Stock Code: 4726

MYCENAX BIOTECH INC.

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022, AND 2021

Address: 7F., No. 66, Shengyi 2nd Rd., Zhubei City, Hsinchu County 302041, Taiwan (R.O.C.)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Mycenax Biotech Inc.

Opinion

We have audited the balance sheets of Mycenax Biotech Inc. (the "Company") as of December 31, 2022 and 2021, and the statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors, (please refer to the Other Matter paragraph), the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the financial statements for the year ended December 31, 2022 are stated as follows:

Revenue Recognition

Please refer to Note 4.12 for accounting policy related to revenue recognition and Note 6.15 for disclosure information about revenue recognition of the financial statements.

Description

The main revenue of Mycenax Biotech Inc. is the provision of biopharmaceutical contract development and manufacturing services. The company's management team determines the timing of revenue recognition based on the contractual terms and conditions. Consequently, revenue recognition constitutes is one of the key audit matters for the current year.

How the matter was addressed in our audit

The main audit procedures for this key audit matter included understanding the Company’s revenue recognition procedure and transaction process and assessed the Company’s revenue recognition policy to meet the international financial reporting standard No.15, testing the effectiveness of the design and the implementation of internal control of sale and collection. We compared the detailed service revenue information and the general ledger, and we selected samples to exam service contract and transaction evidences, to assess the sale had been recognition in the percentage of completion for the contract. Furthermore, the auditors selected a sample of account receivable that had not yet been collected on the balance sheet date and performed a confirmation request to the third party and examination of subsequent collection.

Deferred income tax assets recognition

Please refer to Note 4.16 for accounting policy related to deferred income tax assets recognition and Note 6.19 for disclosure information of the financial statements.

Description

Mycenax Biotech Inc. recognized deferred income tax assets, which included tax loss carryforward and investment tax credits. The recognition and measurement of deferred income tax asset are based on management's subjective judgment of the assumptions of future profitability and the realizability of deferred income tax assets. Therefore, the assessment of the recognition of deferred income tax asset is one of the key audit matters for this year.

How the matter was addressed in our audit

The main audit procedures for this key audit matter include evaluating the reasonableness of management's recognition of deferred income tax asset, checking the related assumptions of future operating forecasts ,and the financial budget that made by management, evaluating the assumptions of growth rates made by management, and assessing the prior-year taxable income and the quality of budget estimates. Additionally, the auditor also evaluates whether Mycenax Biotech Inc. has made appropriate disclosures regarding deferred income tax assets.

Other matter

For the aforesaid invested company accounted for using the equity method disclosed in the financial statements of 2022, the financial statement of KRISAN BIOTECH CO., LTD. were audited by another auditor whose reports have been thereon furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statement, is based solely on the audit reports of other auditors. The account balance of the above company, accounted for using the equity method as of December 31, 2022 were NT$199,245 thousand, accounting for 4.46% of the total asset; for the year ended December 31, 2022, the share of loss from subsidiaries and associates under equity method amounted to NT$755 thousand, accounting for 0.16% of net loss before tax.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 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.

The engagement partners on the audits resulting in this independent auditors' report are WU, JIN-DI and DAI, WEI-LIANG

Ful-Fill & Co., CPAs
Taipei, Taiwan
Republic of China
March 13, 2023

<u>Notice to Readers</u>

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

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Mycenax Biotech Inc.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Account Co.	Assets	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$ 1,323,365	30	$ 286,927	9
1136	Financial assets at amortized cost	4, 6(3) ,8	17,316	—	8,500	—
1140	Contract assets	4, 6(15)	11,951	—	—	—
1170	Accounts receivable, net	4, 6(4)	58,731	1	122,390	4
1180	Accounts receivable, net-related parties	7	10,637	—	7,875	—
1200	Other receivables	7	3,087	—	11,331	—
130X	Inventories	4, 6(5)	246,721	6	173,302	6
1410	Prepayments	7	103,219	2	89,277	3
1482	Costs to fulfil contracts	6(15)	146,436	4	190,572	6
1470	Other current assets	8	2,318	—	7,234	—
11XX	**Total current assets**		1,923,781	43	897,408	28
15XX	**Non-current assets**					
1517	Financial assets at fair value through other comprehensive income	4, 6(2)	268	—	109,586	4
1550	Investments accounted for using the equity method	4, 6(6)	199,245	5	—	—
1600	Property, plant and equipment, net	4, 6(7), 8	1,886,916	42	1,146,975	37
1755	Right-of-use assets	4, 6(8)	91,302	2	203,850	6
1780	Intangible assets	4, 6(9)	49,844	1	57,626	2
1840	Deferred income tax assets	4, 6(19)	89,715	2	81,110	3
1915	Prepayments for business facilities	6(7), 8	201,127	5	633,067	20
1920	Refundable deposits		7,958	—	6,821	—
1975	Net defined benefit assets	4, 6(12)	2,842	—	2,569	—
15XX	**Total non-current assets**		2,529,217	57	2,241,604	72
1XXX	**Total assets**		$ 4,452,998	100	$ 3,139,012	100

(Continued)

Mycenax Biotech Inc.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Account Co.	Liabilities and Equity	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
21XX	**Current liabilities**					
2100	Short-term loans	4, 6(10), 8	$ 100,000	2	$ 50,000	2
2130	Contract liability	6(15), 7	142,275	3	152,116	5
2170	Accounts payable		52,521	1	54,675	2
2200	Other payables	6(11), 7, 12	195,378	5	237,868	7
2280	Lease liabilities	4, 6(8)	37,282	1	28,587	1
2320	Long-term liabilities, current portion	6(10)	105,880	2	15,600	—
2399	Other current liabilities		1,397	—	1,221	—
21XX	**Total current liabilities**		634,733	14	540,067	17
25XX	**Non-current liabilities**					
2541	Long-term borrowings	6(10), 8	656,320	15	474,400	15
2570	Deferred income tax liabilities	4, 6(19)	—	—	3,751	—
2580	Non-current lease liabilities	4, 6(8)	56,370	1	176,057	6
2610	Others long-term accounts payable	12	—	—	38,072	1
25XX	**Total non-current liabilities**		712,690	16	692,280	22
2XXX	**Total liabilities**		1,347,423	30	1,232,347	39
31XX	**Equity**	6(13)				
3110	Common stock		2,053,060	46	1,533,337	49
3140	Advance receipts for ordinary share		193	—	—	—
3200	Capital surplus		1,468,143	33	576,948	18
3350	Accumulated deficit		(406,832)	(9)	(254,336)	(8)
3400	Other equity interest		(8,989)	—	50,716	2
3XXX	**Total equity**		3,105,575	70	1,906,665	61
3X2X	**Total liabilities and equity**		4,452,998	100	3,139,012	100

(The accompanying notes are an integral part of the Company only financial statements.)

Mycenax Biotech Inc.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			For the Year Ended December 31			
			2022		2021	
Account Co.	Item	Notes	Amount	%	Amount	%
4000	Operating Revenue	4, 6(15), 7	$ 732,276	100	$ 774,270	100
5000	Operating Costs		845,948	116	636,661	82
5900	Gross Profit (Loss)		(113,672)	(16)	137,609	18
	Operating Expenses	6(16), 7				
6100	Sales and marketing expenses		43,507	6	55,759	7
6200	General and administrative expenses		112,657	15	78,204	10
6300	Research and development expenses		144,001	20	96,134	13
6450	Expected credit impairment loss (gain)		31,158	4	(7,157)	(1)
6000	Total operating expenses		331,323	45	222,940	29
6900	Operating Profit (Loss)		(444,995)	(61)	(85,331)	(11)
7000	Non-operating Income and Expenses					
7050	Finance costs	4, 6(17)	(19,194)	(3)	(2,530)	—
7020	Other gains and losses	6(7)	(20,569)	(3)	(645)	—
7100	Interest income		3,795	1	307	—
7190	Other income	6(17), 7	5,586	1	2,028	—
7230	Net foreign exchange gain (loss)		13,291	2	(1,347)	—
7070	Share of profit of associates and joint ventures accounted for using equity method		(755)	—	—	—
7000	Total non-operating income and expenses		(17,846)	(2)	(2,187)	—
7900	**Loss before income tax**		(462,841)	(63)	(87,518)	(11)
7950	Income tax benefit(or expense)	4, 6(19)	9,210	1	(2,340)	—
8200	**Net Loss**		(453,631)	(62)	(89,858)	(11)
8310	Other Comprehensive Income Components of other comprehensive income that will not be reclassified to profit or loss	6(18)				
8311	Remeasurement of defined benefit obligation		453	—	(123)	—
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(7,516)	(1)	7,748	1
8349	Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	6(19)	3,146	—	2,935	—
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		(3,917)	(1)	10,560	1
8500	**Total Comprehensive Loss**		$ (457,548)	(63)	$ (79,298)	(10)
	EARNINGS PER SHARE					
9750	Basic earnings per share	6(20)	$ (2.74)		$ (0.61)	
9850	Diluted earnings per share	6(20)	$ (2.74)		$ (0.61)	

(The accompanying notes are an integral part of the Company only financial statements.)

