, 2022
Goods	\$1,385	\$2,347
Raw materials	5,574	6,860
Work in progress and semi-finished product	454	431
Finished goods	515	-
Total	\$7,928	\$9,638

The costs of inventories recognized as expenses amounted to NT\$4,717 thousand and NT\$42,371 thousand for the years ended December 31, 2023 and 2022, respectively.

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For the year ended December 31, 2023, the Company reversed allowance for inventories and recognized a reversal gain of NT\$17,346 thousand due to the disposal of scrap inventories, which had been approved by the tax authorities. In addition, the Company recognized a loss on market price decline of inventories in the amount of NT\$1,183 thousand in the same year.

The Company's allowance for inventory valuation losses amounted to NT\$33,566 thousand and NT\$49,729 thousand, as of December 31, 2023 and 2022, respectively.

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

(5) 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 Company 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.

(6) Other current assets

	As of	
	December 31, 2023	December 31, 2022
Prepayments	\$9,922	\$9,832
Excess business tax paid	20,187	20,661
Others	232	3,000
Total	<u>\$30,341</u>	<u>\$33,493</u>

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(7) Investments accounted for using the equity method

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

Investees	Principal place of business	As of			
		December 31, 2023		December 31, 2022	
		Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiary of the Company:					
TBG DIAGNOSTICS LIMITED	Australia	\$55,456	51.76%	\$77,193	51.76%
TDL HOLDING CO.	Cayman Islands	75,658	100%	54,514	100%
Medigen Vaccine Biologics Corporation	Taiwan	717,787	18.98%	966,369	19.74%
WINSTON MEDICAL SUPPLY CO., LTD.	Taiwan	347,116	59.22%	308,821	59.22%
Medigen Biotechnology (Xiamen) Corporation	China	2,484	100%	2,543	100%
Medigen Biotechnology (Beijing) Corporation	China	48,785	100%	102,234	100%
Yingxin Investment Co., Ltd.	Taiwan	50	100%	-	-%
Subtotal		1,247,336		1,511,674	
Investments in associates:					
U-GEN BIOTECHNOLOGY INC.	Cayman Islands	295	2.36%	-	-%
CELLXPRT BIOTECHNOLOGY CORP.	China	-	-%	-	-%
Subtotal		295		-	
Total		\$1,247,631		\$1,511,674	

Because the Company was optimistic about the prospects of the future development 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.

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The Group's shareholding in U-GEN was 39.61%. 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.

For the years ended December 31, 2023 and 2022, the Company sold 2,370 thousand share and 2,460 thousand shares of the subsidiary, Medigen Vaccine Biologics Corporation, respectively. The differences between the actual price and the book value of ownership interest amounted to NT\$125,022 thousand and NT\$378,040 thousand, which were recognized as capital surplus, respectively.

In March 2023, the Company subscribed all the new shares issued by TDL HOLDING CO. in the amount of NT\$30,000 thousand. Prepayment for investment recognized in the previous year was therefore written off.

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.

In August 2023, U-GEN recovered its own stock, the Company's interest increased by 0.49% as U-GEN reduced its share capital.

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

A. Investments in subsidiaries are reported as "investments accounted for using the equity method" in parent company only financial statements with necessary valuation adjustments.

Please refer to the Company's consolidated financial statements for the information on the Company's subsidiaries.

B. The associates directly held by the Company are not material. Please refer to the Company's consolidated financial statements for the year ended December 31, 2023 for the summarized information on the Company's investments in associates.

C. No public price was available for the investments in associates.

D. The aforementioned investments in associates had no contingent liabilities or capital commitments, nor under pledge as of December 31, 2023 and 2022.

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(8) Property, plant and equipment and non-current assets held for sale

	As of					
	December 31, 2023		December 31, 2022			
Owner-occupied property, plant and equipment	\$373,284		\$434,939			
	Land	Buildings and facilities	Office equipment	Testing equipment	Miscellaneous equipment	Total
Cost:						
As of January 1, 2023	\$246,214	\$221,022	\$23,015	\$92,833	\$50,103	\$633,187
Additions	-	-	749	2,528	162	3,439
Disposals	-	-	(399)	(881)	-	(1,280)
Reclassification	-	-	-	1,939	-	1,939
Reclassified as non-current assets held for sale:	(23,747)	(43,921)	-	-	(3,425)	(71,093)
As of December 31, 2023	\$222,467	\$177,101	\$23,365	\$96,419	\$46,840	\$566,192
As of January 1, 2022	\$246,214	\$221,022	\$22,639	\$91,329	\$50,103	\$631,307
Additions	-	-	376	1,504	-	1,880
Disposals	-	-	-	-	-	-
As of December 31, 2022	\$246,214	\$221,022	\$23,015	\$92,833	\$50,103	\$633,187
Depreciation and impairment:						
As of January 1, 2023	\$-	\$49,157	\$21,762	\$89,487	\$37,842	\$198,248
Depreciations	-	4,857	789	2,207	3,969	11,822
Disposals	-	-	(399)	(881)	-	(1,280)
Reclassified as non-current assets held for sale:	-	(12,508)	-	-	(3,374)	(15,882)
As of December 31, 2023	\$-	\$41,506	\$22,152	\$90,813	\$38,437	\$192,908
As of January 1, 2022	\$-	\$44,113	\$20,509	\$85,223	\$33,875	\$183,720
Depreciations	-	5,044	1,253	4,264	3,967	14,528
As of December 31, 2022	\$-	\$49,157	\$21,762	\$89,487	\$37,842	\$198,248
Net carrying amounts as of:						
December 31, 2023	\$222,467	\$135,595	\$1,213	\$5,606	\$8,403	\$373,284
December 31, 2022	\$246,214	\$171,865	\$1,253	\$3,346	\$12,261	\$434,939

