

GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Genovate Biotechnology Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Genovate Biotechnology Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers. "

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter for the Company's 2022 parent company only financial statements is as follow:

Recognition of sales revenue

Description

Given the sales revenue has a high degree of inherent risk and is material to the parent company only financial statements, we consider the recognition of sales revenue as a key audit matter. Refer to Note 4(26) for accounting policies on operating revenue recognition, and Note 6(21) for details of operating revenue.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

1. Tested the design and implementation effectiveness of the internal control system of sales transactions.
2. Evaluated the reasonableness of the trade terms and credit line to the customers.
3. Confirmed the existence of the revenue and the accuracy of revenue recognition by performing substantive tests on sales transactions, selecting and verifying the transaction documents in relation to order information and shipping records, and related vouchers in relation to sales returns and discounts occurring subsequent to the reporting period.

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

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the 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 of the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Liu, Chien-Yu

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2023

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

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

GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 189,255	12	\$ 194,019	13
1110	Financial assets at fair value through profit or loss - current	6(2)	20,000	1	13,000	1
1136	Current financial assets at amortised cost	6(4)	282,880	18	177,980	12
1150	Notes receivable, net	6(5)	10,625	1	8,652	1
1170	Accounts receivable, net	6(5)	83,880	6	84,282	5
1180	Accounts receivable - related parties	6(5) and 7	1,621	-	1,454	-
1200	Other receivables	7	27,768	2	774	-
130X	Inventories	6(6)	145,861	9	139,943	9
1410	Prepayments	7	15,077	1	10,404	1
11XX	Total current assets		<u>776,967</u>	<u>50</u>	<u>630,508</u>	<u>42</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3) and 7	324,488	21	417,411	27
1550	Investments accounted for using equity method	6(7)	32,018	2	26,531	2
1600	Property, plant and equipment	6(8)	401,542	26	408,880	27
1755	Right-of-use assets	6(9)	1,746	-	717	-
1760	Investment property - net	6(11)	21,662	1	21,662	1
1780	Intangible assets	6(12)	796	-	1,491	-
1900	Other non-current assets		5,209	-	8,312	1
15XX	Total non-current assets		<u>787,461</u>	<u>50</u>	<u>885,004</u>	<u>58</u>
1XXX	Total assets		<u>\$ 1,564,428</u>	<u>100</u>	<u>\$ 1,515,512</u>	<u>100</u>

(Continued)

GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Contract liabilities - current	6(21) and 7	\$ 4,734	1	\$ 4,026	-
2150	Notes payable		111	-	119	-
2170	Accounts payable	6(13)	45,798	3	34,881	3
2200	Other payables	6(14)	55,125	4	47,904	3
2220	Other payables - related parties	6(14) and 7	1,898	-	-	-
2230	Current income tax liabilities		3,271	-	3,398	-
2280	Lease liabilities - current		1,253	-	742	-
2399	Other current liabilities, others		19,651	1	19,543	1
21XX	Total current liabilities		<u>131,841</u>	<u>9</u>	<u>110,613</u>	<u>7</u>
Non-current liabilities						
2580	Non-current lease liabilities		585	-	91	-
2600	Other non-current liabilities	6(15)	21,175	1	25,942	2
25XX	Total non-current liabilities		<u>21,760</u>	<u>1</u>	<u>26,033</u>	<u>2</u>
2XXX	Total Liabilities		<u>153,601</u>	<u>10</u>	<u>136,646</u>	<u>9</u>
Equity						
Share capital		6(17)				
3110	Common stock		1,093,758	70	1,100,038	72
Capital surplus		6(18)				
3200	Capital surplus		210,512	13	208,929	14
Retained earnings		6(19)				
3310	Legal reserve		61,483	4	56,748	4
3320	Special reserve		35,043	2	-	-
3350	Unappropriated retained earnings		105,649	7	111,226	7
Other equity interest		6(20)				
3400	Other equity interest		(95,618)	(6)	(35,043)	(2)
3500	Treasury stocks	6(17)	-	-	(63,032)	(4)
3XXX	Total equity		<u>1,410,827</u>	<u>90</u>	<u>1,378,866</u>	<u>91</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 1,564,428</u>	<u>100</u>	<u>\$ 1,515,512</u>	<u>100</u>

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

GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings (losses) per share amounts)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 438,759	100	\$ 434,254	100
5000	Operating costs	6(6)(12)(22)(23)	(283,889)	(65)	(284,500)	(65)
5900	Net operating margin		154,870	35	149,754	35
	Operating expenses	6(5)(8)(12)(15)(22)(23) and 7				
6100	Selling expenses		(64,319)	(14)	(57,468)	(13)
6200	General and administrative expenses		(42,566)	(10)	(38,022)	(9)
6300	Research and development expenses		(61,878)	(14)	(55,427)	(13)
6450	Expected credit impairment gain (loss)	12(2)	3	-	(3)	-
6000	Total operating expenses		(168,760)	(38)	(150,920)	(35)
6900	Operating loss		(13,890)	(3)	(1,166)	-
	Non-operating income and expenses					
7100	Interest income	6(24)	2,670	1	1,605	-
7010	Other income	6(10)(11)(25)	1,653	-	3,445	1
7020	Other gains and losses	6(26)	73	-	(46)	-
7050	Finance costs	6(27)	(281)	-	(252)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	6(7)	774	-	(18)	-
7000	Total non-operating income and expenses		4,889	1	4,734	1
7900	Profit (loss) before income tax		(9,001)	(2)	3,568	1
7950	Income tax expense	6(28)	(3,322)	(1)	(3,196)	(1)
8200	Profit (loss) for the year		(\$ 12,323)	(3)	\$ 372	-
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Loss on remeasurements of defined benefit plans	6(15)	(\$ 2,324)	(1)	(\$ 4,193)	(1)
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	29,010	7	(400)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)(20)	4,457	1	776	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	256	-	(471)	-
8300	Other comprehensive income (loss) for the year		\$ 31,399	7	(\$ 4,288)	(1)
8500	Total comprehensive income (loss) for the year		\$ 19,076	4	(\$ 3,916)	(1)
	Earnings (losses) per share	6(29)				
9750	Basic		(\$ 0.11)		\$ -	
9850	Diluted		(\$ 0.11)		\$ -	

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

GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other Equity Interest			Treasury stocks	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
<u>For the year ended December 31, 2021</u>										
Balance at January 1, 2021		\$ 1,078,886	\$ 208,746	\$ 50,128	\$ -	\$ 135,009	\$ 152	\$ 16,072	(\$ 63,032)	\$ 1,425,961
Profit for the year		-	-	-	-	372	-	-	-	372
Other comprehensive (loss) income for the year	6(3)(15)(20)	-	-	-	-	(4,193)	(471)	376	-	(4,288)
Total comprehensive (loss) income		-	-	-	-	(3,821)	(471)	376	-	(3,916)
Distribution of 2020 earnings:	6(19)									
Legal reserve		-	-	6,620	-	(6,620)	-	-	-	-
Cash dividends		-	-	-	-	(43,362)	-	-	-	(43,362)
Stock dividends		21,152	-	-	-	(21,152)	-	-	-	-
Disposal of equity investment at fair value through other comprehensive income	6(3)(20)	-	-	-	-	51,172	-	(51,172)	-	-
Overdue unclaimed dividends to shareholders	6(18)	-	183	-	-	-	-	-	-	183
Balance at December 31, 2021		\$ 1,100,038	\$ 208,929	\$ 56,748	\$ -	\$ 111,226	(\$ 319)	(\$ 34,724)	(\$ 63,032)	\$ 1,378,866
<u>For the year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 1,100,038	\$ 208,929	\$ 56,748	\$ -	\$ 111,226	(\$ 319)	(\$ 34,724)	(\$ 63,032)	\$ 1,378,866
Loss for the year		-	-	-	-	(12,323)	-	-	-	(12,323)
Other comprehensive (loss) income for the year	6(3)(15)(20)	-	-	-	-	(2,324)	256	33,467	-	31,399
Total comprehensive (loss) income		-	-	-	-	(14,647)	256	33,467	-	19,076
Distribution of 2021 earnings:	6(19)									
Legal reserve		-	-	4,735	-	(4,735)	-	-	-	-
Special reserve		-	-	-	35,043	(35,043)	-	-	-	-
Cash dividends		-	-	-	-	(37,757)	-	-	-	(37,757)
Retirement of treasury shares	6(17)(18)	(6,280)	(10,055)	-	-	(7,693)	-	-	24,028	-
Transferred treasury stock to employees	6(17)(18)	-	(121)	-	-	-	-	-	39,004	38,883
Share-based payment compensation cost	6(16)	-	11,700	-	-	-	-	-	-	11,700
Disposal of equity investment at fair value through other comprehensive income	6(3)(20)	-	-	-	-	94,298	-	(94,298)	-	-
Overdue unclaimed dividends to shareholders	6(18)	-	59	-	-	-	-	-	-	59
Balance at December 31, 2022		\$ 1,093,758	\$ 210,512	\$ 61,483	\$ 35,043	\$ 105,649	(\$ 63)	(\$ 95,555)	\$ -	\$ 1,410,827