Mycenax Biotech Inc.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Item	Share Capital		Capital Reserves				Accumulated deficit	Other equity interest		Total equity
	Common stock	Advance Receipts for Common Stock	Addition paid-in capital	Employee stock options	Restricted stock to employees	Others		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	
Balance on January 1,2021	$ 1,282,377	$ 499	$ 11,157	$ 41,956	$ –	$ –	$ (207,233)	$ 82,911	$ –	$ 1,211,667
Issuance of shares	250,000	–	513,019	(2,919)	–	493	–	–	–	760,593
Employee stock option exercised	960	(499)	3,424	(1,365)	–	–	–	–	–	2,520
Employee stock options expired	–	–	–	(12,744)	–	12,744	–	–	–	–
Disposal of equity instruments measured at fair value through other comprehensive income	–	–	–	–	–	–	42,853	(42,853)	–	–
Income (Loss) for 2021	–	–	–	–	–	–	(89,858)	–	–	(89,858)
Other comprehensive income (loss)	–	–	–	–	–	–	(98)	10,658	–	10,560
Total comprehensive income (loss)				–	–	–	(89,956)	10,658	–	(79,298)
Compensation costs of employee stock options	–	–	–	11,183	–	–	–	–	–	11,183
Balance on December 31,2021	$ 1,533,337	$ –	$ 527,600	$ 36,111	$ –	$ 13,237	$ (254,336)	$ 50,716	$ –	$ 1,906,665
Issuance of shares-private	500,000	–	1,125,000	–	–	–	–	–	–	1,625,000
Capital reserves for cover accumulated deficits	–	–	(254,336)	–	–	–	254,336	–	–	–
Employee stock option exercised	9,723	193	18,851	(7,116)	–	–	–	–	–	21,651
Employee stock options expired	–	–	–	(1,529)	–	1,529	–	–	–	–
Disposal of equity instruments measured at fair value through other comprehensive income	–	–	–	–	–	–	46,437	(46,437)	–	–
Issuance of employee restricted stocks	10,000	–	–	–	886	–	–	–	(10,886)	–
Income (Loss) for 2022	–	–	–	–	–	–	(453,631)	–	–	(453,631)
Other comprehensive income (loss)	–	–	–	–	–	–	362	(4,279)	–	(3,917)
Total comprehensive income (loss)	–	–	–	–	–	–	(453,269)	(4,279)	–	(457,548)
Compensation costs of employee share based payment	–	–	–	7,910	–	–	–	–	1,897	9,807
Balance on December 31,2022	$ 2,053,060	$ 193	$ 1,417,115	$ 35,376	$ 886	$ 14,766	$ (406,832)	$ –	$ (8,989)	$ 3,105,575

(The accompanying notes are an integral part of the Company only financial statements.)

Mycenax Biotech Inc.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Item	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before tax	$ (462,841)	$ (87,518)
Adjustments for:		
Adjustments to reconcile profit(loss)		
Depreciation	254,909	145,860
Amortization	27,644	21,961
Expected credit impairment losses(income)	31,158	(7,157)
Compensation costs of employee stock options	9,807	11,183
Interest expense	19,194	2,530
Interest income	(3,795)	(307)
Dividend income	(4)	–
Shares of profit from associates under equity method	755	–
Gain on lease modification	(1,131)	–
Loss (Gain) on disposals of property, plant and equipment	20.106	(131)
Write-down (reversal) of inventories	16,090	(10,080)
Changes in operating assets and liabilities		
Contract assets	(11,951)	–
Accounts receivable, net	32,501	(48,325)
Accounts receivable, net-related parties	(2,762)	(7,570)
Other receivables	8,968	(5,780)
Inventories	(89,509)	(78,370)
Prepayments	(17,170)	(44,017)
Costs to fulfil contracts	44,136	(88,793)
Other current assets	6,378	(5,778)
Decrease (increase) in net defined benefit asset	180	(26)
Accounts payable	(2,154)	14,361
Other payables	2,282	43,315
Current contract liabilities	(9,841)	26,212
Other current liabilities	176	(44)
Cash outflow generated from operations	(126,874)	(118,474)
Interest paid	(23,042)	(27,473)
Income tax received	–	358
Income tax paid	(269)	(645)
Net cash flows used in operating activities	(150,185)	(146,234)

(Continued)

Item	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (Acquisition) of financial assets at amortized cost	(8,816)	(7,300)
Acquisition of financial assets at fair value through other comprehensive income	(268)	–
Disposal of financial assets at fair value through other comprehensive income	102,070	(89,972)
Acquisition of investment accounted for using the equity method	(200,000)	–
Decrease (Increase) in restricted assets	(1,193)	(851)
Acquisition of property, plant and equipment	(626,936)	(1,098,098)
Disposal of property, plant and equipment	–	275
Decrease (Increase) in refundable deposits	(1,137)	(809)
Acquisition of intangible assets	(12,038)	(14,978)
Interest received	3,071	306
Dividend received	4	–
Net cash flows used in investing activities	(745,243)	(1,031,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal of lease liabilities	(36,985)	(29,610)
Proceeds (Repayments) from short-term borrowings	50,000	(50,000)
Proceeds (Repayments) from long-term borrowings	272,200	490,000
Issuance of common stocks	1,625,000	760,593
Employee stock options exercised	21,651	2,520
Net cash flows from financing activities	1,931,866	1,173,503
Net increase in cash and cash equivalents	1,036,438	(4,214)
Cash and Cash equivalents at beginning of year	286,927	291,141
Cash and cash equivalents at end of year	$ 1,323,365	$ 286,927

(The accompanying notes are an integral part of the Company only financial statements.)

MYCENAX BIOTECH INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31,2022 and 2021

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

I. GENERAL

Mycenax Biotech Inc. was approved for establishment on September 28, 2001. Originally focused on research and development of biologic drugs and biosimilars, the Company strategically transformed into a specialized Contract Development and Manufacturing Organization (CDMO) in 2019. Mycenax Biotech Inc. now provides a comprehensive range of services for biopharmaceutical development and production, including program evaluation/confirmation, cell line development and construction, process development technology platforms, drug characterization analysis, establishment of testing methods, and drug production in accordance with PIC/S GMP manufacturing standards.

The shares of the Company have been listed on the Taipei Exchange since Dec 25, 2013.

II. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on March 13, 2023.

III. Application of New Standards, Amendments, and Interpretations

(I) The initial adoption of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed and announced by the Financial Supervisory Commission (FSC) since January 1, 2022 has no significant impact on the Company's accounting policies.

(II) Applicable IFRSs accredited by FSC in 2023

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board(IASB)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

(III) IFRSs issued by IASB but not yet endorsed and announced by the FSC:

New, Revised or Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-current	January 1, 2024

NOTE1. Unless stated otherwise, the new, revised and amended standards and interpretations are effective for annual reporting periods beginning on or after the respective effective dates.

NOTE2. The amendments add seller-lessee additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

In the future, the Company adopts the above IASB standards or interpretations which have not yet been accredited by the FSC and those may have a potential impact on the Company's financial statements are as follows:

1. Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the end of the reporting period. If the Company has such a right at the end of the reporting period, the liability is classified as non-current regardless of whether the Company expects to exercise such a right. The amendments also clarify that if the Company is required to comply with specific conditions before it has a right to defer settlement of the liability, the Company must comply with specific conditions at the end of the reporting period, even if the lenders were to test the Company for compliance with these conditions at a later date.

The amendments stipulate that for the purpose of liability classification, the aforementioned settlement refers to the transfer of cash, other economic resources or the Company's equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of the liability may be based on the choice of the counterparty to transfer the Company's equity instruments and cause its liquidation, and if the option is separately recognized in equity according to IAS32 "Financial Instruments: Presentation", the aforementioned The terms do not affect the classification of liabilities.

In addition to the impact above, as of the date the financial statements are authorized for issue, the Company is continuously assessing the impact of other standards and amendments of interpretation on its financial position and financial performance, and will disclose the relevant impact upon completion of the assessment.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance

The financial report is prepared in accordance with the Securities Issuer Financial Report Preparation Standard, as well as IFRS, IAS, interpretations, and announcement (hereinafter referred to as IFRSs) accredited by FSC.

2. Basis of Preparation

Apart from financial instruments measured at fair value and the net defined benefit assets (liabilities) recognized by deducting the fair value of plan assets measured at fair value, this financial statement is prepared on a historical cost basis, where historical cost is typically based on the fair value of consideration paid to acquire an asset.

3. Foreign currency

The financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

Trader in a currency other than that individual's functional currency (foreign currency) is recognized at the trading day's exchange rate. Monetary items of foreign currencies are reconverted on based on the spot exchange rate on the reporting day. Non-monetary items of foreign currencies measured at fair value are reconverted based on the exchange rate on the day the fair value is determined. Non-monetary items of foreign currencies measured at historical cost is converted at the exchange rate on the transaction date and shall not be reconverted. The exchange difference is recognized as a gain or loss at the time of occurrence.

4. Standard for Distinguishing Current and Non-current Assets and Liabilities

Current assets include assets held for transaction purpose and shall be realized or consumed within one year. Assets that are not current are non-current assets. Current liabilities include liabilities incurred for transaction purposes and payable within one year. Liabilities that are not current are non-current liabilities.