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- A. The Company's borrowing costs for property, plant and equipment were not capitalized for the years ended December 31, 2023 and 2022.
- B. There was no significant component of the Company's property, plant and equipment.
- C. Reclassifications mainly arose from prepayments for business facilities and temporary debits reclassifying as testing equipment.
- D. On November 7, 2023, a resolution was passed by the Board of Directors to dispose of Nangang Office Room D, and the Company is actively seeking a buyer. Therefore, it was reclassified as non-current assets held for sale. It had not been sold as of December 31, 2023.
- E. Please refer to Note 8 for more details on property, plant and equipment under pledge.
- F. Investing activities with only partial cash payments:

	As of	
	December 31, 2023	December 31, 2022
Purchase of property, plant and equipment	\$3,439	\$1,880
Add: Payables at the beginning of the year	-	226
Cash payments for the current year	<u>\$3,439</u>	<u>\$2,106</u>

(9) Intangible assets

	Software	Special technique	Total
Cost:			
As of January 1, 2023	\$12,919	\$116,289	\$129,208
Additions	-	-	-
Disposals	(177)	-	(177)
As of December 31, 2023	<u>\$12,742</u>	<u>\$116,289</u>	<u>\$129,031</u>
As of January 1, 2022	\$12,919	\$116,289	\$129,208
Additions	-	-	-
As of December 31, 2022	<u>\$12,919</u>	<u>\$116,289</u>	<u>\$129,208</u>

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	Software	Special technique	Total
Amortization and impairment:			
As of January 1, 2023	\$12,147	\$114,113	\$126,260
Amortization	315	2,176	2,491
Disposals	(177)	-	(177)
As of December 31, 2023	<u>\$12,285</u>	<u>\$116,289</u>	<u>\$128,574</u>
As of January 1, 2022	\$11,651	\$108,455	\$120,106
Amortization	496	5,658	6,154
As of December 31, 2022	<u>\$12,147</u>	<u>\$114,113</u>	<u>\$126,260</u>
Net carrying amounts as of:			
December 31, 2023	<u>\$457</u>	<u>\$-</u>	<u>\$457</u>
December 31, 2022	<u>\$772</u>	<u>\$2,176</u>	<u>\$2,948</u>

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

	As of	
	December 31, 2023	December 31, 2022
Administrative expenses	154	238
Research and development expenses	2,337	5,916
Total	<u>\$2,491</u>	<u>\$6,154</u>

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

The aforementioned special technique primarily includes the special technique in the research and development of new anti-cancer drugs acquired from licensing, and special technique in the research and development of monoclonal antibody acquired externally.

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.

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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.

(10) Short-term borrowings

	As of	
	December 31, 2023	December 31, 2022
Secured bank loans	\$343,000	\$193,000
Unsecured bank loans	-	75,000
Total	\$343,000	\$268,000
Interest rates	1.75%~2.51%	1.77%~2.33%

The Company’s unused short-term lines of credits both amounted to NT\$22,000 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.

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(11) 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	
			Amount	Interest rate	Amount	Interest 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%
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%
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			419,288		422,288	
Less: current portion			(15,603)		(21,100)	
Total			<u>\$403,685</u>		<u>\$401,188</u>	

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

(12) 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\$2,278 thousand and NT\$2,592 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 base 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\$115 thousand.

As of December 31, 2023 and 2022, the defined benefit plan of the Company was expected to be expired in 2030 and 2029, 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)	9	13
Total	<u>\$9</u>	<u>\$13</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	\$8,163	\$8,337
Plan assets at fair value	<u>(7,849)</u>	<u>(7,606)</u>
Other non-current liabilities, net defined benefit liabilities (assets)	<u>\$314</u>	<u>\$731</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	\$8,649	\$(6,926)	\$1,723
Current service cost	-	-	-
Interest expenses (income)	60	(47)	13
Subtotal	8,709	(6,973)	1,736
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	(305)	-	(305)
Experience adjustments	(67)	-	(67)
Remeasurements of defined benefit assets	-	(518)	(518)
Subtotal	(372)	(518)	(890)
Payment of benefit obligation	-	-	-
Contributions by employer	-	(115)	(115)
As of December 31, 2022	\$8,337	\$(7,606)	\$731
Current service cost	-	-	-
Interest expenses (income)	97	(88)	9
Subtotal	8,434	(7,694)	740
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	(12)	-	(12)
Experience adjustments	(259)	-	(259)
Remeasurements of defined benefit assets	-	(40)	(40)
Subtotal	(271)	(40)	(311)
Payment of benefit obligation	-	-	-
Contributions by employer	-	(115)	(115)
As of December 31, 2023	\$8,163	\$(7,849)	\$314

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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%	1.16%
Expected rate of salary increases	1.00%	1.00%

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%	\$-	\$281	\$-	\$299
Discount rate decreases by 0.5%	304	-	325	-
Rate of future salary increases by 0.5%	303	-	324	-
Rate of future salary decreases by 0.5%	-	282	-	301

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.

(13) 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 Company'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 serve 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.

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

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

(14) Share-based payment plans

Certain employees of the Company 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.

Share-based payment plan for employees of the Company

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

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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 but not yet vested restricted stock awards with no consideration.

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.

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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

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

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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.