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

GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 9,001)	\$ 3,568
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	6(5) and 12(2)	(3)	3
Depreciation	6(8)(9)(22)	34,927	34,628
Amortization	6(12)(22)	1,161	1,188
Net gain on financial assets at fair value through profit or loss	6(26)	(66)	-
Interest expense	6(27)	281	252
Interest income	6(24)	(2,670)	(1,605)
Share of (gain) loss on associates accounted for using equity method	6(7)	(774)	18
Gain on lease modification	6(26)	(51)	-
Share-based payment	6(16)	11,700	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(6,934)	(13,000)
Notes receivable		(1,973)	4,164
Accounts receivable		405	(28,417)
Accounts receivable - related parties		(167)	(1,454)
Other receivables		(26,595)	(156)
Inventories		(5,918)	(304)
Prepayments		(4,673)	(8,917)
Changes in operating liabilities			
Contract liabilities		708	106
Notes payable		(8)	(13,448)
Accounts payable		10,917	11,651
Other payables		6,299	1,319
Other payables - related parties		1,898	-
Other current liabilities		108	(469)
Accrued pension liabilities		(7,091)	(5,877)
Cash inflow (outflow) generated from operations		2,480	(16,750)
Interest received		2,270	1,629
Interest paid		(279)	(251)
Income tax paid		(3,449)	(1,733)
Net cash flows from (used in) operating activities		1,022	(17,105)

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GENOVATE BIOTECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortised cost - current		(\$ 104,900)	\$ 20,000
Acquisition of financial assets at fair value through other comprehensive income		-	(25,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income		121,933	62,122
Acquisition of property, plant and equipment	6(30)	(22,578)	(15,121)
Increase in prepayments for equipment		(970)	(2,839)
Acquisition of intangible assets	6(12)	(466)	(174)
Increase in guarantee deposits paid		(1,168)	(2,690)
Decrease in guarantee deposits paid		2,402	598
Net cash flows (used in) from investing activities		(5,747)	36,896
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of principal portion of lease liabilities	6(9)(31)	(1,224)	(1,230)
Overdue unclaimed dividends to shareholders	6(18)	59	183
Cash dividends paid	6(19)(31)	(37,757)	(43,362)
Transferred treasury stock to employees	6(16)	38,883	-
Net cash flows used in financing activities		(39)	(44,409)
Net decrease in cash and cash equivalents		(4,764)	(24,618)
Cash and cash equivalents at beginning of year	6(1)	194,019	218,637
Cash and cash equivalents at end of year	6(1)	\$ 189,255	\$ 194,019

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

GENOVATE BIOTECHNOLOGY CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

(1) Genovate Biotechnology Co., Ltd. (the “Company”) was incorporated on March 24, 1993. The Company is primarily engaged in research, development, production, manufacture and sales of medicines for the prevention and treatment of disease caused by virus and bacteria and medicines for the treatment of cardiovascular, gastrointestinal, cancer and autoimmune diseases, etc., manufacture of active pharmaceutical ingredients (APIs) and its intermediates and controlled release medicines as well as the manufacture of cosmetic products. As of December 31, 2022, the Company had 185 employees.

(2) The Company purchased the land and plant equipment located in Hukou Township from BRISTOL-MYERS SQUIBB(TAIWAN) LTD. in July 1997.

(3) The Company has been listed on the Taipei Exchange since January 12, 2012.

2. The Date of Authorisation for Issuance of the Parent Company Only Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 10, 2023.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs that came into effect as endorsed by the FSC but not yet adopted by the Company

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

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

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

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

(8) Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Leasing arrangements (lessor) – lease receivables/ operating leases

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as ‘lease receivables’ at an amount equal to the gross investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as ‘unearned finance income of finance lease’.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

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

(13) Inventories

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

(14) Investments accounted for using equity method - subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company’s share of its subsidiaries’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognise loss continuously in proportion to its ownership.

- D. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) and other comprehensive income of the current period in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the consolidated financial statements.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognises change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company’s

ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- K. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- M. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- N. The Company accounts for its interest in a joint venture using equity method; However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful

lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	40~51 years
Machinery and equipment	3~15 years
Other equipment	3~20 years

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Investment property

An investment property - land is stated initially at its cost and measured subsequently using the cost model.

(18) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.
- B. Other intangible assets are right to sell goods and are amortised on a straight-line basis over its estimated life of 3 ~ 5 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons

for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Accounts and notes receivable

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

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the

subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

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

(24) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

- (a) The Company provides medicines for the prevention and treatment of disease caused by virus and bacteria and the treatment of cardiovascular, gastrointestinal, cancer and autoimmune diseases, etc., and manufacture and sales of active pharmaceutical ingredients (APIs) and its intermediates and controlled release medicines. Sales are recognised when control of the products has 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.
- (b) Revenue from sales of products is recognised based on the price specified in the contract, 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. Sales are usually made with a credit term of 30 to 180 days after shipping date. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

- (a) The Company is engaged in assisting customers in research and development as well as in launching of products. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost. 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.
- (b) Some contracts include multiple deliverables services. Such services are accounted for as a single performance obligation as they are highly interrelated and indistinguishable.
- (c) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the market competition, regulatory changes and industrial characteristics, the Company evaluates the

amounts of normal inventory consumption, expired inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$145,861.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash	\$ 70	\$ 70
Checking accounts	1	18
Demand deposits	45,735	34,566
Time deposits	138,700	156,700
Deposit in transit	4,749	2,665
	<u>\$ 189,255</u>	<u>\$ 194,019</u>

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

B. The Company has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates of funds	\$ 20,000	\$ 13,000
Valuation adjustment	-	-
	<u>\$ 20,000</u>	<u>\$ 13,000</u>

The Company recognised net gain of \$66 and \$0 on financial assets held for trading for the years ended December 31, 2022 and 2021, respectively.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Foreign listed stocks	\$ 31,049	\$ 31,050
Emerging stocks	254,138	136,694
Unlisted stocks	118,506	263,584
	403,693	431,328
Valuation adjustment	(79,205)	(13,917)
	<u>\$ 324,488</u>	<u>\$ 417,411</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$324,488 and \$417,411 as at December 31, 2022 and 2021, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ 29,010	(\$ 400)
Cumulative gains reclassified to retained earnings due to derecognition	\$ 94,298	\$ 51,172

- C. As of December 31, 2022 and 2021, the Company has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits	\$ 282,880	\$ 177,980

- A. The Company recognised interest income of \$1,772 and \$986 in profit or loss for the years ended December 31, 2022 and 2021, respectively.
- B. The effective interest rates of time deposits held by the Company as of December 31, 2022 and 2021 were 0.1%~1.44% and 0.09%~0.815%, respectively.
- C. As of December 31, 2022 and 2021, the Company has no investments in financial assets at amortised cost pledged to others.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 10,625	\$ 8,652
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 10,625</u>	<u>\$ 8,652</u>
Accounts receivable due from general customers	\$ 83,908	\$ 84,313
Less: Allowance for uncollectible accounts	(28)	(31)
	83,880	84,282
Accounts receivable due from related parties	<u>1,621</u>	<u>1,454</u>
	<u>\$ 85,501</u>	<u>\$ 85,736</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 79,995	\$ 10,625	\$ 81,488	\$ 8,652
Up to 30 days	4,964	-	3,817	-
31 to 90 days	553	-	452	-
91 to 180 days	17	-	8	-
Over 180 days	-	-	2	-
	<u>\$ 85,529</u>	<u>\$ 10,625</u>	<u>\$ 85,767</u>	<u>\$ 8,652</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$68,684.

C. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$10,625 and \$8,652 and accounts receivable were \$85,501 and \$85,736, respectively.

D. As of December 31, 2022 and 2021, the Company had commercial papers amounting to \$200, provided by the customers as collateral for the accounts receivable line of credit.