5. Inventories

Inventories include raw materials, materials and finished products Inventories are stated at the lower of cost and net realizable value. Cost is determined using "weighted average" method.

To determine the lower between the comparative cost and the net realizable value, it is based on individual items except for the same type of inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

6. Investments accounted for using the equity method - Investment in associates

Investments using the equity method include investment in associates and joint ventures.

Associates refer to companies that the Company has a significant influence on but are not subsidiaries or joint ventures. Significant influence refers to the power to participate in the financial and operating policies of the investee, but not the power to control or jointly control such policy decisions.

Except for assets classified for sale, the results of the affiliates and joint ventures and assets and liabilities are included in the financial statements using the equity method. Under the equity method, investment-related companies and joint ventures were originally recognized at a cost in the balance sheet and then adjusted according to changes in the Company's share of the investee's net assets. When the Company's share of losses in associates and joint ventures exceeds its equity in the associates and joint ventures, additional losses are recognized only within the scope of the Company's legal obligations, constructive obligations, or payments made on behalf of the associates and joint ventures.

The excess of the cost of acquisition over the net fair value of the identifiable assets and liabilities of the subsidiaries owned by the Company at the date of acquisition is recognized as goodwill. And it is included in the carrying amount of the investment. If the net fair value of identifiable assets and liabilities of all affiliates and joint ventures on the date of acquisition exceeds the acquisition cost, it shall be recognized as an interest immediately after reassessment.

The company assesses investments for impairment by comparing their overall carrying amount (including goodwill) to their recoverable amount (the higher of their fair value less costs to sell and their value in use). Any impairment loss recognized will be included in the carrying amount of the investment, and any reversal of such loss will be recognized to the extent that the carrying amount of the investment does not exceed its recoverable amount.

The company measures the remaining investment in an associated company at fair value from the date of loss of significant influence over that associated company. The difference between the fair value of the remaining investment and any proceeds from disposal and the carrying amount of the investment on the date of loss of major influence is recognized in the current year's income statement. Additionally, all amounts recognized in other comprehensive income related to the associated company are accounted for using the same basis as the associated company would use if it were to directly dispose of the related assets or liabilities. If the Company reduces its ownership interest in the associated company due to disposal, but the investment remains an investment in the associated company, any previously recognized gains or losses in other comprehensive income should be reclassified to income on a proportionate basis.

When an associate issues new shares, if the Company fails to subscribe or acquire the shares in proportion to its shareholding ratio, which results in a change in the investment ratio but still has a significant impact on it, and consequently increases or decreases the net value of the invested equity, the amount of increase or decrease shall be adjusted to the capital reserves and investments using the equity method. However, if the Company has not subscribed in proportion to the shareholding ratio, resulting in a decrease in the ownership and equity of related companies and joint ventures, the interests or losses that have been previously recognized in other comprehensive profits and losses shall be related to the decrease in the ownership and equity. Reduce the proportion and reclassify to profit or loss (if the benefit or loss is to be reclassified to profit or loss when disposing of related assets or liabilities).

7. Property. Plant and Equipment

Property, plant, and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment under construction are recognized at cost less accumulated impairment losses. When completed and ready for their intended use, such assets are classified into appropriate categories of property, plant, and equipment and depreciation is recognized.

The depreciation is based on the straight-line method. Depreciation is based on the following useful lives:

Assets	useful life
Buildings	10 to 15 years
Machinery and equipment	3 to 8 years
Office equipment	3 to 6 years
Leasehold improvements	3 to 8 years

The Company reviews the estimated useful lives, residual values, and depreciation methods at least annually and defers the effect of changes in accounting estimates.

When disposing of property, plant, and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement.

8. Intangible assets

(1) Goodwill

The goodwill received through business combinations has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

(2) Other Intangible Assets

Other separately acquired intangible assets with limited useful lives are recognized at cost less accumulated amortization and accumulated impairment. Amortization is based on the straight-line method. The estimated useful lives and amortization methods are reviewed at the end of the reporting period, and the effect of any changes in the estimate shall be prospective application.

9. Impairment of tangible and intangible asset

(1) Goodwill

Goodwill is not amortized but it is subject to impairment test annually. Impairment tests are performed more frequently when there are signs of impairment of the cash-generating unit. When conducting impairment tests, goodwill should be allocated to each cash-generating unit that the Company expects to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss shall be immediately and directly recognized as a loss in the statement of comprehensive income and may not be reversed in subsequent periods.

(2) Other tangible and intangible assets

The Company reviews the carrying amounts of tangible and intangible assets at the end of the reporting period to decide whether there is any sign of impairment. If there are signs of impairment, the recoverable amount of the asset is estimated to determine the amount of impairment to be recognized. If it is not possible to determine the recoverable amount for an individual asset, the Company shall estimate the recoverable amount of the asset's cash-generating unit. If the shared asset is allocated on a reasonably consistent basis, the shared asset is also allocated to individual cash-generating units. Otherwise the minimum cash generation order that can be allocated on a reasonably consistent basis is a group.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. When evaluating the value in use, the estimated future cash flows are discounted at a pre-tax discount rate, which reflects the current market's assessment of the following items: (a) the time value of money, and (b) has not been used for adjustment The asset-specific risk of the estimated future cash flow.

If the recoverable amount of asset or the cash-generating unit is expected to be lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in gain or loss immediately for the current period.

If an impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is raised to its recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. The impairment loss of the reversal is immediately recognized in the current gain or loss.

10. Financial instruments

Financial assets and financial liabilities shall be recognized when the Company became a party to the terms of the financial instrument contract.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction cost, which is directly attributable to financial assets and financial liability assessment loss measured by fair value through profits and losses, shall be recognized as gain or loss immediately.

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Financial assets

(I) Classifications and measures of financial assets:

The Company's classifications on financial assets are: financial assets measured through amortized cost, and equity instrument investment measured at fair value through other comprehensive income.

The Company only re-classifies the influenced financial assets according to requirements when the operation mode of financial assets management is varied.

A. Financial Assets at Amortized Cost

Financial assets meeting all the following conditions and without being designated for measurement at fair value through profit or loss are to be measured through amortized cost:

a. The financial assets are held under the operation mode with the purpose of collecting contract cash flow.

b. The cash flow on certain date arising out of the contract term of the financial assets is completely for paying the capital and the interest of capital circulating outside.

The initial recognition is measured by fair value plus directly attributable transaction costs; subsequent effective interest method is adopted to measure the amortized cost minus the impairment loss. Interest income, foreign exchange profit or loss, and impairment loss are recognized in profit and loss. When derecognition, accumulated gain or loss is recognized in profit and loss.

B. Value relevance of equity instrument investments measured at fair value through other comprehensive income (OCI)

When initially recognizing equity instrument investments, the Company may irrevocably elect to designate non-trading investments as through other comprehensive income at fair value.

Subsequent fair value changes of equity instrument investments designated as through other comprehensive income are recognized in other comprehensive income and accumulated in other equity. Upon disposal, the cumulative gains or losses are transferred directly to retained earnings and not reclassified to profit or loss.

Dividends on equity instrument investments designated as through other comprehensive income are recognized in profit or loss only when the Company's right to receive payment is established, unless the right to receive payment clearly represents a recovery of part of the cost of the investment.

(II) Impairments of financial assets

The Company assesses the impairment and of financial assets (including accounts receivable) at amortized cost at the expected credit loss on each balance sheet date.

Allowances shall be appropriated for accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

The impairment loss of all financial assets is reduced based on the allowance account.

(2) Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments. The equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuance costs. The acquisition of equity instruments by the Company itself is recognized and deducted in equity. The purchase, sale, issuance, or cancellation of equity instruments by the Company itself is not recognized in profit or loss.

(3) Financial liabilities

A. Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method,

B. Derecognition of financial liabilities

When a financial liability is derecognized, the difference between the carrying value of financial liability derecognized and the consideration paid or payable (including any non-cash asset transferred or liability assumed) should be recorded into profits or losses of the current period.

11. Employee Benefits

(1) Retirement allowance

The defined contribution plan is recognized as an expense during the service period of the employee.

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur. Remeasurement (comprising actuarial gains and losses and return on plan assets net of interests) is recognized in other comprehensive income and included in retained earnings, and is not recycled to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (surplus) of the contribution made according to the defined benefit pension plan. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

(2) Short-term employee benefits

The liabilities for short-term employee benefits are measured on an undiscounted basis, and recognized as expenses at the time of relevant services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(3) Share-based payment transactions

An increase in remuneration costs and relative benefits is recognized for the employee's share basis based on the fair value at the grant date. Recognition for remuneration costs is adjusted pursuant to the number of rewards expected to meet the conditions of service, until the final recognition sum is recognized by the vested date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share- based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

12. Revenue recognition

After identifying the performance obligations in customer contracts, the Company allocates transaction prices to each obligation and recognizes revenue upon satisfaction of those obligations.

(1) Sales revenue

Since the customer has the right to price and use the goods at the time of arrival at the customer's location and is primarily responsible for re-sale and bear the risk of obsolescence of the goods, the Company recognizes revenue at that point and Accounts receivable.