(15) Operating revenue

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

A. Disaggregation of revenue

	For the year ended December 31,	
	2023	2022
Sales of goods	\$3,458	\$25,232
Services revenue	2,596	477
Other operating revenue	3,939	4,946
Total	<u>\$9,993</u>	<u>\$30,655</u>
	For the year ended December 31,	
	2023	2022
Revenue recognition point:		
At a point in time	<u>\$9,993</u>	<u>\$30,655</u>

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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	\$8,638

Contract liabilities-current

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Advance sales receipts	\$1,138	\$81	\$81
Advance royalty receipts	26,304	26,304	26,304
Total	\$27,442	\$26,385	\$26,385

The significant changes in the Company'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	\$-	\$-
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	\$1,057	\$-

(16) Expected credit gains (losses)

	For the year ended December 31,	
	2023	2022
Operating expenses-Expected credit gains (losses)		
Contract assets	\$(8,638)	\$-
Trade receivables	151	(151)
Total	\$(8,487)	\$(151)

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

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The Company measures the loss allowance of its receivables (including notes receivable and trade receivables) 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			Total
	(Note)	1-90 days	91-180 days	Over 181 days	
Gross carrying amount	\$-	\$-	\$-	\$-	\$-
Loss ratio	1.06%	32.51%	82.37%	100%	
Lifetime expected credit losses	-	-	-	-	-
Total	\$-	\$-	\$-	\$-	\$-

As of December 31, 2022

	Not yet due	Past due			Total
	(Note)	1-90 days	91-180 days	Over 181 days	
Gross carrying amount	\$121	\$303	\$1,507	\$-	\$1,931
Loss ratio	1.06%	32.51%	82.37%	100%	
Lifetime expected credit losses	-	-	(151)	-	(151)
Total	\$121	\$303	\$1,356	\$-	\$1,780

The Company's trade receivables from related parties amounted to NT\$0 thousand and NT\$1,931 thousand, respectively, as of December 31, 2023 and 2022. Individual impairment assessments have been conducted for the Company's trade receivables from related parties and the recognized impairment losses were NT\$0 thousand and NT\$151 thousand, respectively.

The Company's contract assets amounted to NT\$358 thousand and NT\$8,638 thousand, respectively, as of December 31, 2023 and 2022. Individual impairment assessments have been conducted for the Company's contract assets and the recognized impairment losses were NT\$8,638 thousand and NT\$0 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	\$-	\$151
Addition/(reversal) for the current period	8,638	(151)
As of December 31, 2023	\$8,638	\$-
As of January 1, 2022	\$-	\$-
Addition/(reversal) for the current period	-	151
As of December 31, 2022	\$-	\$151

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(17) Leases

A. Company as a lessee

The Company leases multiple assets, including company cars, and computer and telecommunication equipment. The periods of the lease contracts range from 2 to 3 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 Company are as follows:

(a) Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of	
	December 31, 2023	December 31, 2022
Transportation equipment	\$4,675	\$2,619
Miscellaneous equipment	-	374
Total	<u>\$4,675</u>	<u>\$2,993</u>

The Company's additions to right-of-use assets amounted to NT\$5,620 thousand and NT\$1,877 thousand, which were acquired directly by bearing lease liabilities for the years ended December 31, 2023 and 2022, respectively.

(ii) Lease liabilities

	As of	
	December 31, 2023	December 31, 2022
Lease liabilities	<u>\$4,706</u>	<u>\$3,026</u>
Current	<u>\$2,172</u>	<u>\$-</u>
Non-current	<u>\$2,534</u>	<u>\$3,026</u>

Please refer to Note 6.19.D for the interest on lease liability recognized for the years ended December 31, 2023 and 2022 and refer to Note 12.5 for the maturity analysis for lease liabilities.

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(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the year ended December, 31	
	2023	2022
Transportation equipment	3,564	3,687
Miscellaneous equipment	374	374
Total	<u>\$3,938</u>	<u>\$4,061</u>

(c) Income and costs relating to leasing activities

	For the year ended December, 31	
	2023	2022
The expenses relating to short-term leases	<u>\$781</u>	<u>\$721</u>

(d) Cash outflows relating to leasing activities

For the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases including lease principal repayments and interest payments amounted to NT\$4,021 thousand and NT\$4,071 thousand, respectively. Cash payments for short-term leases amounted to NT\$781 thousand and NT\$721 thousand, respectively.

(e) Other information relating to leasing activities

None.

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

By function By nature	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	\$517	33,842	\$34,359	\$642	\$54,036	\$54,678
Labor and health insurance	-	4,232	4,232	-	4,728	4,728
Pension	-	2,402	2,402	-	2,605	2,605
Board compensation	-	1,354	1,354	-	1,302	1,302
Share-based payment expenses	-	4,060	4,060	-	6,457	6,457
Other personnel expenses	-	2,642	2,642	-	2,516	2,516
Depreciation	1,025	14,735	15,760	1,235	17,354	18,589
Amortization	-	2,491	2,491	-	6,154	6,154

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On December 31, 2023 and 2022, the numbers of employees were 47 and 53 respectively, among which the numbers of directors who have not served as employees were both 6.

The Company's average employee benefit expense was NT\$1,163 thousand for the year ended December 31, 2023 (total employee benefit expense for the year minus total director's remuneration for the year/number of employees for the year minus number of directors who have not served as employees for the year). The Company's average employee benefit expense was NT\$1,510 thousand for the year ended December 31, 2022 (total employee benefit expense for the previous year minus total director's remuneration for the previous year/number of employees for the previous year minus number of directors who have not served as employees for the previous year).

The Company's average salaries and wages were NT\$937 thousand for the year ended December 31, 2023 (total salaries and wages for the year/number of employees for the year minus number of directors who have not served as employees for the year). The Company's average salaries and wages were NT\$1,301 thousand for the year ended December 31, 2022 (total salaries and wages for the previous year/number of employees for the previous year minus number of directors who have not served as employees for the previous year).