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

(6) Inventories

	December 31, 2022		
	Cost	Allowance for valuation losses	Book value
Raw materials	\$ 65,801	(\$ 1,494)	\$ 64,307
Supplies	29,784	(652)	29,132
Work in process	30,481	(6,971)	23,510
Finished goods	31,670	(2,765)	28,905
Merchandise	364	(357)	7
	<u>\$ 158,100</u>	<u>(\$ 12,239)</u>	<u>\$ 145,861</u>

	December 31, 2021		
	Cost	Allowance for valuation losses	Book value
Raw materials	\$ 53,985	(\$ 1,144)	\$ 52,841
Supplies	26,529	(1,349)	25,180
Work in process	27,896	(6,835)	21,061
Finished goods	29,846	(5,070)	24,776
Merchandise	16,085	-	16,085
	<u>\$ 154,341</u>	<u>(\$ 14,398)</u>	<u>\$ 139,943</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 275,539	\$ 272,301
(Gain on reversal of) loss on market value decline and obsolete and slow-moving inventories	(2,159)	6,278
Gain on physical inventory	(65)	(41)
Cost of services	3,019	3,245
Loss on scrapping inventory	8,146	4,165
Others	(591)	(1,448)
	<u>\$ 283,889</u>	<u>\$ 284,500</u>

The Company reversed a previous inventory write-down because inventories with decline in market value and obsolete and slow-moving inventories were sold for the year ended December 31, 2022.

(7) Investments accounted for using equity method/ subsidiaries and associates

	2022	2021
At January 1	\$ 26,531	\$ 26,244
Share of profit or loss of investments accounted for using the equity method	774	(18)
Changes in other equity items (Note 6(20))	4,713	305
At December 31	<u>\$ 32,018</u>	<u>\$ 26,531</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary:		
Genovate Biotechnology (Cayman) Co., Ltd.	\$ 15,283	\$ 10,338
Associate:		
Genovate - NaviFUS Inc.	<u>16,735</u>	<u>16,193</u>
	<u>\$ 32,018</u>	<u>\$ 26,531</u>

Subsidiaries

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiary.

Associates

The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below :

As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$16,735 and \$16,193, respectively.

	<u>Genovate-NaviFUS Inc.</u>	
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Profit for the year from continuing operations	\$ 947	\$ 136
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>\$ 947</u>	<u>\$ 136</u>

(8) Property, plant and equipment

	<u>2022</u>					
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Others</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1						
Cost	\$ 140,735	\$ 283,169	\$ 160,913	\$ 25,591	\$ 412	\$ 610,820
Accumulated depreciation	-	(106,617)	(81,302)	(14,021)	-	(201,940)
	<u>\$ 140,735</u>	<u>\$ 176,552</u>	<u>\$ 79,611</u>	<u>\$ 11,570</u>	<u>\$ 412</u>	<u>\$ 408,880</u>
At January 1	\$ 140,735	\$ 176,552	\$ 79,611	\$ 11,570	\$ 412	\$ 408,880
Additions	-	1,525	17,481	3,887	606	23,499
Reclassifications	-	-	3,017	234	(412)	2,839
Depreciation charge	-	(10,225)	(19,826)	(3,625)	-	(33,676)
At December 31	<u>\$ 140,735</u>	<u>\$ 167,852</u>	<u>\$ 80,283</u>	<u>\$ 12,066</u>	<u>\$ 606</u>	<u>\$ 401,542</u>
At December 31						
Cost	\$ 140,735	\$ 281,852	\$ 180,441	\$ 24,204	\$ 606	\$ 627,838
Accumulated depreciation	-	(114,000)	(100,158)	(12,138)	-	(226,296)
	<u>\$ 140,735</u>	<u>\$ 167,852</u>	<u>\$ 80,283</u>	<u>\$ 12,066</u>	<u>\$ 606</u>	<u>\$ 401,542</u>

	2021					
	Land	Buildings and structures	Machinery and equipment	Others	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 140,735	\$ 291,958	\$ 169,763	\$ 26,946	\$ -	\$ 629,402
Accumulated depreciation	-	(105,428)	(77,168)	(13,726)	-	(196,322)
	<u>\$ 140,735</u>	<u>\$ 186,530</u>	<u>\$ 92,595</u>	<u>\$ 13,220</u>	<u>\$ -</u>	<u>\$ 433,080</u>
At January 1	\$ 140,735	\$ 186,530	\$ 92,595	\$ 13,220	\$ -	\$ 433,080
Additions	-	694	5,730	2,356	412	9,192
Depreciation charge	-	(10,672)	(18,714)	(4,006)	-	(33,392)
At December 31	<u>\$ 140,735</u>	<u>\$ 176,552</u>	<u>\$ 79,611</u>	<u>\$ 11,570</u>	<u>\$ 412</u>	<u>\$ 408,880</u>
At December 31						
Cost	\$ 140,735	\$ 283,169	\$ 160,913	\$ 25,591	\$ 412	\$ 610,820
Accumulated depreciation	-	(106,617)	(81,302)	(14,021)	-	(201,940)
	<u>\$ 140,735</u>	<u>\$ 176,552</u>	<u>\$ 79,611</u>	<u>\$ 11,570</u>	<u>\$ 412</u>	<u>\$ 408,880</u>

The Company had no interest capitalised for the years ended December 31, 2022 and 2021.

(9) Leasing arrangements – lessee

A. The Company leases buildings. Rental contracts are made for periods of 1 to 2 year(s). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	Carrying amount	
	December 31, 2022	December 31, 2021
Buildings	<u>\$ 1,746</u>	<u>\$ 717</u>
	Depreciation charge	
	Years ended December 31,	
	2022	2021
Buildings	<u>\$ 1,251</u>	<u>\$ 1,236</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$2,466 and \$0, respectively ; the remeasurement to right-of-use assets were (\$186) and \$0, respectively.

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

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 279</u>	<u>\$ 251</u>
Expense on short-term lease contracts	<u>\$ 115</u>	<u>\$ 115</u>
Gain or loss on lease modification	<u>\$ 51</u>	<u>\$ -</u>

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$1,618 and \$1,596, respectively.

(10) Leasing arrangements – lessor

A. The Company leases land. Rental contracts are made for periods of a year. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of \$1,372, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 1,372
2023	<u>1,372</u>	<u>-</u>
	<u>\$ 1,372</u>	<u>\$ 1,372</u>

(11) Investment property

	<u>Land</u>	
	<u>2022</u>	<u>2021</u>
At January 1 and December 31	<u>\$ 21,662</u>	<u>\$ 21,662</u>

The investment property of the Company on December 31, 2022 and 2021 was land.

A. Rental income from investment property:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 1,372</u>	<u>\$ 1,372</u>

B. The fair value of the investment property held by the Company on December 31, 2022 and 2021 were \$84,694 and \$81,310, respectively, which were valued by independent appraisers. Valuations on December 31, 2022 and 2021 were made using the comparison approach.

(12) Intangible assets

	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
At January 1, 2022			
Cost	\$ 3,943	\$ 537	\$ 4,480
Accumulated amortisation	(2,587)	(402)	(2,989)
	<u>\$ 1,356</u>	<u>\$ 135</u>	<u>\$ 1,491</u>
<u>2022</u>			
At January 1	\$ 1,356	\$ 135	\$ 1,491
Additions	366	100	466
Amortisation charge	(1,004)	(157)	(1,161)
At December 31	<u>\$ 718</u>	<u>\$ 78</u>	<u>\$ 796</u>
At December 31, 2022			
Cost	\$ 2,579	\$ 637	\$ 3,216
Accumulated amortisation	(1,861)	(559)	(2,420)
	<u>\$ 718</u>	<u>\$ 78</u>	<u>\$ 796</u>
	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
At January 1, 2021			
Cost	\$ 3,968	\$ 537	\$ 4,505
Accumulated amortisation	(1,706)	(294)	(2,000)
	<u>\$ 2,262</u>	<u>\$ 243</u>	<u>\$ 2,505</u>
<u>2021</u>			
At January 1	\$ 2,262	\$ 243	\$ 2,505
Additions	174	-	174
Amortisation charge	(1,080)	(108)	(1,188)
At December 31	<u>\$ 1,356</u>	<u>\$ 135</u>	<u>\$ 1,491</u>
At December 31, 2021			
Cost	\$ 3,943	\$ 537	\$ 4,480
Accumulated amortisation	(2,587)	(402)	(2,989)
	<u>\$ 1,356</u>	<u>\$ 135</u>	<u>\$ 1,491</u>

A. The Company had no interest capitalised for the years ended December 31, 2022 and 2021.

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

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating costs	\$ 134	\$ 50
Selling expenses	112	99
Administrative expenses	915	1,039
	<u>\$ 1,161</u>	<u>\$ 1,188</u>

(13) Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	\$ 22,735	\$ 25,990
Estimated accounts payable	23,063	8,891
	<u>\$ 45,798</u>	<u>\$ 34,881</u>