(2) Service revenue

Service revenue primarily from the provision of technical services. Revenue from service contracts is recognized as contract assets when services are provided. Payments received from customers at the time of contract signing, for which the Company has an obligation to supply services in the future, is recognized as contract liabilities. Revenue is recognized when the service obligations are fulfilled according to the contract terms during the contract period, with no significant financing components included. Technical services provided during the contract period are recognized as revenue upon completion of the contractual obligations.

(3) Licensing revenues

When the license fee received from drug licensing is calculated based on sales, revenue is only recognized upon the occurrence of (or with) the later of the following events, in accordance with the terms of the contract.

A. Occurrence of subsequent sales; and

B. The performance obligation related to the portion or all of the sales-based royalties that have been allocated has been satisfied (or partially satisfied).

13. Lease

On the contract inception date, the Company evaluates whether the contract contains or includes a lease. For contracts with lease and non-lease components, The Company allocates the transaction price to each performance obligation in the contract based on its relative standalone selling price, and accounts for each obligation separately. However, for contracts where the leased asset is provided by the lessor, we choose to apply lease accounting to the contract as a whole for both lease and non-lease components.

(1) The company as a lessor

Leases in which the lessee assumes all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term.

(2) The company as a lessee

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease commencement date minus the lease incentive received, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. A right-of-use asset is separately presented on the balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the end of the lease term. Lease liabilities are initially measured at the present value of lease payments. If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used. Subsequently, the lease liability is measured at amortized cost using the effective interest method, and the interest expense is amortized during the lease period. In the case that future lease payments change as a result of a change in the lease term, the Company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in gain or loss. Lease liabilities are expressed separately in the balance sheets.

14. Borrowing costs

The borrowing cost directly attributable to the acquisition, construction or production of eligible assets shall be recognized as part of the cost of those assets until such time as substantially all of the activities necessary to prepare the asset for its intended use or sale have been completed.

If specific borrowings are temporarily invested to earn investment income before capital expenditures that meet the criteria occur, the investment income earned shall be deducted from the borrowing costs that meet the capitalization criteria.

All other borrowing costs, except those mentioned above, shall be recognized in profit or loss in the period in which they are incurred.

15. Government grants

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

If the government subsidy is used to compensate for expenses or losses that have already occurred or is given to the Company for immediate financial support purposes with no future related costs, it shall be recognized in the income statement in the period in which they become receivables.

16. Income tax

(1) Current income tax

The current income tax payable is calculated based on the taxable income in the current period. As part of the proceeds and fees are taxable or deductible in other years or are not taxable or deductible under the relevant tax law, the income is different from the net income reported in the statement of comprehensive income. The Company's current income tax liabilities are calculated based on the tax rate that has been legislated or substantively legislated at the end of the reporting period.

An additional tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings. The related liabilities are estimated and recognized.

(2) Deferred tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all future taxable temporary differences and deferred income tax assets are recognized when there are likely future taxable income for the deducting temporary differences.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at the end of each reporting period and is raised when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate (and tax laws) that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

(3) Current and deferred income tax for the year

Current and deferred income taxes are recognized in gain or loss, but the current and deferred income taxes related to items recognized in other comprehensive income or directly included in equity are respectively recognized in other comprehensive income or directly included in equity.

V. Material sources of uncertainty in accounting judgments, estimates and hypotheses:

When the Company adopts accounting policies, it makes relevant judgments, estimates and assumptions regarding information about the carrying amounts of assets and liabilities that are not easily available from other sources. Estimates and underlying assumptions are based on past experience and other factors that are regarded as crucial. Actual results may differ from these estimates.

The company has taken into consideration the economic impact of the COVID-19 pandemic as a significant accounting estimate, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following contain information regarding the future used for main assumptions and other primary sources of uncertainties estimated on the last day of the reporting period. Such assumptions and estimates are at risk for major adjustments in the carrying amount of assets and liabilities in the next fiscal year.

1. Realizability of deferred income tax assets

Deferred income tax assets are recognized when there is likely to be sufficient taxable income to deduct temporary differences in the future. When assessing the feasibility of deferred income tax assets, significant accounting judgments and management estimates must be involved, including assumptions such as expected future sales revenue growth and profitability, tax exemption period, available income tax deductions, and tax planning. Any changes in the global economic environment, industrial environment, and laws and regulations may cause significant adjustments in deferred income tax assets. As of December 31, 2022, and 2021, the Company's recognized net deferred income tax assets were NTS89,715 thousand and NT$81,110 thousand.

2. Impairment assessment of tangible asset and intangible asset (goodwill excluded)

The company assesses the impairment of assets based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and their industrial characteristics. Any changes in these estimates arising from changes in economic conditions or business strategies could lead to significant impairment losses in the future.

The company did not recognize any impairment losses for asset assessments in December 31, 2022 and 2021.

3. Inventory valuation

Since the inventory must be valued at the lower of cost or net realizable value, the Company must use judgment and estimation to determine the net realizable value of the inventory at the terminal date of the financial reporting period.

Due to the rapid changes in technology, the Company assesses the amount of inventory due to normal wear and tear, obsolescence, or no market sales value at the end of the financial reporting period and offsets the inventory cost to the net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which may cause a significant variation.

As of December 31, 2022, and 2021, the Company's inventory carrying amount was NT$246.721 thousand and NT$173,302 thousand.

4. Lease term

When determining the lease term of the leased asset, the Company considers all relevant facts and circumstances that create an economic incentive to exercise (or not to exercise) an option to renew or terminate the lease, including the expected changes in facts and circumstances during the period from the lease commencement date to the option exercise date. The significant factors considered include the terms and conditions of the contract covering the option period, significant leasehold improvements made during the lease term, and the importance of the underlying asset to the lessee's operations. The Company reassesses the lease term when there is a significant change in a matter or circumstance that is within its control.

5. Recognition of revenues

According to the conditions specified in each technology service commission contract, the Company determines the timing of revenue recognition. In making such determination, management has fully considered the revenue recognition criteria, particularly whether the Company has satisfied its contractual obligations in accordance with the contract terms before recognizing revenue.

VI. DETAILS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

Items	2022.12.31	2021.12.31
Cash on hand and petty cash	$ 73	$ 53
Demand deposits	247,659	286,874
Cash equivalents：		
Time deposits	1,075,633	—
Total	$ 1,323,365	$ 286,927

(1) Cash equivalents includes time deposits that are highly liquid, were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) The market interest rate range of time deposits as of the balance sheet date is as follows:

Items	2022.12.31	2021.12.31
Time deposits	0.91%~4.85%	—

2. Non-current financial assets at fair value through other comprehensive income

Items	2022.12.31	2021.12.31
Non-current		
Domestic unlisted stocks	$ 268	$ —
Domestic listed stocks	—	109,586
Total	$ 268	$ 109,586

(1) These investments in equity instruments are held for medium to long-term purposes and therefore are accounted for as fair value through other comprehensive income.

(2) The securities described above have not been pledged as collateral.

(3) For the years ended December 31, 2022, and 2021, the evaluation net gain (loss) of financial assets generated was (NT$ 7,516) thousand and NT$7,748 thousand, respectively.

(4) After considering the operating strategy, the Company disposed of equity instrument investments measured at fair value through other comprehensive income. Details of the disposal are as follows:

Items	2022	2021
Fair value of the disposed assets	$ 102,070	$ 89,972
The gain or loss on disposal transferred to retained earnings	$ 46,437	$ 42,853

3. Financial assets at amortized cost

Items	2022.12.31	2021.12.31
Current：		
Time deposits with an original maturity exceeding three months	$ 17,316	$ 8,500

(1) The market interest rate range for time deposits as of the balance sheet date is as follows:

Items	2022.12.31	2021.12.31
Time deposits	1.35%~1.44%	0.81%~0.815%

(2) Details of the financial assets at amortized cost pledged to others as collateral, please refer to Note 8.

4. Accounts receivable, net

Items	2022.12.31	2021.12.31
At amortized cost		
Accounts receivable	$ 90,774	$ 123,275
Less: Loss allowance	(32,043)	(885)
NET	$ 58,731	$ 122,390

The Company grants credit to customers with a credit period of 30-60 days after the invoice date, and no interest is charged on accounts receivable. As of the balance sheet date, the Company adopts the simplified approach under IFRS 9 to estimate expected credit losses over the remaining period of each account receivable. The expected credit losses are calculated using a provision matrix based on the Company's historical credit loss experience, industry and economic outlook, and forward-looking information adjustments. As the Company's historical credit loss experience shows no significant difference in loss patterns among different customer groups, the provision matrix does not further distinguish customer groups and only sets the expected credit loss rate based on the number of days past due of accounts receivable. In addition to the provision based on the expected credit loss rate, the Company also considers the operating condition and debt-paying ability of customers to assess whether additional expected credit losses should be recognized.

Furthermore, the Company recognizes loss allowance a full amount for accounts receivable that are past due over 365 days without other credit guarantees.