The Company's average salaries and wages decreased by 28% and 14% for the years ended December 31, 2023 and 2022 (the current year average salaries and wages minus the prior year average salaries and wages/the prior year average salaries and wages).

The Remuneration Policy for directors and managers are set out according to the Regulations Governing Salaries and Bonuses and take into account the general pay levels in the same industry, individual performance assessment results, the input time of the individual, responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years, as well as, the reasonableness of the correlation between the individual's performance and this Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of this Company.

According to the Company's Remuneration Policy for employees, annual salary included the 12-month base salary and year-end bonuses, employees are rewarded with bonuses based on the achievement of the operating performance of the Company or business unit in the year and the individual performance assessment results.

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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.

The Company'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.

(19) Non-operating income and expenses

A. Interest income

	For the year ended December 31,	
	2023	2022
Interest income from bank deposits	\$1,272	\$573
Other interest income	56	32
Total	<u>\$1,328</u>	<u>\$605</u>

B. Other income

	For the year ended December 31,	
	2023	2022
Other income-others	<u>\$3,290</u>	<u>\$1,725</u>

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C. Other gains and losses

	For the year ended December 31,	
	2023	2022
Gains (losses) on disposal of investments	\$-	\$(7)
Gains on lease modification	-	4
Foreign exchange losses, net	(140)	(2,307)
Gains (losses) on financial assets at fair value through profit or loss	54	(70)
Other losses-others	(1,247)	(5,238)
Total	<u><u>\$(1,333)</u></u>	<u><u>\$(7,618)</u></u>

D. Finance costs

	For the year ended December 31,	
	2023	2022
Interest on borrowings from bank	\$15,105	\$10,044
Interest on lease liabilities	75	69
Total	<u><u>\$15,180</u></u>	<u><u>\$10,113</u></u>

(20) 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	\$311	\$-	\$311	\$-	\$311
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	(863)	-	(863)	-	(863)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	8,699	-	8,699	(1,740)	6,959
Total	<u><u>\$8,147</u></u>	<u><u>\$-</u></u>	<u><u>\$8,147</u></u>	<u><u>\$(1,740)</u></u>	<u><u>\$6,407</u></u>

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For the year ended December 31, 2022:

	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	\$890	\$-	\$890	\$(178)	\$712
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	16,231	-	16,231	-	16,231
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(30)	-	(30)	6	(24)
Total	<u>\$17,091</u>	<u>\$-</u>	<u>\$17,091</u>	<u>\$(172)</u>	<u>\$16,919</u>

(21) Income tax

The major components of income tax expense are as follows:

Income tax income (expense) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense:		
Current income tax payable	\$-	\$-
Surtax on undistributed retained earnings	-	-
Adjustments in respect of current income tax of prior periods	(44)	13,550
Deferred tax expenses:		
Deferred tax expense relating to origination and reversal of temporary differences	(1,941)	(42,572)
Deferred tax expense relating to origination and reversal of tax loss and tax credit	(149,247)	-
Income tax expense	<u><u>\$(151,232)</u></u>	<u><u>\$(29,022)</u></u>

Income tax relating to components of other comprehensive income

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Deferred tax income (expense):		
Exchange differences resulting from translating the financial statements of foreign operations	\$(1,740)	\$6
Remeasurements of defined benefit plans	-	(178)
	<u><u>\$(1,740)</u></u>	<u><u>\$(172)</u></u>

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

	For the year ended December 31,	
	2023	2022
Accounting profit (loss) before tax from continuing operations	\$(410,064)	\$(646,852)
Income tax calculated by statutory tax rates	\$(82,013)	\$(130,404)
Tax effect of revenues exempt from taxation	26,118	(13,029)
Tax effect of non-deductible expense	14,389	101,318
Adjustments in respect of current income tax of prior periods	(44)	(13,550)
Tax effect of unrecognized deferred tax assets/liabilities	151,189	-
Tax losses on unrecognized deferred tax assets	41,593	84,687
Total income tax expense (income) recognized in profit or loss	\$151,232	\$29,022

Deferred tax assets (liabilities) relate to the following:

(a) For the year ended December 31, 2023

	Beginning Balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending 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	9,748	(3,469)	-	6,279
Others	891	(45)	-	846
Tax losses	40,655	(1,941)	-	38,714
Investment tax credits	267,959	(145,093)	-	122,866
Deferred tax expense		\$(151,188)	\$(1,740)	
Net deferred tax assets (liabilities)	\$473,565			\$320,637
Reflected in balance sheet as follows:				
Deferred tax assets	\$474,230			\$321,302
Deferred tax liabilities	\$(665)			\$(665)

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(b) For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending 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	93,995	-	-	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	2,738	-	6	2,744
Losses for market price decline and obsolete and slow-moving inventories	9,748	-	-	9,748
Others	1,114	(45)	(178)	891
Tax losses	82,759	(42,104)	-	40,655
Investment tax credits	267,959	-	-	267,959
Deferred tax expense		<u>\$(42,572)</u>	<u>\$(172)</u>	
Net deferred tax assets (liabilities)	<u>\$516,309</u>			<u>\$473,565</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$516,796</u>			<u>\$474,230</u>
Deferred tax liabilities	<u>\$(487)</u>			<u>\$(665)</u>

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

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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>	

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:

	The assessment of income tax returns
The Company	Assessed and approved up to 2021

(22) 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.

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Diluted earnings (losses) per share amounts are calculated by dividing the net profit attributable to ordinary equity holders 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		
Net losses (in thousands)	\$(561,296)	\$(675,874)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	139,346	139,126
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.