(14) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonuses payable	\$ 33,656	\$ 28,909
Payable for employees' compensation	-	405
Payable for directors' remuneration	-	81
Equipment payable	4,538	3,617
Other payables from related parties	1,898	-
Others	16,931	14,892
	<u>\$ 57,023</u>	<u>\$ 47,904</u>

(15) Pensions

A. Defined benefit pension plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

- (b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 60,428)	(\$ 61,880)
Fair value of plan assets	39,373	36,058
Net defined benefit liability	<u>(\$ 21,055)</u>	<u>(\$ 25,822)</u>

(c) Movements in net defined benefit liabilities are as follows:

<u>2022</u>	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 61,880)	\$ 36,058	(\$ 25,822)
Current service cost	(558)	-	(558)
Interest (expense) income	(419)	241	(178)
	<u>(62,857)</u>	<u>36,299</u>	<u>(26,558)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,247	3,247
Experience adjustments	(7,971)	-	(7,971)
Change in financial assumptions	2,400	-	2,400
	<u>(5,571)</u>	<u>3,247</u>	<u>(2,324)</u>
Pension fund contribution	-	7,827	7,827
Paid pension	8,000	(8,000)	-
Balance at December 31	<u>(\$ 60,428)</u>	<u>\$ 39,373</u>	<u>(\$ 21,055)</u>

<u>2021</u>	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 66,960)	\$ 39,454	(\$ 27,506)
Current service cost	(713)	-	(713)
Interest (expense) income	(198)	117	(81)
	<u>(67,871)</u>	<u>39,571</u>	<u>(28,300)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	571	571
Change in demographic assumptions	(61)	-	(61)
Experience adjustments	(6,618)	-	(6,618)
Change in financial assumptions	1,915	-	1,915
	<u>(4,764)</u>	<u>571</u>	<u>(4,193)</u>
Pension fund contribution	-	6,581	6,581
Paid pension	10,755	(10,665)	90
Balance at December 31	<u>(\$ 61,880)</u>	<u>\$ 36,058</u>	<u>(\$ 25,822)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in

domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.25%	0.70%
Future salary increases	1.25%	1.25%
Expected long-term rate of return on plan assets	1.25%	0.70%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 1,039)	\$ 1,071	\$ 1,068	(\$ 1,042)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 1,159)	\$ 1,196	\$ 1,187	(\$ 1,155)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$869.

- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 7 years. The analysis of timing of the future pension payment was as follows :

Within 1 year	\$	1,673
1-2 year(s)		7,559
2-5 years		19,009
Over 5 years		36,970
	\$	<u>65,211</u>

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021, were \$5,778 and \$5,605, respectively.

(16) Share-based payment

- A. For the year ended December 31, 2022, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Treasury stock transferred to employees	2022.12.27	1,500	zero day	Immediately

- B. On December 27, 2022, the Board of Directors resolved to transfer the treasury stock to employees at an average repurchase cost of NT\$26 (in dollars) per share, totaling 1,500 thousand shares, with a net transfer amount (reduction of transaction fee) of \$38,883; grantees and vesting conditions were approved by the Board of Directors on December 27, 2022. As of January 4, 2023, proceeds from the stock option have been collected and all of the shares have been transferred.

- C. Expenses incurred on share-based payment transactions are shown below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Compensation cost of treasury stock transferred to employees	\$ 11,700	\$ -

(17) Share capital

- A. As of December 31, 2022, the Company’s authorised capital was \$1,500,000, consisting of 150,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for the exercise of employee stock options, preferred stocks with warrants and convertible bonds with

warrants), and the paid-in capital was \$1,093,758 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (in thousands) outstanding are as follows:

	2022	2021
At January 1	107,876	105,761
Capitalisation of earnings	-	2,115
Treasury stock transferred to employees	1,500	-
At December 31	<u>109,376</u>	<u>107,876</u>

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		2022	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	At January 1	2,128,000 \$ 63,032
		Retirement for the year	(628,000) (24,028)
		Transfers for the year	(1,500,000) (39,004)
		At December 31	<u>- \$ -</u>

		2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	At January 1	2,128,000 \$ 63,032
		Additions	<u>- -</u>
		At December 31	<u>2,128,000 \$ 63,032</u>

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the amended R.O.C. Securities and Exchange Act in 2019, treasury shares should

be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.

- (e) The Company's Board of Directors resolved the second repurchase of treasury shares on December 23, 2016. From January 9, 2017 to February 15, 2017, the company has carried out the repurchase of 628,000 shares of the company for the purpose of transferring to employees, the purchase amount is \$24,008. The repurchase had been approved by the No.1060006613 of Securities and Futures Bureau. Pursuant to Article 28-2 of the R.O.C. Securities and Exchange Act amended and effective on April 19, 2019, shares not reissued (converted) within five years from the reacquisition date are to be retired. The retirement was approved by the No.11101029490 of the Ministry of Economic Affairs on February 25, 2022.
- (f) The Company's Board of Directors resolved the third repurchase of treasury shares on November 7, 2019. The Company repurchased 1,500,000 shares and the purchase amount was \$39,004 during the period from November 8, 2019 to January 7, 2020 to reissue to employees. Details of treasury stock transferred to employees for the year ended December 31, 2022 are provided in Note 6(16).

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022				
	Share premium	Treasury share transactions	Net change in equity of associates	Others	Total
At January 1	\$ 199,073	\$ 8,918	\$ 755	\$ 183	\$ 208,929
Retirement of treasury shares	(1,137)	(8,918)	-	-	(10,055)
Dividends expired and unclaimed	-	-	-	59	59
Treasury stock transferred to employees	(121)	-	-	-	(121)
Compensation cost of share-based payments	11,700	-	-	-	11,700
At December 31	<u>\$ 209,515</u>	<u>\$ -</u>	<u>\$ 755</u>	<u>\$ 242</u>	<u>\$ 210,512</u>

	2021				
	Share premium	Treasury share transactions	Net change in equity of associates	Others	Total
At January 1	\$ 199,073	\$ 8,918	\$ 755	\$ -	\$ 208,746
Dividends expired and unclaimed	-	-	-	183	183
At December 31	<u>\$ 199,073</u>	<u>\$ 8,918</u>	<u>\$ 755</u>	<u>\$ 183</u>	<u>\$ 208,929</u>

(19) Retained earnings

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

- (a) Pay all taxes.
- (b) Offset operating losses.
- (c) Set aside 10% as legal reserve until the legal reserve equals the paid-in capital. In addition, set aside or reverse special reserve in accordance with the related laws or the regulations made by the regulatory authority.
- (d) The remainder along with the unappropriated earnings from prior years to be appropriated or to be retained shall be proposed by the Board of Directors and submitted to the shareholders' meeting for the resolution.

The Company's Board of Directors may distribute all or part of the distributable dividends and bonuses in the form of cash through a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors and shall report it to the shareholders' meeting.

The Company's dividend policy is based on the operating strategy, short-term, medium-term and long-term investment planning, capital budget, changes in internal and external environment as well as the profit of the current year, the distribution will proceed after being proposed by the Board of Directors and approved by the shareholders. Under the principle of balanced dividend distribution, at least 50% of the Company's distributable earnings as of the end of the period shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. The appropriations of 2021 and 2020 earnings were resolved at the meetings of shareholders on May 31, 2022 and August 10, 2021. Details are summarized below:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 4,735		\$ 6,620	
Special reserve	35,043		-	
Cash dividends	37,757	\$ 0.35	43,362	\$ 0.41
Stock dividends	-	-	21,152	0.20
	<u>\$ 77,535</u>		<u>\$ 71,134</u>	

(20) Other equity items

	2022	
	Currency translation differences	Unrealised gains (losses) on financial assets valuation
At January 1	(\$ 319)	(\$ 34,724)
Revaluation	-	29,010
Revaluation - subsidiary	-	4,457
Revaluation transferred to retained earnings	-	(94,298)
Currency translation differences	256	-
At December 31	<u>(\$ 63)</u>	<u>(\$ 95,555)</u>

	2021	
	Currency translation differences	Unrealised gains (losses) on financial assets valuation
At January 1	\$ 152	\$ 16,072
Revaluation	-	(400)
Revaluation - subsidiary	-	776
Revaluation transferred to retained earnings	-	(51,172)
Currency translation differences	(471)	-
At December 31	<u>(\$ 319)</u>	<u>(\$ 34,724)</u>

(21) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	<u>\$ 438,759</u>	<u>\$ 434,254</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time and over time in the following major product lines:

Year ended December 31, 2022	Pharmaceutical manufacturing	Agency	Technical service revenue	Other	Total
Revenue from external customer contracts	\$ 413,754	\$ 19,720	\$ 5,199	\$ 86	\$ 438,759
Timing of revenue recognition					
At a point in time	\$ 413,754	\$ 19,720	\$ -	\$ 86	\$ 433,560
Over time	-	-	5,199	-	5,199
	\$ 413,754	\$ 19,720	\$ 5,199	\$ 86	\$ 438,759
Year ended December 31, 2021	Pharmaceutical manufacturing	Agency	Technical service revenue	Other	Total
Revenue from external customer contracts	\$ 405,610	\$ 23,629	\$ 4,557	\$ 458	\$ 434,254
Timing of revenue recognition					
At a point in time	\$ 405,610	\$ 23,629	\$ -	\$ 458	\$ 429,697
Over time	-	-	4,557	-	4,557
	\$ 405,610	\$ 23,629	\$ 4,557	\$ 458	\$ 434,254

B. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	\$ 4,734	\$ 4,026	\$ 3,920
	Years ended December 31,		
	2022	2021	
Revenue recognised that was included in the contract liability balance at the beginning of the year		\$ 200	\$ 772

(22) Expenses by nature

	Years ended December 31,	
	2022	2021
Change in inventory of merchandises, finished goods and work in process	\$ 6,770	\$ 29,060
Raw materials and supplies used	111,075	100,926
Employee benefit expense	188,865	166,917
Depreciation charges on property, plant and equipment and right-of-use assets	34,927	34,628
Amortisation charges on intangible assets	1,161	1,188
Other expenses	109,851	102,701
	\$ 452,649	\$ 435,420

(23) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 164,187	\$ 142,689
Labour and health insurance fees	12,996	12,797
Pension costs	6,514	6,399
Other personnel expenses	5,168	5,032
	<u>\$ 188,865</u>	<u>\$ 166,917</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 10% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$0 and \$405, respectively; while directors' remuneration were accrued at \$0 and \$81, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued at 10% and 2% of distributable profit of current year for the year ended December 31, 2021 based on the percentage prescribed in the Company's Articles of Incorporation.

Employees' compensation and directors' remuneration of 2021 as approved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements and were distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 896	\$ 617
Interest income from financial assets measured at amortised cost	1,772	986
Other interest income	<u>2</u>	<u>2</u>
	<u>\$ 2,670</u>	<u>\$ 1,605</u>

(25) Other income

	Years ended December 31,	
	2022	2021
Rent income	\$ 1,372	\$ 1,372
Miscellaneous income	281	2,073
	<u>\$ 1,653</u>	<u>\$ 3,445</u>

(26) Other gains and losses

	Years ended December 31,	
	2022	2021
Net gains on financial assets at fair value through profit or loss	\$ 66	\$ -
Gains on lease modifications	51	-
Net foreign exchange losses	(44)	(36)
Miscellaneous disbursements	-	(10)
	<u>\$ 73</u>	<u>(\$ 46)</u>

(27) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense on lease liabilities	\$ 279	\$ 251
Others	2	1
	<u>\$ 281</u>	<u>\$ 252</u>

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 3,322	\$ 3,454
Prior year income tax overestimation	-	(258)
Income tax expense	<u>\$ 3,322</u>	<u>\$ 3,196</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows: None.

(c) The income tax charged/(credited) to equity during the year is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	(\$ 1,800)	\$ 714
Effect from items disallowed by tax regulation	(155)	(61)
Tax exempt income by tax regulation	(13)	-
Prior year income tax overestimation	-	(258)
Effect from Alternative Minimum Tax	7,063	2,715
Change in assessment of unrecognised and realisation of deferred tax assets	(1,773)	86
Income tax expense	<u>\$ 3,322</u>	<u>\$ 3,196</u>

C. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 21,648</u>	<u>\$ 30,512</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings (losses) per share

	Year ended December 31, 2022		
	<u>Amount after tax</u>	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders	(\$ 12,323)	107,892	(\$ 0.11)
<u>Diluted losses per share</u>			
Loss attributable to ordinary shareholders	(\$ 12,323)	107,892	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	-	
Loss attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	(\$ 12,323)	107,892	(\$ 0.11)

	Year ended December 31, 2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 372	107,876	\$ 0.003
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 372	107,876	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	50	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 372	107,926	\$ 0.003

(30) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 23,499	\$ 9,192
Add: Opening balance of payable on equipment	3,617	9,546
Less: Ending balance of payable on equipment	(4,538)	(3,617)
Cash paid during the year	\$ 22,578	\$ 15,121

(31) Changes in liabilities from financing activities

	2022		
	Dividends payable (recorded as other payables)	Guarantee deposits received (recorded as other non-current liabilities)	Lease liabilities
At January 1	\$ -	\$ 120	\$ 833
Changes in cash flow from financing activities	(37,757)	-	(1,224)
Dividends payable	37,757	-	-
Interest paid	-	-	(279)
Changes in other non-cash items	-	-	2,509
At December 31	\$ -	\$ 120	\$ 1,839

	2021		
	Dividends payable (recorded as other payables)	Guarantee deposits received (recorded as other non-current liabilities)	Lease liabilities
At January 1	\$ -	\$ 120	\$ 2,063
Changes in cash flow from financing activities	(43,362)	-	(1,230)
Dividends payable	43,362	-	-
Interest paid	-	-	(251)
Changes in other non-cash items	-	-	251
At December 31	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 833</u>

7. Related Party Transactions

(1) Parent and ultimate controlling party:

None.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Uni Pharma Co., Ltd.	The Company is its director and both have the same chairman
Navifus Corporation	The Company is its director and both have the same chairman
Genovate-NaviFUS Inc.	The Company's investee accounted for using equity method
Qps-Untix Clinical Research Co., Ltd.	The Company is the director of its ultimate parent company
Quest Pharmaceutical Services Taiwan Co., Ltd.	The Company is its director
Reber Genetics Co., Ltd.	The Company is its director
QPS, LLC	The Company is the director of its affiliated company

(3) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2022	2021
Sales of goods:		
- Substantive related parties	<u>\$ 7,353</u>	<u>\$ 7,933</u>

Goods are sold on normal price and terms. The collection terms were 30 to 60 days after monthly billings for related parties and 30 to 180 days after monthly billings for third parties.

B. Receivables from related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
- Substantive related parties	\$ <u>1,621</u>	\$ <u>1,454</u>

The receivables from related parties arise mainly from sales of goods. The receivables are due 30 to 60 days after monthly billings on sales. The receivables are unsecured in nature and bear no interest.

C. Others

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables :		
- Substantive related parties	\$ <u>431</u>	\$ <u>-</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liabilities:		
- Substantive related parties	\$ <u>228</u>	\$ <u>228</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payment on behalf of others (recorded as prepayments):		
- Associate	\$ <u>284</u>	\$ <u>22</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables:		
- Substantive related parties	\$ <u>1,898</u>	\$ <u>-</u>
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2022</u>	<u>2021</u>
Other income:		
- Substantive related parties	\$ <u>-</u>	\$ <u>100</u>
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2022</u>	<u>2021</u>
Research and development expenses:		
- Substantive related parties	\$ <u>12,228</u>	\$ <u>7,843</u>
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2022</u>	<u>2021</u>
Business promotion fee:		
- Substantive related parties	\$ <u>197</u>	\$ <u>-</u>

D. Property transactions:

The Company participated in the capital increase of the substantive related party, Navifus Corporation, for the year ended December 31, 2021 and acquired 1,250 thousand shares for the amount of \$25,000 which was recorded as financial assets at fair value through other

comprehensive income.

(4) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 16,274	\$ 19,584
Post-employment benefits	378	675
	<u>\$ 16,652</u>	<u>\$ 20,259</u>

8. Pledged Assets

None.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 4,438</u>	<u>\$ 8,254</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of 2022 earnings as proposed by the Board of Directors on March 10, 2023 is as follows :

	2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 7,196	
Special reserve	60,574	
Cash dividends	<u>19,141</u>	\$ 0.175
	<u>\$ 86,911</u>	

12. Others

(1) Capital risk management

Based on the operation of biotechnology industry and the future company development and taking into consideration the changes in the external environment, the Company's objectives when managing capital are to ensure it has long-term operating capital to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and to enhance the value of shareholders.

The Company's strategy on December 31, 2022 and 2021 was unchanged to maintain the gearing ratio at a reasonable level of risks and adjusted according to its future operating strategy.