(1) The aging analysis of the net accounts receivable is as follows:

Items	2022.12.31	2021.12.31
Not past due	$ 51,086	$ 120,806
Past due		
Past due within 30 days	—	677
Past due 31 to 60 days	413	907
Past due 61 to 180 days	1,767	—
Past due 181 to 365 days	5,465	—
Past due over 365 days	—	—
Total	$ 58,731	$ 122,390

(2) Movements of the loss allowance for accounts receivable is listed as follows:

Items	2022	2021
Beginning balance	$ 885	$ 11,998
Provision	31,158	—
Reversal	—	(7,118)
Written off	—	(3,995)
Ending Balance	$ 32,043	$ 885

(3) Accounts receivable described above have not been pledged as collateral.

5. Inventories

Items	2022.12.31	2021.12.31
Raw Material	$ 274,797	$ 187,639
Inventory in transit	2,351	—
Less: Allowance for decline in value of inventories	(30,427)	(14,337)
NET	$ 246,721	$ 173,302

For the year ended in 2022 and 2021, the write-down of inventories of NT$16,090 thousand and reversal of write-down of inventories of NT$10,080 thousand were included in the operating costs, respectively.

6. Investments accounted for using the equity method

Investments in associates

Items	2022.12.31
KRISAN BIOTECH CO., LTD.	$ 199,245

(1) The basic information of the Company’s associates is as follows:

Items	Shareholding percentage 2022.12.31
KRISAN BIOTECH CO., LTD.	19.15%

For information on the nature of business, principal place of business, and country of registration of the associates above, please refer to Table 2 "Information on Investees".

The company acquired the equity of KRISAN BIOTECH CO., LTD. in December 2022 as a strategic partner for the construction of the value chain of ADC. According to the investment agreement, we have the right to appoint directors and thus have significant influence over the investee.

(2) The share of profit or loss and other comprehensive income of the equity-method investee, , for the year 2022, which was recognized based on the financial statements of the investee audited by certified public accountants during the same period.

The Company's share of profit	2022
Net income of continuing operations	$ (755)
Other comprehensive income	—
Total Comprehensive income	$ (755)

(3) Investments accounted for using the equity method described above have not been pledged as collateral.

7. Property, Plant and Equipment

(1)The carrying amounts of the Company's property, plant, and equipment are listed as follows:

Items	2022.12.31	2021.12.31
Land, buildings, and structures	$ 767,604	$ —
Machinery and equipment	992,074	410,524
Office equipment	19,585	5,635
Leasehold improvements	104,301	106,468
Construction in progress	3,352	624,348
Total	$ 1,886,916	$ 1,146,975

	Balance as of January 1, 2022	Addition	Disposal	Reclassification	Balance as of December 31, 2022
Cost:					
Land, buildings, and structures	$ —	$ 15,175	$ —	$ 776,500	$ 791,675
Machinery and equipment	817,879	67,973	(11,264)	666,035	1,540,623
Office equipment	19,692	5,652	(2,922)	12,141	34,563
Leasehold improvements	276,232	6,715	(1,158)	25,983	307,772
Construction in progress	624,348	196,755	(20,106)	(797,645)	3,352
Total	$ 1,738,151	$ 292,270	$ (35,450)	$ 683,014	$ 2,677,985

	Balance as of January 1, 2022	Depreciation expense	Disposal	Reclassification	Balance as of December 31, 2022
Accumulated Depreciation and Impairment:					
Land, buildings, and structures	$ —	$ 24,071	$ —	$ —	$ 24,071
Machinery and equipment	407,355	151,633	(11,264)	825	548,549
Office equipment	14,057	4,499	(2,922)	(656)	14,978
Leasehold improvements	169,764	35,034	(1,158)	(169)	203,471
Total	$ 591,176	$ 215,237	$ (15,344)	$ —	$ 791,069

	Balance as of January 1, 2021	Addition	Disposal	Reclassification	Balance as of December 31, 2021
Cost:					
Machinery and equipment	$ 666,601	$ 77,752	$ (22,419)	$ 95,945	$ 817,879
Office equipment	21,418	234	(3,767)	1,807	19,692
Leasehold improvements	246,208	7,847	(2,710)	24,887	276,232
Construction in progress	260,369	405,590	—	(41,611)	624,348
Total	$ 1,194,596	$ 491,423	$ (28,896)	$ 81,028	$ 1,738,151

	Balance as of January 1, 2021	Depreciation expense	Disposal	Reclassification	Balance as of December 31, 2021
Accumulated Depreciation and Impairment:					
Machinery and equipment	$ 347,333	$ 82,297	$ (22,275)	$ —	$ 407,355
Office equipment	14,848	2,976	(3,767)	—	14,057
Leasehold improvements	142,337	30,137	(2,710)	—	169,764
Total	$ 504,518	$ 115,410	$ (28,752)	$ —	$ 591,176

Note: The reclassified item is the transfer from prepaid equipment payments (listed under "non-current assets").

A. The capitalized interest amount of the Company for the year 2022 and 2021 were NT$8,304 thousand and NT$4,643 thousand, respectively.

B. The company derecognized the right-of-use asset for the Zhubei land and recognized a loss of NTD 20,106 thousand of the construction in progress in September 2022.

C. Please refer to Note 8 for the information of property, plant, and equipment pledged by the Company as collateral for a loan.

(2) Prepayments for business facilities

	2022	2021
Beginning balance	$ 633,067	$ 44,733
Addition	259,073	674,452
Reclassification	(691,013)	(86,118)
Ending Balance	$ 201,127	$ 633,067

8. Lease Agreements

(1) The carrying amounts of the Company's Right-of-use assets are listed as follows:

Items	2022.12.31	2021.12.31
Land	$ 14,131	$ 129,880
Buildings	77,171	73,970
Total	$ 91,302	$ 203,850

Addition of Right-of-use assets	2022	2021
Land	$ 2,883	$ 117,027
Buildings	37,248	20,620
Total	$ 40,131	$ 137,647

Depreciation expense	2022	2021
Land	$ 5,625	$ 2,995
Buildings	34,047	27,455
Total	$ 39,672	$ 30,450

(2) Leasing liabilities:

Items	2022.12.31	2021.12.31
Carrying amount of lease liabilities		
Current	$ 37,282	$ 28,587
Non-current	$ 56,370	$ 176,057

The ranges of discount rate for lease liabilities are listed as follows:

Items	2022.12.31	2021.12.31
Land	1.977%~2%	1.977%~2%
Buildings	1.809%~1.977%	1.809%~1.977%

(3) Other Lease Information:

Items	2022	2021
Short-term lease expenses	$ 3,313	$ 7,169
Total cash outflow for leases	$ (36,985)	$ (29,610)

The company chooses to exempt the leases applicable such as leases of copiers, equipment, and instruments for short-term and does not recognize the relevant right-of-use assets and lease liabilities for such tenancies.

(4) Significant leasing activities and terms:

The company leases land, buildings, and constructions for 1 to 20 years. For the lease contracts for land located in Taiwan (ROC), the lease payments will be adjusted based on the announced land prices. The company has no purchase options to acquire the leased land and buildings at the end of the lease terms.

9. Intangible assets

Items	2022.12.31	2021.12.31
Software	$ 25,221	$ 22,941
Goodwill	23,919	23,919
Professional expertise	704	9,987
Customer relations	—	779
Total	$ 49,844	$ 57,626

	Balance as of January 1, 2022	Addition	Disposal	Reclassification	Balance as of December 31, 2022
Cost:					
Software	$ 37,935	$ 11,863	$ (10,228)	$ 7,999	$ 47,569
Goodwill	23,919	—	—	—	23,919
Professional expertise	37,125	—	—	—	37,125
Customer relations	14,008	—	—	—	14,008
Total	$ 112,987	$ 11,863	$ (10,228)	$ 7,999	$ 122,621

	Balance as of January 1, 2022	Amortization expense	Disposal	Reclassification	Balance as of December 31, 2022
Accumulated amortization and impairment:					
Software	$ 14,994	$ 17,582	$ (10,228)	$ —	$ 22,348
Goodwill	—	—	—	—	—
Professional expertise	27,138	9,283	—	—	36,421
Customer relations	13,229	779	—	—	14,008
Total	$ 55,361	$ 27,644	$ (10,228)	$ —	$ 72,777

	Balance as of January 1, 2021	Addition	Disposal	Reclassification	Balance as of December 31, 2021
Cost:					
Software	$ 19,682	$ 13,856	$ (693)	$ 5,090	$ 37,935
Goodwill	23,919	—	—	—	23,919
Professional expertise	37,125	—	—	—	37,125
Customer relations	14,008	—	—	—	14,008
Total	$ 94,734	$ 13,856	$ (693)	$ 5,090	$ 112,987

	Balance as of January 1, 2021	Amortization expense	Disposal	Reclassification	Balance as of December 31, 2021
Accumulated amortization and impairment:					
Software	$ 7,973	$ 7,714	$ (693)	$ —	$ 14,994
Goodwill	—	—	—	—	—
Professional expertise	17,560	9,578	—	—	27,138
Customer relations	8,560	4,669	—	—	13,229
Total	$ 34,093	$ 21,961	$ (693)	$ —	$ 55,361

In February 2019, the Company acquired assets, liabilities, and business related to the "Biopharmaceutical Technology Service Industry" through a business transfer, resulting in a goodwill of NT$23,919 thousand. The goodwill was primarily derived from expected synergy following the merger, which would enhance the Company's competitiveness in the biopharmaceutical CDMO market and expand its business scale.