7. Related Party Transactions

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Chang, Shi-Chung	Chairman of the Company
Chang, Tse-Ling	Director of the Company
EVERSPRING INDUSTRY CO., LTD.	Director of the Company
TBG Biotechnology Corp.	The Company is its ultimate parent company
UMO INTERNATIONAL CO., LTD.	The Company is its ultimate parent company
Medigen Vaccine Biologics Corporation	The Company is its ultimate parent company
CELLXPRT BIOTECHNOLOGY CORP.	Associates
TBG Biotechnology (Xiamen) Inc.	Associates
U-GEN	Associates

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Significant transactions with the related parties

A. Purchases

	For the year ended December 31,	
	2023	2022
TBG Biotechnology Corp.	\$2,680	\$28,053

The purchase price and terms for goods were based on the mutual agreement. For some purchase unit prices, there were no prices available from other suppliers for comparison.

B. Trade receivables from related parties

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology (Xiamen) Inc.	\$-	\$1,507
Less: loss allowance for doubtful debts	-	(151)
Net	\$-	\$1,356

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.

C. Contract assets

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

D. Notes payable to related parties

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology Corp.	\$49	\$-

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E. Trade payables to related parties

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology Corp.	\$-	\$55

F. Othe trade payables to related parties

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology Corp.	\$44	\$-

G. Contract liabilities

	As of	
	December 31, 2023	December 31, 2022
CELLXPRT BIOTECHNOLOGY CORP.	\$26,304	\$26,304

Contract liabilities arise mainly from royalty revenue received in advance.

H. Professional service fees

	As of	
	December 31, 2023	December 31, 2022
TBG Biotechnology (Xiamen) Inc.	\$-	\$2,183
TBG Biotechnology Corp.	11	-
Total	\$11	\$2,183

I. Others

- (a) For the years ended December 31, 2023 and 2022, the Company 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 Company 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, 2023, the Company participated in the cash capital increase of the subsidiary, Yingxin Investment Co., Ltd., for NT\$50 thousand.
- (d) For the year ended December 31, 2022, the Company purchased 100% ownership interest in TDL HOLDING CO. from the subsidiary, TBG Diagnostics Limited, in the amount of NT\$130,032 thousand. The date of ownership interest settlement was November 2, 2022, and the payment was settled on November 4, 2022. Please refer to Note 6.6 for more information.
- (e) For the year ended December 31, 2022, the Company 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 investments (included in the line item of “other non-current assets”).
- (f) For the years ended December 31, 2023 and 2022, the joint guarantor of the Company’s loan from financial institutions was the related party, Chang Shi Chung.
- (g) For the year ended December 31, 2022, the Company participated in the cash capital increase of the subsidiary, TDL HOLDING CO., in the amount of NT\$30,000 thousand.

J. Key management personnel compensation

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$20,052	\$22,723
Post-employment benefits	504	615
Share-based payment	18	-
Total	<u>\$20,574</u>	<u>\$23,338</u>

8. Assets Pledged as Collateral

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

<u>Assets pledged as collateral</u>	<u>Carrying Amount</u>		<u>Purpose of pledge</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Restricted assets-current (recognized as other financial assets-current)	\$7,800	\$12,800	Security for loan, loan plans and lease deposits
Property, plant and equipment:			Security for loan
Land	222,467	246,214	
Buildings	135,595	171,865	
Total	<u>\$365,862</u>	<u>\$430,879</u>	

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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.

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 milestone 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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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	\$1,232
Financial assets measured at amortized cost		
Cash and cash equivalents	348,390	418,967
Trade receivables (including related parties)	-	1,780
Other receivables (including related parties)	1,724	1,320
Restricted assets, current (recognized as other financial assets, current)	7,800	12,800
Refundable deposits	9,267	10,037
Subtotal	367,181	444,904
Total	\$367,667	\$446,136

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Financial liabilities

	As of	
	December 31,	December 31,
	2023	2022
Financial liabilities at amortized cost:		
Short-term borrowings	343,000	268,000
Payables	22,316	44,697
Long-term borrowings (including current portion with maturity less than 1 year)	419,288	422,288
Lease liabilities (current and non-current)	4,706	3,026
Total	<u>\$789,310</u>	<u>\$738,011</u>

(2) Financial risk management objectives and policies

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

The Company 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.

MEDIGEN BIOTECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Foreign currency risk

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD 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\$(137) thousand and NT\$610 thousand, respectively.
- B. When NTD appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2023 and 2022 decreases/increases by NT\$197 thousand and NT\$184 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 Company's exposure to the risk of changes in market interest rates primarily relates to the Company's long-term borrowings at variable interest rates.

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\$1,048 thousand and NT\$845 thousand, respectively.

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Equity price risk

The Company'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 Company'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 Company 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 Company's senior management on a regular basis. The Company'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\$12 thousand on the profit or loss attributable to the Company 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 Company 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 Company'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 Company's internal rating criteria, etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

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

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(5) Liquidity risk management

The Company'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 Company'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	\$370,204	\$88,832	\$88,832	\$278,644	\$826,512
Lease liabilities	2,236	2,566	-	-	4,802
As of December 31, 2022					
Borrowings	\$28,992	\$66,222	\$75,832	\$308,060	\$770,080
Lease liabilities	2,737	311	-	-	3,048

(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)	Lease liabilities (current and non-current)	Total liabilities from financing activities
As of January 1, 2023	\$268,000	\$422,288	\$3,026	\$693,314
Cash flows	75,000	(3,000)	(4,021)	67,979
Non-cash movement	-	-	5,701	5,701
As of December 31, 2023	<u>\$343,000</u>	<u>\$419,288</u>	<u>\$4,706</u>	<u>\$766,994</u>
As of January 1, 2022	\$240,000	\$426,193	\$5,480	\$671,673
Cash flows	28,000	(3,905)	(4,071)	20,024
Non-cash movement	-	-	1,617	1,617
As of December 31, 2022	<u>\$268,000</u>	<u>\$422,288</u>	<u>\$3,026</u>	<u>\$693,314</u>

MEDIGEN BIOTECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(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 Company 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 Company's financial assets (including held-to-maturity investments, loans and receivables) and financial liabilities (including bank loans and lease liabilities) measured at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for fair value measurement hierarchy for financial instruments of the Company.