	December 31, 2022	December 31, 2021
Total liabilities	\$ 153,601	\$ 136,646
Total equity	1,410,827	1,378,866
Total assets	\$ 1,564,428	\$ 1,515,512
Debt to assets ratio	10%	9%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 20,000	\$ 13,000
Financial asset at fair value through other comprehensive income - non-current	\$ 324,488	\$ 417,411
<u>Financial assets at amortised cost</u>		
Cash and cash equivalents	\$ 189,255	\$ 194,019
Current financial assets at amortised cost	282,880	177,980
Notes receivable, net	10,625	8,652
Accounts receivable, net	83,880	84,282
Accounts receivable due from related parties, net	1,621	1,454
Other receivables	27,768	774
Guarantee deposits paid	4,239	5,473
	\$ 600,268	\$ 472,634
<u>Financial liabilities</u>		
<u>Financial liabilities at amortised cost</u>		
Notes payable	\$ 111	\$ 119
Accounts payable	45,798	34,881
Other payables	55,125	47,904
Other payables from related parties	1,898	-
Guarantee deposits received	120	120
	\$ 103,052	\$ 83,024
Lease liabilities	\$ 1,838	\$ 833

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Company periodically evaluates the risks to minimise potential adverse effects on the financial condition and financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.
- (b) Risk management is carried out by the Company treasury. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company has an investment in foreign operations, whose net assets are exposed to foreign currency translation risk. The Company assessed that there is no significant foreign exchange risk from the net assets of the foreign operations.
- ii. The Company's businesses involve some non-functional currency operations. The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				December 31, 2022		
				Foreign currency amount (In thousands)	Exchange rate	Book value (in thousands of NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD						
	\$	2,896		30.71		\$ 88,936
				December 31, 2021		
				Foreign currency amount (In thousands)	Exchange rate	Book value (in thousands of NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD:NTD						
	\$	2,000		27.68		\$ 55,360

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD:NTD	10%	\$ -	\$ 8,894

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD:NTD	10%	\$ -	\$ 5,536

The Company had no unrealised exchange gain (loss) arising from significant foreign exchange variation for the years ended December 31, 2022 and 2021.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic or foreign listed shares, unlisted shares, domestic emerging shares as well as other investments. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,000 and \$1,300, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity for the years ended December 31, 2022 and 2021 would have increased/decreased

by \$32,449 and \$41,741, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard collection and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk includes outstanding receivables and committed transactions. The Company only transacts with domestic reputable banks and financial institutions, so it expects that the probability of counterparty default is remote.

iii. Credit risk on impairment assessment of financial assets at amortised cost.

Since the financial assets at amortised cost held by the Company are time deposits with banks, who have good credit quality and no past due record in the past as well as considering no significant changes in the overall economic environment, it expects that the risk of credit loss is remote as assessed and the affected amount in financial statements would not be significant.

iv. Credit risk on impairment assessment of accounts receivable:

- (i) The assumption under IFRS 9 adopted by the Company is if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- (ii) The Company assumes the default occurs when the contract payments are past due over 180 days.
- (iii) The Company classifies customers' accounts receivable and notes receivable in accordance with credit rating of customer, collateral and credit risk on trade. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.
- (iv) The Company used the forecastability of boom observation report to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows :

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 181 days past due	Total
<u>At December 31, 2022</u>						
Expected loss rate	0%~1%	0%~3%	3%	5%	100%	
Total book value	\$ 90,620	\$ 4,964	\$ 553	\$ 17	\$ -	\$ 96,154
Loss allowance	\$ -	(\$ 16)	(\$ 12)	\$ -	\$ -	(\$ 28)

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 181 days past due	Total
<u>At December 31, 2021</u>						
Expected loss rate	0%~1%	0%~3%	3%	6%	100%	
Total book value	\$ 90,140	\$ 3,817	\$ 452	\$ 8	\$ 2	\$ 94,419
Loss allowance	\$ -	(\$ 15)	(\$ 14)	\$ -	(\$ 2)	(\$ 31)

(v) Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

	2022	
	Accounts receivable	Notes receivable
At January 1	\$ 31	\$ -
Reversal of impairment loss	(3)	-
At December 31	\$ 28	\$ -
	2021	
	Accounts receivable	Notes receivable
At January 1	\$ 28	\$ -
Provision for impairment loss	3	-
At December 31	\$ 31	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. Treasury invests surplus cash held by the operating entities over and above balance required for working capital management in principal guaranteed and highly liquid financial assets to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Company held time deposits and financial assets held for trading of \$421,580 and \$334,680, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Over 1 year	Total
Notes payable	\$ 111	\$ -	\$ -	\$ 111
Accounts payable	45,546	252	-	45,798
Other payables (including related parties)	56,826	197	-	57,023
Lease liabilities	380	1,138	607	2,125
	\$ 102,863	\$ 1,587	\$ 607	\$ 105,057

Non-derivative financial liabilities

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Over 1 year	Total
Notes payable	\$ 119	\$ -	\$ -	\$ 119
Accounts payable	26,818	8,063	-	34,881
Other payables	47,755	149	-	47,904
Lease liabilities	370	420	99	889
	\$ 75,062	\$ 8,632	\$ 99	\$ 83,793

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in domestic and foreign listed stocks, domestic emerging stocks and beneficiary certificates is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (shown as other non-current assets), notes payable, accounts payable, other payables and guarantee deposits received (shown as other non-current liabilities) are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates of funds	\$ 20,000	\$ -	\$ -	\$ 20,000
Financial assets at fair value through other comprehensive income				
Equity securities	<u>305,818</u>	<u>-</u>	<u>18,670</u>	<u>324,488</u>
	<u>\$325,818</u>	<u>\$ -</u>	<u>\$ 18,670</u>	<u>\$344,488</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates of funds	\$ 13,000	\$ -	\$ -	\$ 13,000
Financial assets at fair value through other comprehensive income				
Equity securities	<u>227,411</u>	<u>-</u>	<u>190,000</u>	<u>417,411</u>
	<u>\$240,411</u>	<u>\$ -</u>	<u>\$190,000</u>	<u>\$430,411</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Domestic and foreign listed shares/ domestic emerging shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by the recent price for capital increase of investee companies. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance or discounted cash flow valuation method, including calculated by applying model using market information available at the parent company only balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- E. For the year ended December 31, 2022, because the transaction volume of Navifus Corporation whose emerging stocks were invested by the Company in the market is stable, and there is sufficient observable market information available, the Company has transferred the fair value from Level 3 to Level 1. For the year ended December 31, 2021, because the transaction volume of Uni Pharma Co., Ltd. whose emerging stocks were invested by the Company in the market is stable, and there is sufficient observable market information available, the Company has transferred the fair value from Level 2 to Level 1.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>Equity securities</u>
At January 1, 2022	\$ 190,000
Transferred from Level 3 to Level 1	(174,980)
Gains recognised in other comprehensive income	<u>3,650</u>
At December 31, 2022	<u>\$ 18,670</u>

	<u>Equity securities</u>
At January 1, 2021	\$ 169,561
Acquired in the year	25,000
Gains recognised in other comprehensive income	(4,561)
At December 31, 2021	<u>\$ 190,000</u>

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 18,660	Market comparable companies	Discount for lack of marketability	30%~70%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 189,990	Market comparable companies	Discount for lack of marketability	30%~70%	The higher the discount for lack of marketability, the lower the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				December 31, 2022			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable	Unfavourable	Favourable	Unfavourable
		Input	Change	change	change	change	change
Financial assets							
Equity instrument	Valuation for lack of marketability	±10%	\$ -	\$ -	\$ 1,866	(\$ 1,866)	
				December 31, 2021			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable	Unfavourable	Favourable	Unfavourable
		Input	Change	change	change	change	change
Financial assets							
Equity instrument	Valuation for lack of marketability	±10%	\$ -	\$ -	\$ 18,999	(\$ 18,999)	

(4) Other matters

The Covid-19 pandemic and the government's multiple pandemic prevention measures had no significant impact on the Company's operations.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies: Please refer to table 2.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 3.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies

in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

14. Segment Information

Not applicable.