At the end of the annual reporting period, the Company performed an impairment test on the recoverable amount of goodwill and the recoverable amount is determined based on the value in use. The value in use was calculated, based on the expected cash flows from the financial budgets covering the future five-year-period. The Company used the income approach and a discount rate of 15%.

The company did not recognize any impairment loss on goodwill in both the 2022 and 2021 fiscal years.

10. Borrowings

(1) Short-term borrowings

Items	2022.12.31	2021.12.31
Bank loan		
Credit loan	$ —	$ 50,000
Syndicated loan	100,000	—
Total	$ 100,000	$ 50,000
Range of interest rate	2.6374%	1.4%

(2) Long-term borrowings

Items	2022.12.31	2021.12.31
Bank loan		
Syndicated loan	$ 762,200	$ 490,000
Less: Long-term borrowings – current portion	(105,880)	(15,600)
Total	656,320	474,400
Range of interest rate	2.6374%	1.9767%

In August 2021, the Company signed a 7-year syndicated loan agreement with seven financial institutions, including Taiwan Cooperative Bank, for a total amount of NT$3.8 billion. The loan is intended for the construction of a factory, acquisition of machinery and equipment, and increasing working capital.

(3) For assets pledged by the Company as collateral for long-term borrowings, please refer to Note 8.

(4) For details of the Company’s interest rate, foreign currency, and liquidity risk, please refer to Note 6(22).

11. Other payables

Items	2022.12.31	2021.12.31
Current：		
Salaries and bonuses	$ 89,783	$ 75,280
Construction and equipment payable	16,860	100,932
Leave payable	6,252	4,276
Commission expense	8,174	16,844
License Transfer Price Payable	39,024	—
Others	35,285	40,536
Total	$ 195,378	$ 237,868
Non-current：		
License Transfer Price Payable	$ —	$ 38,072

12. Employee Benefits

(1) Defined contribution plans

The Company adopts the employee retirement method under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The Company recognized the total amount of NT$14,249 thousand and NT$12,001 thousand respectively in the statement of comprehensive income in 2022 and 2021.

(2) Defined benefit plan

Where the Company adopt the government-managed defined benefit plan as their pension system applicable under the Labor Standards Act, each employee whose has served the Company for up to 15 years, shall be given two bases for each full year of service rendered, while each employee who has served the Company over 15 years shall be given one base for each full year of service rendered. An employee shall not receive more than 45 bases in total. The payment of employee pension shall be calculated based on an employee's years of service and his/her average wage (number of bases) over six months before his/her retirement is approved. The Company contributes 2% of the total salary to the pension fund, which is deposited into a special account opened with Bank of Taiwan under the name of the Supervisory Committee of Employee Retirement Reserve Fund.

Before the end of the year, if the estimated balance in the special account is insufficient to pay the workers who are estimated to meet the retirement conditions in the next year, the difference will be paid once before the end of March of the next year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amounts of defined benefit plans included in the Company only balance sheets are as follows:

Items	2022.12.31		2021.12.31	
Present value of defined benefit obligation	$	247	$	242
Fair value of the planned assets		(3,089)		(2,811)
Net defined benefit liability (asset)	$	(2,842)	$	(2,569)

Movements in net defined benefit liability (asset), as follows:

	Present value of defined benefit obligation		Fair value of the planned assets		Net defined benefit liability (asset)	
Balance as of January 1, 2022	$	242	$	(2,811)	$	(2,569)
Service cost for the period		246		—		246
Interest expense (income)		3		(29)		(26)
Recognized in gain or loss		249		(29)		220
Remeasurements						
Return on planned assets		—		(209)		(209)
(Return on planned assets)						
Actuarial (profit) loss -changes in demographic assumption		(6)		—		(6)
Actuarial (profit) loss -changes in financial assumptions		(1)		—		(1)
Actuarial (profit) loss - experience adjustments		(237)		—		(237)
Recognized in other comprehensive income		(244)		(209)		(453)
Paid directly by the Company		—		(40)		(40)
Balance as of December 31, 2022	$	247	$	(3,089)	$	(2,842)

	Present value of defined benefit obligation	Fair value of the planned assets	Net defined benefit liability (asset)
Balance as of January 1, 2021	$ 80	$ (2,746)	$ (2,666)
Service cost for the period	—	—	—
Interest expense (income)	1	(11)	(10)
Recognized in gain or loss	1	(11)	(10)
Remeasurements			
Return on planned assets	—	(38)	(38)
(Return on planned assets)			
Actuarial (profit) loss -changes in demographic assumption	1	—	1
Actuarial (profit) loss -changes in financial assumptions	(46)	—	(46)
Actuarial (profit) loss - experience adjustments	206	—	206
Recognized in other comprehensive income	161	(38)	123
Paid directly by the Company	—	(16)	(16)
Balance as of December 31, 2021	$ 242	$ (2,811)	$ (2,569)

Actuarial assumptions on pensions are summarized as follows:

Items	2022	2021
Discount rate	1.50%	1.00%
Rate of future salary increase	3.00%	2.50%
Turnover rate	2.75%	3.09%

The Company is exposed to the following risks through the defined benefit plans under the Labor Standards Act:

A. Investment risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic listed, OTC, or private equity securities, investment in securities-based products of domestic and foreign real estate, and deposits in domestic and foreign securities. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.

B. Interest rate risk: The decrease in the interest rate of government bonds will increase the present value of defined benefit obligation, but the yield on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.

C. Salary risk: The present value of defined benefit obligation is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligation will increase (decrease) as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	$ (17)	$ (17)
Decrease by 0.25%	$ 18	$ 18
Expected salary increase rate		
Increase by 0.25%	$ 18	$ 18
Decrease by 0.25%	$ (16)	$ (17)
Turnover rate		
Expected turnover rate for 110%	$ (9)	$ (9)
Expected turnover rate for 90%	$ 10	$ 10

As actuarial assumptions may be correlated, the likelihood of fluctuation in a single assumption is not high. Therefore, the sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected amount of contribution within 1 year	$ 28	$ 48
Average duration of defined benefit obligation	28	29

13. Equity

(1) Common Stock

	December 31, 2022	December 31, 2021
Authorized Shares (in thousands)	500,000	500,000
Authorized Capital	$ 5,000,000	$ 5,000,000
Issued Capital	$ 2,053,060	$ 1,533,337

Issued shares (in thousands)	2022	2021
Balance as of January 1, 2022	153,334	128,238
Cash capital increase	50,000	25,000
Employee stock option exercised	972	96
Employee restricted stock issued -	1,000	—
Balance as of December 31, 2022	205,306	153,334

On March 11, 2021, the Company completed a cash capital increase by issuing 25,000 thousand new shares at a premium of NT$30.5 per share, resulting in a total capital increase of NT$762,500 thousand. The underwriting expenses of NT$1,906 thousand have been recorded as a reduction of capital surplus from the issuance of shares at a premium. The capital increase reference date is March 11, 2021.

On May 29, 2018, the shareholders' meeting and the board of directors on January 31, 2019 approved a private placement cash capital increase of 18,000 thousand new shares at a premium of NT$22.3 per share, resulting in a total capital increase of NT$401,400 thousand. The capital increase reference date was February 15, 2019, and the registration was completed on March 7, 2019. Except for the limitations on transferability and the requirement to wait for three years after delivery and to apply for over-the-counter listing only after a public offering has been completed, the rights and obligations of the aforementioned privately placed common shares are the same as those of other issued common shares.

On July 5, 2022, the Company's board of directors approved the issuance of 1,000 thousand new shares of restricted employee stock options at no cost. The new share issuance reference date was July 5, 2022, and the subscription price was set at NT$0 per share. Until employees meet the predetermined conditions, the rights and obligations of the newly issued common shares are the same as those of other issued common shares, except for the restriction on the transferability of shares. If an employee leaves during the vesting period, and fails to meet the issuance conditions, the Company will repurchase the employee's restricted shares at no cost and cancel them.

On May 30, 2022, the Company resolved in a shareholders' meeting and on July 27, 2022, the Board of Directors resolved to conduct a private placement of 50,000 thousand new shares at a premium issue price of NTD 32.5 per share, raising a total of NTD 1,625,000 thousand. The capital increase reference date was October 13, 2022, and the registration was completed on October 26, 2022. Except for the restriction on transferability and the requirement to complete public offering and wait for three years before applying for OTC listing, the rights and obligations of the privately placed common shares are the same as those of other issued common shares.

(2) Advance Receipts for Common Stock

As of December 31, 2022, the Company has issued 9 thousand shares of common stock through the exercise of employee stock options, with total proceeds of NT$193 thousand received.

(3) Capital Surplus

Items	2022.12.31	2021.12.31
Additional paid-in capital	$ 1,417,115	$ 527,600
Employee stock options	35,376	36,111
Employee stock options expired	14,766	13,237
Restricted stock to employees	886	—
Total	$ 1,468,143	$ 576,948

According to legal regulations, the excess amount generated from issuing stocks above par value (including issuing common stocks above par value, stock premium from mergers, and capital surplus from convertible bonds) and the capital surplus generated from donation can be used to offset losses, and can also be used to pay cash dividends or allocate to capital stock when the Company has no losses, but the allocation to capital stock is limited to a certain ratio of the paid-in capital each year. In addition, changes in ownership equity of subsidiaries, changes in net equity of equity method investments in affiliated enterprises, and unclaimed dividends from shareholders that have exceeded the statute of limitations can be used to offset losses, but those generated from employee stock options cannot be used for any purposes.