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(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 Company 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 Company falls within this level.

Level 3: Unobservable inputs for the asset or liability. The Company'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 Company 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 Company's assets and liabilities

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

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

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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	\$1,232	\$-	\$-	\$1,232

Transfers between Level 1 and Level 2 during the period

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

(9) Significant assets and liabilities denominated in foreign currencies

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

<u>As of December 31, 2023</u>			
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$323	30.705	9,924
CNY	4,523	4.327	19,571
<u>As of December 31, 2022</u>			
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$2,483	30.71	\$76,253
CNY	4,168	4.41	18,381

(10) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, or issue new shares.

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(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.

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: None.

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.

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(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

Please refer to the Company's consolidated financial statements for the year ended December 31, 2023.

MEDIGEN BIOTECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

Attachment 2: Significant intercompany transactions between consolidated entities

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	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
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Amounts in Thousands of New Taiwan Dollars, Unless Stated otherwise)

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

(Amounts in Thousands of New Taiwan Dollars/Share)											
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 conlums 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.

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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.	Cytherapy 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.

MEDIGEN BIOTECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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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 3.21% in the total liabilities.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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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.

MEDIGEN BIOTECHNOLOGY CORPORATION

1. STATEMENT OF CASH AND CASH EQUIVALENTS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description					Amount	Note
Cash on hand						\$68	
Cash in bank	Checking deposits					832	
	Savings deposits					314,973	
	Foreign currency deposits	USD	323 thousand	Exchange rate	30.705	9,924	
		HKD	713 thousand	Exchange rate	3.929	2,801	
		RMB	4,523 thousand	Exchange rate	4.327	19,571	
		CAD	4 thousand	Exchange rate	23.20	96	
		AUD	6 thousand	Exchange rate	20.98	125	
Total						<u>\$348,390</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

2. STATEMENT OF CONTRACT ASSETS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Contract assets, current			
Zhangbin Show Chwan Memorial Hospital		\$358	

MEDIGEN BIOTECHNOLOGY CORPORATION

3.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Non-related parties			
Tax refund receivable - Business tax		\$72	
Other receivables - Sales of shares		1,397	
Other receivables - Payment for goods		255	
Total		<u>\$1,724</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

4. STATEMENT OF INVENTORIES

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Amount		Note
	Cost	Net Realizable Value	
Merchandise	\$34,812	\$48,114	Evaluated by net realizable value
Raw materials	6,164	6,274	"
Work in progress and semi-finished products	518	670	"
Total	41,494	\$55,058	
Less: Allowance for inventory valuation and obsolescence losses	(33,566)		
Net	\$7,928		

MEDIGEN BIOTECHNOLOGY CORPORATION

5. STATEMENT OF NON-CURRENT ASSETS HELD FOR SALE

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Land	It is recognized as assets held for disposal in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”	\$23,747	
Buildings and facilities		31,413	
Renovation		51	
Total		<u>\$55,211</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

6. STATEMENT OF OTHER CURRENT ASSETS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Payment on behalf of others	Payments for inspection instruments and reagents on behalf of customers	\$232	
Prepayments to suppliers	Prepayments for commissioned testing service fees	173	
Prepaid rents	Prepaid rents	42	
Prepaid expenses	Prepaid insurance and travel expenses	4,785	
Others	Including royalty and excess business tax paid	25,109	
Total		<u>\$30,341</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

7. STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Shares: in thousands

Name	Beginning Balance		Increase in 2023		Decrease in 2023		Valuation Adjustment	Ending Balance		Accumulated Impairment	Guarantee/ Pledge	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Amount	Shares	Fair value			
Name of stock/fund												
Neuberger Berman Global Strategic Income Securities Investment Trust Fund Class TWD T Accumulating	50	\$500	-	\$-	-	\$-	\$(14)	50	\$486	Not applicable	None	
Taishin Future Health Fund A-TWD	30	300	-	-	30	304	(4)	-	-	Not applicable	None	
Cathay US ESG Fund-TWD	50	500	-	-	50	496	4	-	-	Not applicable	None	
Lanka Graphite Limited	3,000	14,505	-	-	-	-	(14,505)	3,000	-	Not applicable	None	
Total		<u>\$15,805</u>		<u>\$-</u>		<u>\$800</u>	<u>\$(14,519)</u>		<u>\$486</u>			