GENOVATE BIOTECHNOLOGY CO., LTD.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty cash		\$ <u>70</u>
Cash in banks		
Demand deposits – NTD		45,735
Time deposits – NTD	Rate 0.91%~1.035%, maturity date March 30, 2023.	138,700
Checking accounts		<u>1</u>
		184,436
Deposits in transit		<u>4,749</u>
		<u>\$ 189,255</u>

GENOVATE BIOTECHNOLOGY CO., LTD.
FINANCIAL ASSETS AT AMORTISED COST
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name	Description	Quantities	Face Value	Total Amount	Interest Rate	Carrying Amount
E.SUN Bank	Time deposits maturing over three months	8	not applicable	\$ 63,680	0.34%~1.44%	\$ 63,680
Yuanta Commercial Bank Co., Ltd.	Time deposits maturing over three months	7	not applicable	63,500	0.77%~1.41%	63,500
Land Bank of Taiwan	Time deposits maturing over three months	30	not applicable	82,000	0.9%~1.21%	82,000
Taiwan Cooperative Bank	Time deposits maturing over three months	7	not applicable	18,100	1.04%~1.21%	18,100
Mega International Commercial Bank	Time deposits maturing over three months	11	not applicable	50,700	0.1%~1.44%	50,700
CTBC Bank Co., Ltd.	Time deposits maturing over three months	1	not applicable	<u>4,900</u>	1.44%	<u>4,900</u>
				<u>\$ 282,880</u>		<u>\$ 282,880</u>

GENOVATE BIOTECHNOLOGY CO., LTD.
ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
General client :			
A Company		\$ 28,050	
B Company		4,734	
Others		<u>51,124</u>	
		83,908	None of the balances of each remaining item is greater than 5% of this account balance. Amount of receivables past due over one year is \$0.
Less: Allowance for bad debts		(<u>28</u>)	
		<u>\$ 83,880</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Cost</u>	<u>Market price</u>	<u>Note</u>
Raw materials		\$ 65,801	\$ 66,027	Net realisable values are used as market value
Supplies		29,784	30,290	"
Work in process		30,481	47,639	"
Finished goods		31,670	47,717	"
Merchandise		<u>364</u>	<u>8</u>	"
		158,100	<u>\$ 191,681</u>	
Less: Allowance for valuation loss		<u>(12,239)</u>		
		<u>\$ 145,861</u>		

GENOVATE BIOTECHNOLOGY CO., LTD.
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value		
Green Management International Co., Ltd.	1,567	\$ 10	-	\$ -	-	\$ -	1,567	\$ 10	None	
Syneurx International (Taiwan) Corp.	3,134,062	153,882	-	-	3,134,062	153,882	-	-	None	Note 1
Quest Pharmaceutical Services Taiwan Co., Ltd.	1,128,319	9,467	-	1,817	-	-	1,128,319	11,284	None	Note 2
Reber Genetics Co., Ltd.	1,124,367	5,543	-	1,833	-	-	1,124,367	7,376	None	Note 3
Uni Pharma Co., Ltd.	6,270,000	71,165	-	26,020	-	-	6,270,000	97,185	None	Note 4
Thevax Genetics Vaccine Co., Ltd.	500,000	-	-	-	-	-	500,000	-	None	
Medeor Therapeutics, Inc.	555,555	-	-	-	-	-	555,555	-	None	
Navifus Corporation	8,749,000	174,980	-	32,809	-	-	8,749,000	207,789	None	Note 5
Soleno Therapeutics, Inc.	208,333	2,364	-	-	194,445	1,520	13,888	844	None	Note 6
		<u>\$ 417,411</u>		<u>\$ 62,479</u>		<u>\$ 155,402</u>		<u>\$ 324,488</u>		

Note 1: The decrease referred to loss on valuation of financial assets at fair value through other comprehensive income amounting to \$31,949 and the transfer out due to sales amounting to \$121,933.

Note 2: The increase referred to gain on valuation of financial assets at fair value through other comprehensive income amounting to \$1,817.

Note 3: The increase referred to gain on valuation of financial assets at fair value through other comprehensive income amounting to \$1,833.

Note 4: The increase referred to gain on valuation of financial assets at fair value through other comprehensive income amounting to \$26,020.

Note 5: The increase referred to gain on valuation of financial assets at fair value through other comprehensive income amounting to \$32,809.

Note 6: The decrease referred to loss on valuation of financial assets at fair value through other comprehensive income amounting to \$1,520. In addition, because of the stock split on August 26, 2022, the split ratio was 1:15, so the number of shares decreased.

GENOVATE BIOTECHNOLOGY CO., LTD.
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Investment gain (loss)	Cumulative translation differences accounted for using equity method	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage of Ownership	Amount	Unit Price (In Dollars)	Total Amount	
Genovate Biotechnology (Cayman) Co., Ltd.	1,000,000	\$ 10,338	-	\$ 4,457	-	\$ -	\$ 488	\$ -	1,000,000	100%	\$ 15,283	\$ 15.283	\$ 15,283	None
Genovate-NaviFUS Inc.	650,000	<u>16,193</u>	-	<u>-</u>	-	<u>-</u>	<u>286</u>	<u>256</u>	650,000	30.233%	<u>16,735</u>	25.750	<u>16,735</u>	"
		<u>\$ 26,531</u>		<u>\$ 4,457</u>		<u>\$ -</u>	<u>\$ 774</u>	<u>\$ 256</u>			<u>\$ 32,018</u>		<u>\$ 32,018</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Ending Balance</u>	<u>Collateral</u>
Land	\$ 140,735	\$ -	\$ -	\$ -	\$ 140,735	None
Buildings and structures	283,169	1,525	(2,842)	-	281,852	"
Machinery and equipment	160,913	17,481	(970)	3,017	180,441	"
Computer and telecommunication equipment	2,213	613	(269)	-	2,557	"
Testing equipment	3,733	545	-	234	4,512	"
Transportation equipment	2,000	-	-	-	2,000	"
Office equipment	2,857	-	(2,577)	-	280	"
Leasehold improvements	138	390	-	-	528	"
Other equipment	14,650	2,339	(2,662)	-	14,327	"
Unfinished construction and equipment under acceptance	412	606	-	(412)	606	"
	<u>\$ 610,820</u>	<u>\$ 23,499</u>	<u>(\$ 9,320)</u>	<u>\$ 2,839</u>	<u>\$ 627,838</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings and structures	\$ 106,617	\$ 10,225	(\$ 2,842)	\$ -	\$ 114,000	
Machinery and equipment	81,302	19,826	(970)	-	100,158	
Computer and telecommunication equipment	894	476	(269)	-	1,101	
Testing equipment	1,054	809	-	-	1,863	
Transportation equipment	1,600	400	-	-	2,000	
Office equipment	2,712	122	(2,577)	-	257	
Leasehold improvements	98	66	-	-	164	
Other equipment	7,663	1,752	(2,662)	-	6,753	
	<u>\$ 201,940</u>	<u>\$ 33,676</u>	<u>(\$ 9,320)</u>	<u>\$ -</u>	<u>\$ 226,296</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
ACCOUNTS PAYABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
General suppliers:			
Sichuan Elixir Pharmaceutical CO., LTD.		\$ 8,581	
Eslite Bio-Essence CO.,Ltd.		6,602	
F.D. Enterprise Corporation		4,277	
Tong Sing Chemicals CO., LTD.		2,834	
			None of the balances of each remaining item is greater than 5% of this account balance.
Others		<u>23,504</u>	
		<u>\$ 45,798</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Volume	Amount	Note
Operating revenue, net			
Sales revenue			
Pharmaceutical manufacturing	243,819 unit	\$ 413,754	
Agency	4,695 unit	<u>19,720</u>	
Net sales revenue		433,474	
Net technical service revenue		5,199	
Other operating revenue, net		<u>86</u>	
		<u>\$ 438,759</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Merchandise at beginning		\$ 16,085
Add: merchandise purchased for the year		1,832
Less: merchandise at the end		(364)
Transferred to expenses		(1)
Scrapped merchandise		(1)
Total purchase and sales cost		<u>17,551</u>
Raw materials at beginning		80,514
Add: raw materials purchased for the year		130,000
Gain from raw materials physical counts		65
Less: raw materials at the end		(95,585)
Transferred to expenses		(2,293)
Scrapped raw materials		(1,626)
Direct raw materials used		111,075
Direct labor		30,922
Manufacturing overheads		<u>126,771</u>
Manufacturing Cost		<u>268,768</u>
Add: work in process at beginning		27,896
Less: work in process at the end		(30,481)
Transferred to research and development, manufacture and sell expenses		(33)
Transfer from technical service costs		344
Scrapped work in process		(3,002)
Cost of finished goods		<u>263,492</u>
Add: finished goods at beginning		29,846
Transferred from expenses		352
Less: finished goods at the end		(31,670)
Transferred to research and development, manufacture and sell expenses		(515)
Scrapped finished goods		(3,517)
Total cost of production and sales		<u>257,988</u>
Reversal of allowance on market value decline and obsolete and slow-moving inventories		(2,159)
Inventory surplus of various types		(65)
Service cost		3,019
Inventory scrapped cost		8,146
Transferred to research and development expenses		(591)
Total operating costs		<u>\$ 283,889</u>