(4) Accumulated deficit

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' losses and then 10% of the remaining amount shall be set aside as legal capital reserve. After the provision or reversal of special reserve in accordance with laws or regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and resolved at shareholders' meetings.

In accordance with the Company's Articles of Incorporation, being a growth-stage company, the dividend distribution policy is based on the Company's annual earnings and accumulated earnings from previous years, taking into account the Company's profitability, capital structure, and future operating needs. Proposed dividend distribution of the Company is decided after the end of each fiscal year. The Company may distribute dividends in the form of stock dividends, limited to no more than 50% of the total dividends, and the remaining portion as cash dividends. The Board of Directors will propose a distribution plan after considering the Company's operating and capital expenditure needs, and the plan will be submitted to a shareholders' meeting for approval.

On May 30, 2022 and July 6, 2021, the shareholders' meetings of the Company approved the proposal to offset the losses for year 2021 and 2020, respectively.

Please refer to the website of "Market Observation Post System" for information about earnings appropriation to offset deficit which was proposed by the Board of Directors and resolved at the shareholders' meeting.

As of December 31, 2022, the Company has no distributable earnings.

(5) Other Equity

	2022		2021
	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Beginning balance	$ 50,716	$ —	$ 82,911
Disposal of equity instruments measured at fair value through other comprehensive income	(46,437)	—	(42,853)
Unrealized Gain or Losses on FVTOCI Financial Assets.	(4,279)	—	10,658
Issuance of employee restricted stocks	—	(10,886)	—
Compensation cost of employee stock options	—	1,897	—
Ending balance	$ —	$ (8,989)	$ 50,716

14. Share-based payment

(1) For the years ended December 31, 2022, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Employee stock options	2016.03.21	2,500	7 years	NOTE 1
Employee stock options	2016.11.09	1,000	7 years	NOTE 1
Employee stock options	2020.03.05	3,585	7 years	NOTE 1
Cash capital increase to keep employee stock subscriptions	2021.01.07	1,398.6	—	Vested at once
Employee stock options	2022.07.19	2,828	5 years	NOTE 1
Restricted stocks to employees	2022.07.05	1,000	1.7 years ~3.7 years	NOTE 2

NOTE 1: After two years from the grant of the employee stock options, the employees are entitled to

exercise their stock options in accordance with the schedule and proportion in the plan.

NOTE 2: If an employee is still employed and the Company achieves its operating performance targets after the grant of restricted employee shares, the employee may acquire the shares in installments.

(2) Details of the share-based payment arrangements are as follows:

A. Employee stock options

	2022		2021	
	No. of options (Unit)	Weighted-average exercise price (in dollars)	No. of options (Unit)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	4,256	$27.24	4,548	$27.85
Options granted	2,828	37.55	—	—
Options exercised	(981)	22.07	(80)	31.45
Options forfeited	(356)	31.05	(212)	33.85
Options outstanding at December 31	5,747	31.66	4,256	27.24
Options exercisable at December 31	1,203	37.96	1,021	44.78
Weighted average fair value per share of current period's stock options	12.49		—	

B. Restricted stocks to employees

	2022 (Shares in thousands)
Stocks outstanding at January 1	—
Stocks granted	1,000
Stocks options outstanding at December 31	1,000

C. For the years ended December 31, 2022, the Company's information on outstanding employee stock options is as follows:

Range of exercise price (in NTD)	outstanding units	Weighted average remaining life (in years)	Weighted average exercise price of outstanding units (in NTD)	Exercisable units	Weighted Average Exercise Price of Exercisable Stock Options (in NTD)
44.8	829	0.22	44.8	829	44.8
29.9	82	0.85	29.9	82	29.9
20.8	2,105	4.17	20.8	292	20.8
36.1	2,731	4.55	36.1	—	—

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model to estimate the fair value of employee stock options. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividend	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2016.03.21	48.3	48.3	51.59%	4.95 years	0.00%	0.56%	21.3043
Employee stock options	2016.11.09	32.3	32.3	50.98%	4.95 years	0.00%	0.71%	14.1771
Employee stock options	2020.03.05	21.9	21.9	38.10%	4.95 years	0.00%	0.47%	7.3593
Employee stock options	2022.07.19	37.55	37.55	41.599%	3.5-4.5 years	0.00%	1.016%~ 1.064%	12.49
Restricted stocks to employees	2022.07.05	38.05	—	—	—	—	—	38.05
Cash capital increase to retain employee stock subscriptions	2021.01.07	31.25	30.5	37.61%	0.13 years		0.34%	2.0867

E. The compensation costs of employee stock options recognized by the Company for the years 2022 and 2021 were NT$9,807 thousand and NT$11,183 thousand, respectively.

15. Revenue from contracts with customers

(1) Details of revenue:

	2022		
	Sale of technical services	Other	Total
Major Regional Markets			
Domestic sales	276,634	1,533	278,167
Asia	324,207	1,376	325,583
America	6,820	250	7,070
Europe	7,196	114,260	121,456
Total	614,857	117,419	732,276

	2021		
	Sale of technical services	Other	Total
Major Regional Markets			
Domestic sales	100,713	642	101,355
Asia	404,163	1,428	405,591
America	72,991	234	73,225
Europe	14,131	179,968	194,099
Total	591,998	182,272	774,270

(2) Contract balances

Below are the contract assets and contract liabilities related to the Customer Contract Revenues confirmed by the Company:

Items	2022.12.31	2021.12.31
Accounts receivable (including related parties)	$ 101,411	$ 131,150
Less: Loss allowance	(32,043)	(885)
Total	$ 69,368	$ 130,265

Items	2022.12.31	2021.12.31
Contract assets -		
Fulfil contracts receivable	$ 11,951	$ —

Items	2022.12.31	2021.12.31
Contract liabilities-		
Technical services	$ 142,275	$ 152,116

(3) Assets related to the contract costs

Items	2022.12.31	2021.12.31
Cost to fulfil contracts	$ 166,763	$ 193,187
Less: Accumulated impairment	(20,327)	(2,615)
Total	$ 146,436	$ 190,572

For the years ended in 2022 and 2021, the loss on Costs to fulfil contracts impairment in the amounts of NT$17,712 thousand and NT$2,615 thousand, respectively.

16. Employee benefit, depreciation, depletion, and amortization expenses for this period are summarized according to their functions as follows:

Function / Nature	2022			2021		
	Recognized in Operating Costs	Recognized in Operating Expenses	Total	Recognized in Operating Costs	Recognized in Operating Expenses	Total
Employee benefit expenses						
Salaries and wages	227,967	108,302	336,269	190,568	87,431	277,999
Labor and health insurance	19,238	7,940	27,178	16,379	6,688	23,067
Retirement benefits	9,943	4,526	14,469	8,316	3,675	11,991
Remuneration to directors	—	1,891	1,891	—	1,265	1,265
Other employee benefit expenses	8,108	3,177	11,285	7,197	2,614	9,811
Subtotals	265,256	125,836	391,092	222,460	101,673	324,133
Depreciation expense	203,228	51,681	254,909	120,759	25,101	145,860
Amortization expense	20,557	7,087	27,644	13,346	8,615	21,961

In accordance with the provisions of the Company's Articles of Incorportation, the Company has distrbuted employee compensation at a rate of 10% to 12% of the pre-tax profit before deducting employee and director remuneration for the current year, and director compensation at a rate not exceeding 2%.

The Company incurred accumulated deficit for the years ended 2022 and 2021, therefore no earnings distribution was made, and no provision was made for employee and director compensation.

(1) The numbers of employees (including directors) for the years ended December 31, 2022 and 2021 were 387 and 334, respectively. Among which the numbers of directors who were not part-time employees was 9 for both years.

(2) The average employee benefits expense for 2022 is NT$1,030 thousand = [(Total employee benefit expenses for 2022- Total Directors' remuneration) / (Number of employees for 2022- Number of Directors who are not part-time employees)].

The average employee benefits expense for 2021 is NT$993 thousand = [(Total employee benefit expenses for 2021- Total Directors' remuneration) / (Number of employees for 2021- Number of Directors who are not part-time employees)].

(3) The average employee salary expense for 2022 was NT$890 thousand = [Total salary expenses for 2022 / (Number of employees for 2022- Number of Directors who are not part-time employees)].

The average employee salary expense for 2021 was NT$855 thousand = [Total salary expenses for 2021 / (Number of employees for 2021- Number of Directors who are not part-time employees)].

(4) The rate of adjustment in average salary expenses was 4% = [(Average salary expense for 2022- Average salary expense for 2021) / Average salary expense for 2021].

(5) The Company established an audit committee on August 15, 2019. So there is no supervisor-related remuneration for the years ended December 31, 2022 and 2021.