MEDIGEN BIOTECHNOLOGY CORPORATION

8. STATEMENT OF REFUNDABLE DEPOSITS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Lessor A		\$5,682	The amount of individual item in others does not exceed 5% of the account balance.
Lessor B		1,920	
Lessor C		1,490	
Others		175	
Total		<u>\$9,267</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
9. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Increase in 2023 (Note)			Decrease in 2023 (Note)			Ending Balance			Market Value or Net Assets Value		Guarantee/Pledge	Note
	Shares	Amount	Shares	Amount		Shares	Amount		Shares	%	Amount	Unit price	Total amount		
TBG DIAGNOSTICS LIMITED	112,616	\$77,193	-	(5) \$9,698		-	(1) \$37,375		112,616	51.76%	\$55,456	\$492	\$55,456	None	(1) indicates recognizing as gain and loss on investment.
				(6) 5,940											(2) indicates recognizing as dividends.
TDL HOLDING CO.	-	54,514	975,600	(3) 30,000		-	(1) 8,856		975,600	100.00%	75,658	78	75,658	None	(3) indicates acquisition or disposal.
															(4) indicates proportional shares subscription
Medigen Vaccine Biologics Corporation	64,729	966,369	-	(3) 3,039		2,370	(3) 31,552		62,359	18.98%	717,787	11,511	717,787	Please refer to Note 8.	(5) indicates accumulated translation adjustments.
				(5) 14			(1) 223,475								(6) indicates changes in capital surplus
				(4) 3,911			(7) 603								(7) indicates the adjustments for unrealized gains (losses) from financial instrument investments measured at fair value through other comprehensive income
				(6) 84											
WINSTON MEDICAL SUPPLY CO., LTD.	10,906	308,821	-	(1) 93,088		-	(6) 261		10,906	59.22%	347,116	31,828	347,116	None	
							(2) 54,532								
Medigen Biotechnology (Xiamen) Corporation	-	2,543	-	-		-	(1) 12		-	100.00%	2,484	-	2,484	None	
							(5) 47								
Medigen Biotechnology (Beijing) Corporation	-	102,234	-	-		-	(1) 31,170		-	100.00%	48,785	-	48,785	None	
							(5) 930								
							(6) 21,349								
Yingxin Investment Co., Ltd.	-	-	-	(3) 50		-	-		-	100.00%	50	-	50	None	
U-GEN BIOTECHNOLOGY INC.	-	-	2,531	(3) 152,952		-	(1) 2,762		-	100.00%	295	-	295	None	
							(5) 37								
							(6) 149,858								
CELLXPRT BIOTECHNOLOGY CORP.	-	-	-	-		-	-		-	-	-	-	-	None	
Total		<u>\$1,511,674</u>									<u>\$1,247,631</u>				

MEDIGEN BIOTECHNOLOGY CORPORATION

10. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Land	Buildings and facilities	Office equipment	Testing equipment	Miscellaneous equipment	Total	Note
Cost:							
As of January 1, 2023							
Addition							
Disposal							
Reclassification							
Effect of changes in exchange rates							
As of December 31, 2023	Please refer to Note 6 (8) for the information on property, plant and equipment.						
Depreciation and impairment:	Please refer to Note 8 for the Company's property, plant and equipment provided to banks as securities for loans.						
As of January 1, 2023							
Addition							
Disposal							
Reclassification							
Effect of changes in exchange rates							
As of December 31, 2023							
Net carrying amount:							
As of December 31, 2023							

MEDIGEN BIOTECHNOLOGY CORPORATION

11. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Transportation Equipment	Miscellaneous Equipment	Total	Note
Cost:				
As of January 1, 2023	\$9,576	\$749	\$10,325	
Addition	5,620	-	5,620	
Other changes (Note)	(5,925)	-	(5,925)	
As of December 31, 2023	9,271	749	10,020	
Depreciation and impairment:				
As of January 1, 2023	6,957	375	7,332	
Addition	3,564	374	3,938	
Other changes (Note)	(5,925)	-	(5,925)	
As of December 31, 2023	4,596	749	5,345	
Net carrying amount:				
As of December 31, 2023	\$4,675	\$-	\$4,675	

Note: Other changes arose from write-off of right-of-use assets due to maturity of lease contracts.

MEDIGEN BIOTECHNOLOGY CORPORATION

12. STATEMENT OF CHANGES IN INTANGIBLE ASSETS

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Computer software	Drug permit license and special technique	Goodwill	Rights of vaccine projects	Total	Note
Cost:	Please refer to 6 (9) for the information on intangible assets.					
As of January 1, 2023						
Addition						
Disposal						
Reclassification						
Effect of changes in exchange rates						
As of December 31, 2023						
Amortization and impairment:						
As of January 1, 2023						
Addition						
Disposal						
Reclassification						
Effect of changes in exchange rates						
As of December 31, 2023						
Net carrying amount:						
As of December 31, 2023						

MEDIGEN BIOTECHNOLOGY CORPORATION

13. STATEMENT OF DEFERRED TAX ASSETS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Please refer to 6 (21) for the information on deferred tax assets.			

MEDIGEN BIOTECHNOLOGY CORPORATION

14. CONTRACT LIABILITIES

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Non-related party			
Others	Advances from customers	\$1,138	
Related party			
CELLXPRT BIOTECHNOLOGY CORP.	Advance royalty receipts	26,304	
		<u>\$27,442</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

15. STATEMENT OF NOTES PAYABLE

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Non-related party			
Others	Payment for goods	<u>\$1,170</u>	
Related party			
TBG Biotechnology Corp.	Payment for goods	<u>\$49</u>	

16. STATEMENT OF ACCOUNTS PAYABLE

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Non-related party			
Others	Payment for goods	<u>\$6</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
17. STATEMENT OF SHORT-TERM BORROWINGS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Type	Description	Ending Balance	Contract Term	Interest Rate	Loan Commitment	Collateral	Note
<u>Bank loans</u>							
Taiwan Cooperative Bank (C/D)	Collateral	\$30,000	2023/6/27-2024/6/27	2.02%	\$30,000	Please refer to Note 8	
Sunny Bank	"	50,000	2023/10/12-2024/10/11	2.24%	50,000	"	
"	"	30,000	2023/10/12-2024/10/11	2.24%	30,000	"	
First Commercial Bank	"	25,000	2023/12/22-2024/06/22	2.51%	25,000	"	
Chang Hua Commercial Bank, Ltd.	"	28,000	2023/11/10-2024/05/20	2.40%	50,000	"	
Shanghai Commercial & Savings Bank, Ltd.	"	50,000	2023/01/10-2024/01/10	2.26%	50,000	"	
Mega International Commercial Bank	"	30,000	2023/11/07-2024/02/05	2.23%	30,000	"	
IBF Financial Holdings Co.,Ltd. - Commercial paper	"	100,000	2023/11/09-2024/01/08	1.75%	100,000	"	
		<u>\$343,000</u>					