GENOVATE BIOTECHNOLOGY CO., LTD.
MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary and bonus		\$ 40,663	
Depreciation charge		28,448	
Utilities expense		15,134	
Expendables		15,020	
Insurance expense		6,606	
Maintenance expenses		6,796	
Other expenses		14,104	None of the balances of each remaining item is greater than 5% of this account.
		<u>\$ 126,771</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Selling expenses			
Salary and bonus		\$ 41,676	
Commissions expense		4,810	
Labour and health insurance fees		3,499	
			None of the balances of each remaining item is greater than 5% of this account.
Other expenses		<u>14,334</u>	
		<u>\$ 64,319</u>	
Administrative expenses			
Salary and bonus		\$ 24,589	
Service fees		2,646	
Utilities expense		2,229	
			None of the balances of each remaining item is greater than 5% of this account.
Other expenses		<u>13,102</u>	
		<u>\$ 42,566</u>	
Research and development expenses			
Salary and bonus		\$ 23,226	
Outsource research and development expenses		17,264	
Depreciation charge		3,767	
Expendables		4,191	
			None of the balances of each remaining item is greater than 5% of this account.
Other expenses		<u>13,430</u>	
		<u>\$ 61,878</u>	

GENOVATE BIOTECHNOLOGY CO., LTD.
SUMMARY OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Function Nature	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Weges and salaries	\$ 74,696	\$ 87,551	\$ 162,247	\$ 65,940	\$ 74,838	\$ 140,778
Labour and health insurance fees	5,945	7,051	12,996	6,025	6,772	12,797
Pension costs	2,581	3,933	6,514	2,574	3,825	6,399
Director's remuneration	-	1,940	1,940	-	1,911	1,911
Other employee benefit expense	2,710	2,458	5,168	2,666	2,366	5,032
Depreciation charge	28,448	6,479	34,927	27,763	6,865	34,628
Amortisation charge	134	1,027	1,161	50	1,138	1,188

A. As at December 31, 2022 and 2021, the Company had 182 and 183 employees, both including 5 non-employee directors, respectively, and the calculatuing basis was consistent with employee benefit costs.

B. A Company whose stock is lited for trading on the stock exchange or over-the-counter secutities exchange shall additionally disclose the following

(a) Average employee benefit expense in current year was \$1,056 thousand; Average employee benefit expense in previous year was \$927 thousand.

(b) Average employee salaries in current year were \$917 thousand (A); Average employee salaries in previous year were \$791 thousand (B) °

(c) Adjustments of average employee salaries decreased 16%[(A-B)/B]

(d) The Company's remuneration policies: the appropriation of remuneration for directors and managers are determined by reference to the general pay levels within the same industry, and in accordance with the degree of business that they conducted, risk that they bear and their degree of contribution.

Employees are compensated based on their education and work background, professional expertise, professional seniority and personal performance.

We also carry out flexible salary changes according to the operating conditions to stimulate morale in a timely manner and retain outstanding employees;

annual salary adjustments are based on the employees' grades and performance appraisals to formulate salary adjustment items and amounts.

Genovate Biotechnology Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

					As of December 31, 2022				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)	Fair value	Nnote	
Genovate Biotechnology Co., Ltd.	KGI Victory Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,701,259	\$ 20,000	Not applicable	\$ 20,000		
Genovate Biotechnology Co., Ltd.	Green Management International Co., Ltd.- ordinary shares	None	Financial asset measured at fair value through other comprehensive income - non-current	1,567	10	0.073%	10		
Genovate Biotechnology Co., Ltd.	Quest Pharaceutical Services Taiwan Co., Ltd.- ordinary shares	The Company serves as a director of the company	Financial asset measured at fair value through other comprehensive income - non-current	1,128,319	11,284	6.326%	11,284		
Genovate Biotechnology Co., Ltd.	Reber Genetics Co., Ltd.- ordinary shares	The Company serves as a director of the company	Financial asset measured at fair value through other comprehensive income - non-current	1,124,367	7,376	2.825%	7,376		
Genovate Biotechnology Co., Ltd.	Uni Pharma Co., Ltd.- ordinary shares	The Company serves as a director of the company	Financial asset measured at fair value through other comprehensive income - non-current	6,270,000	97,185	17.661%	97,185		
Genovate Biotechnology Co., Ltd.	Navifus Corporation- ordinary shares	The Company serves as a director of the company	Financial asset measured at fair value through other comprehensive income - non-current	8,749,000	207,789	15.520%	207,789		
Genovate Biotechnology Co., Ltd.	Thevax Genetics Vaccine Co., Ltd.- ordinary shares	None	Financial asset measured at fair value through other comprehensive income - non-current	500,000	-	0.486%	-		
Genovate Biotechnology Co., Ltd.	Medeor Therapeutics, Inc.	None	Financial asset measured at fair value through other comprehensive income - non-current	555,555	-	3.379%	-		
Genovate Biotechnology Co., Ltd.	Soleno Therapeutics, Inc.	None	Financial asset measured at fair value through other comprehensive income - non-current	13,888	844	0.170%	844		
Genovate Biotechnology (Cayman) Co., Ltd.	PuraPharm Corporation Limited (Cayman)	None	Financial asset measured at fair value through other comprehensive income - non-current	2,058,000	10,373	0.520%	10,373		
					<u>\$ 354,861</u>		<u>\$ 354,861</u>		

Genovate Biotechnology Co., Ltd.
Information on investees
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022				Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares/ units	Ownership (%)	Book value				
Genovate Biotechnology Co., Ltd.	Genovate Biotechnology (Cayman) Co., Ltd.	Cayman Island	Investment in various businesses	\$ 29,840	\$ 29,840	1,000,000	100%	\$ 15,283	\$ 488	\$ 488	Subsidiary	
Genovate Biotechnology Co., Ltd.	Genovate-NaviFUS Inc.	Cayman Island	Investment in various businesses	19,432	19,432	650,000	30.233%	16,735	947	286	Using the equity method	

Genovate Biotechnology Co., Ltd.
Information on investees in Mainland China
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 4, 5 and 6)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 4, 5 and 6)	Net income of investee as of December 31, 2022 (Note 6)	Ownership held by the Company (direct or indirect) (Note 6)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022 (Note 6)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan									
PuraPharm Corporation	Producing and selling granules, pills, Chinese herbal pieces and wholesale and retail health food	\$ 144,990	Note 4	\$ 30,710	\$ -	\$ -	\$ 30,710	\$ -	0.520%	\$ -	\$ 10,373	\$ -	-	
<u>Company name</u>	<u>Main business activities</u>	<u>Paid-in capital</u>	<u>Investment method (Note 1)</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 4, 5 and 6)</u>	<u>Remitted to Mainland China</u>	<u>Remitted back to Taiwan</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 4, 5 and 6)</u>	<u>Net income of investee as of December 31, 2022 (Note 6)</u>	<u>Ownership held by the Company (direct or indirect) (Note 6)</u>	<u>Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)</u>	<u>Book value of investments in Mainland China as of December 31, 2022 (Note 6)</u>	<u>Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022</u>	<u>Footnote</u>	
Genovate Biotechnology Co., Ltd.		\$ 30,710		\$ 23,873	\$ 846,496									

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. Financial statements that were audited by an international accounting firm in cooperation with the CPA firm in R.O.C.
 - B. Financial statements that were audited by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: The Company acquired the equity of PuraPharm Corporation Limited (BVI) held by Genovate Biotechnology (Cayman) Co., Ltd. for a consideration of US\$1,000 thousand through the investee, Genovate Biotechnology (Cayman) Co., Ltd., in the third area and then indirectly invested in PuraPharm Corporation. The Company then exchanged the shares of PuraPharm Corporation Limited (BVI) to shares of PuraPharm Corporation Limited (Cayman) as the terms stipulated in the original investment agreement, recorded under financial assets at fair value through other comprehensive income - non-current.

Note 5: After the transfer of shares, as mentioned in Note 4, the investment amount in PuraPharm Corporation in Mainland China approved by the MOEA amounted to US\$777,356.75 (in dollars). Investment amount was translated based on USD:NTD=1:30.71, which was the spot exchange rate at December 31, 2022.

Note 6: The Company's investment in Mainland China pertains to indirect investment. Therefore, the investment amounts at the beginning/end of the year and the net income for the year as well as shareholding ratio and book value at the end of the year disclosed were the amounts invested in PuraPharm Corporation Limited (Cayman) through Genovate Biotechnology (Cayman) Co., Ltd.

Genovate Biotechnology Co., Ltd.

Major shareholders information

December 31, 2022

Table 4

Expressed in shares

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
National Development Fund, Executive Yuan	29,221,785	26.71%

Note 1: If the information in this form was applied by the Company from TDCC, it should state the following events in this table:

- (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.
- (2) If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.