MEDIGEN BIOTECHNOLOGY CORPORATION

18. STATEMENT OF OTHER PAYABLES

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Payables to non-related parties			
Expenses for clinical trials		\$11,180	
Year-end bonus		5,618	
Others	Labor and health insurance, pension, service expense and utilities.	4,249	
Subtotal		<u>21,047</u>	
Payables to related parties			
TBG Biotechnology Corp.		<u>44</u>	
Total		<u><u>\$21,091</u></u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

19. STATEMENT OF OTHER CURRENT LIABILITIES

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Other current liabilities - Others	Withholding taxes on salaries, service expense and labor pension, and withholding supplementary premiums for second-generation National Health Insurance	\$640	
Total		<u>\$640</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
20. STATEMENT OF LONG-TERM BORROWINGS

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Please refer to Note 6 (11) for the information on long-term borrowings.

MEDIGEN BIOTECHNOLOGY CORPORATION

21. STATEMENT OF LEASE LIABILITIES

As of December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Lease Term	Discount Rate	Ending Balance	Note
Company car 1	Lease of company cars	2023/4/17-2026/4/16	1.77%	\$4,396	
Company car 2	Lease of company cars	2021/3/27- 2024/3/26	1.39%	310	
Miscellaneous equipment	Computer and telecommunication equipment	2022/1/1- 2023/12/31	1.39%	-	
			Total	<u>\$4,706</u>	
			Current	<u>\$2,172</u>	
			Non-current	<u>\$2,534</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

22. STATEMENT OF OPERATING REVENUE

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Units	Amount	Note
Sales revenue		\$3,458	
Revenue from technical service		2,596	
Royalty income		3,939	
Total operating revenue		9,993	
Less: sales returns and discounts		-	
Operating income, net		\$9,993	

MEDIGEN BIOTECHNOLOGY CORPORATION

23. STATEMENT OF OPERATING COSTS

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Amount	Note
Costs of purchase and sale		
Beginning merchandise	\$34,322	
Add: Purchase of goods for the current period	2,347	
Other additions	1,184	
Less: Ending inventory (Note)	(34,297)	
Other deductions	(3)	
Subtotal		<u>\$3,553</u>
Gifts of finished goods	691	
Direct raw materials		
Beginning inventory	24,569	
Add: Purchase of goods for the current period	3,892	
Inventory profit	1	
Less: Ending inventory (Note)	(6,164)	
Other deductions	(20,956)	
Subtotal	<u>1,342</u>	
Direct labor	518	
Manufacturing overheads	<u>2,437</u>	
Total manufacturing costs	<u>4,297</u>	
Cost of finished goods		
Finished goods at the beginning of the period	476	
Add: Other additions	1,145	
Less: Ending work in progress and semi-finished products (Note)	(1,033)	
Inventory losses	(1,313)	
Others	(2,957)	
Cost of sales of finished goods		<u>615</u>
Other operating costs	17,895	
Less: Gain from price recovery of inventory	(17,346)	
Subtotal		<u>549</u>
Total operating costs		<u><u>\$4,717</u></u>

Note: Gross amount without deducting allowance for inventory valuation losses.

MEDIGEN BIOTECHNOLOGY CORPORATION

24. STATEMENT OF OPERATING EXPENSES

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Selling Expenses	Administrative Expenses	Research and Development Expenses	Expected Credit Losses (Gains)	Total
Payroll expence	\$-	\$27,198	\$8,078	\$-	\$35,276
Services expense	-	29,017	2,876	-	31,893
Depreciation	-	6,548	8,187	-	14,735
Sample charge	876	-	-	-	876
Expenses for clinical trials	-	-	56,476	-	56,476
Research and development expenses	-	-	8,278	-	8,278
Others (individual item not exceeding 5% of the account balance)	70	20,153	19,678	-	39,901
Expected credit losses	-	-	-	8,487	8,487
	<u>\$946</u>	<u>\$82,916</u>	<u>\$103,573</u>	<u>\$8,487</u>	<u>\$195,922</u>

MEDIGEN BIOTECHNOLOGY CORPORATION

25. STATEMENT OF INTEREST REVENUE

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Interest income	Interest on bank deposits	\$1,272	
	Deposit imputed interest	56	
		<u>\$1,328</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

26. STATEMENT OF OTHER INCOME

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Rent income		\$441	
Other income	Income from commissioned research	2,682	
	Unclaimed remuneration to directors	160	
	Others (individual item not exceeding 5% of the account balance)	7	
	Subtotal	2,849	
Total		\$3,290	

MEDIGEN BIOTECHNOLOGY CORPORATION

27. STATEMENT OF OTHER GAINS AND (LOSSES)

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Gains on disposals of investments		\$-	
Net foreign exchange losses		(140)	
Gains on financial assets at fair value through profit or loss		54	
Other losses, others	Mainly business tax paid	(1,247)	
Total		<u><u>\$(1,333)</u></u>	

MEDIGEN BIOTECHNOLOGY CORPORATION

28. STATEMENT OF FINANCIAL COSTS

For the year ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Please refer to Note 6 (19) for the information on financial costs.			