(6) The information of the Company's salary and remuneration is as follows:

A. Directors:

The remuneration of directors is determined by the Remuneration Committee and the Board of Directors based on their level of involvement and contribution to the Company's operations, as well as the industry's prevailing standards.

B. Managers and Employees:

The Company establishes its compensation policy and salary structure based on market standards, industry salary surveys, and job requirements and qualifications. Salaries and job titles are determined based on different job attributes and employee qualifications.

The reasonableness of salaries and benefits is reviewed annually in light of macroeconomic and industry conditions, and appropriate performance bonuses are awarded based on the Company's operating performance and individual job performance.

The remuneration of managers is subject to review by the Remuneration Committee and approval by the Board of Directors.

17. Non-operating income and expenses

(1) Other income

Items	2022	2021
Rental income	$ 877	$ 1,377
Dividend revenue	4	—
Gain on disposal of property, plant and equipment	—	131
Profit from lease modification	1,131	—
Others	3,574	520
Total	$ 5,586	$ 2,028

(2) Finanial costs

Items	2022		2021	
Interest expenses:				
Interest on bank loans	$	19,048	$	2,137
Interest on lease liabilities		3,720		2,506
Others		952		1,173
Less: capitalization of interest		(8,304)		(4,643)
Subtotals	$	15,416	$	1,173
Bank loan processing fees		3,778		1,357
Total	$	19,194	$	2,530

18. Other Comprehensive Income Component

The following items have been recognized in the Company's statement of other comprehensive income:

2022	Generate		Reclassification Adjustment		Other Comprehensive Income		Income Tax Benefit (Expense)		Amount After Tax	
Remeasurements of defined benefit obligation	$	453	$	—	$	453	$	(91)	$	362
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(7,516)	$	—	$	(7,516)	$	3,237	$	(4,279)
Total	$	(7,063)	$	—	$	(7,063)	$	3,146	$	(3,917)

2021	Generate		Reclassification Adjustment		Other Comprehensive Income		Income Tax Benefit (Expense)		Amount After Tax	
Remeasurements of defined benefit obligation	$	(123)	$	—	$	(123)	$	25	$	(98)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		7,748		—		7,748		2,910		10,658
Total	$	7,625	$	—	$	7,625	$	2,935	$	10,560

19. Income tax

(1) Deferred Tax Assets (Liabilities)

	2022			
	January 1	Recognized in gain or loss	Recognized as other comprehensive net income	December 31
Temporary differences:				
Deferred tax assets (liabilities)				
Allowance for bad debts	$ 1,513	$ 143	$ —	$ 1,656
Allowance for diminution in value of inventories	2,867	3,218	—	6,085
Payables for annual leave	854	396	—	1,250
Tax losses	57,437	2,340	—	59,777
Investment credits	9,484	—	—	9,484
Depreciation recognition difference	—	284	—	284
Others	8,138	3,732	—	11,870
Foreign exchange losses	817	(939)	—	(122)
Unrealized gain or loss from financial assets	(3,237)	—	3,237	—
Retirement allowance	(514)	36	(91)	(569)
Total	$ 77,359	$ 9,210	$ 3,146	$ 89,715

	2021			
	January 1	Recognized in gain or loss	Recognized as other comprehensive net income	December 31
Temporary differences:				
Deferred tax assets				
Allowance for bad debts	$ 2,241	$ (728)	$ —	$ 1,513
Allowance for diminution in value of inventories	4,884	(2,017)	—	2,867
Payables for annual leave	1,146	(292)	—	854
Others	7,429	709	—	8,138
Tax losses	55,927	1,510	—	57,437
Investment credits	9,484	—	—	9,484
Foreign exchange losses	2,339	(1,522)	—	817
Subtotals	83,450	(2,340)	—	81,110

	2021			
	January 1	Recognized in gain or loss	Recognized as other comprehensive net income	December 31
Deferred tax liabilities				
Unrealized gain or loss from financial assets	(6,148)	—	2,910	(3,238)
Retirement allowance	(533)	(5)	25	(513)
Subtotals	(6,681)	(5)	2,935	(3,751)
Total	$ 76,769	$ (2,345)	$ 2,935	$ 77,359

(2) Income Tax expense (income)

A. Reconciliation between accounting income and current income tax expenses is as follows:

	2022	2021
Loss before income tax	$ (462,841)	$ (87,518)
Income tax expenses calculated at the statutory rate	(92,568)	(17,504)
Permanent difference:		
Non-deductible expenses for tax purposes	—	(8)
The share of gains and losses recognized by the equity method- domestic	151	—
Temporary differences:		
Expected Credit Losses	6,187	(1,527)
Write-down of inventories	3,218	(2,016)
Retirement allowance	36	(5)
Foreign exchange losses (gain)	(939)	(1,522)
Depreciation recognition difference	1,496	—
Others	4,128	417
Offset between Profits and Losses	78,291	22,165
Current income tax payables	—	—
Income Basic Tax	—	—
Deferred income tax expense (gain)	(9,210)	2,345
Underestimation (Overestimation) of prior year's income tax	—	(5)
Income tax expense recognized in gain or loss	$ (9,210)	$ 2,340

B. Income tax recognized in other comprehensive income

Items	2022	2021
Income Tax expense-Income Basic Tax	$ —	$ —
Deferred tax assets (liabilities)		
Gains (losses) on re-measurements of defined benefit plans	91	(25)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,237)	(2,106)
Tax rate change	—	(804)
Income tax gain (expense) related to other comprehensive income components	$ (3,146)	$ (2,935)

C. Deferred tax assets that have not been recognized in the balance sheets

Loss carryforwards

Unutilized balance of tax credits	Expiry year	Recognition of deferred tax asset
$ 84,908	2023	
106,958	2024	
101,215	2025	
154,825	2026	
90,986	2027	
331,649	2028	
218,168	2029	
92,899	2031	
391,455	2032	
$ 1,573,063		$ 59,777

Investment credits

Unutilized balance of tax credits	Expiry year (NOTE)	Recognition of deferred tax asset
$ 174,705	Research and development expenses	
1,122	Employee training expenses	
10,000	Shareholders' investment tax credit	
$ 185,827		$9,484

Item	2022.12.31		2021.12.31	
Total liabilities	$	1,347,423	$	1,232,347
Total amount	$	4,452,998	$	3,139,012
Debt ratio		30.26%		39.26%

NOTE: According to the regulations and provisions of the Industrial Development Act for Biotech and New Pharmaceuticals, the shareholders are entitled to investment tax credits. In addition, tax credits for research and development expenses and employee training expenses are also available. These tax credits can be applied to offset the corporate income tax payable for each of the five years following the year in which they were claimed.

D. The Company's income tax returns have been examined by the tax authorities through 2020.

20. Loss per share

	2022			2021		
	Loss after tax	Weighted average shares	Loss per share	Loss after tax	Weighted average shares	Loss per share
Basic loss per share	(453,631)	165,337	(2.74)	(89,858)	148,484	(0.61)
Dilutive potential						
Employee stock options	—	(NOTE)		—	(NOTE)	
Diluted loss per share	(453,631)	165,337	(2.74)	(89,858)	148,484	(0.61)

NOTE: In the computation of diluted earnings per share, the potential common stock from employee stock options were not included for the years 2022 and 2021 as the Company were in loss.

21. Capital management

Based on the characteristics of the industries in which the Company is currently operating and the future development of the Company, as well as taking into account factors such as changes in the external environment, the Company plans its needs for working capital, research and development expenses, and dividend payments in future periods, with a view to safeguarding the Company's ability to continue as a going concern, giving back to its shareholders while attending to the interests of other stakeholders, and maintaining an optimal capital structure to enhance shareholder value over the long run.

In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders, or repurchasing its shares.

The Company monitors its capital by regularly reviewing its debt ratio. The Company's capital is represented by "total equity" as indicated in its balance sheets, which is also equal to total assets minus total liabilities.

The Company's debt ratios are listed as follows:

Items	2022.12.31	2021.12.31
Total liabilities	$ 1,347,423	$ 1,232,347
Total amount	$ 4,452,998	$ 3,139,012
Debt ratio	30.26%	39.26%

22. Financial Instruments

(1) Information on Fair Value of Financial Instruments

The carrying amounts of the Company’s financial instruments not measured at fair value (including cash and cash equivalents, time deposits, notes receivable, accounts receivable, other receivables, long-term and short-term borrowings, refundable deposits, bills payable, accounts payable and other payables) approximate their fair values.

(2) Financial instruments measured at fair value are classified based on the nature, characteristics, and risks of the assets and liabilities and the level of fair value hierarchy. The relevant information is presented below:

A. Fair Value Hierarchy

	2022.12.31			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
- Domestic unlisted (OTC) stocks	$ 268	$ —	$ —	$ 268

	2021.12.31			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
Domestic unlisted stocks	$ 109,586	$ 109,586	$ —	$ —

B. As the stock of BioGend Therapeutics Co., Ltd. (6733-TW) has been listed on the over-the-counter market in Taiwan since January 2021 and sufficient observable market data is available, the Company reclassified the fair value measurement of this investment from Level 3 to Level

1 at the end of the month in which the event occurred.

C. Information on Fair Value of Financial Instruments

The table below supplies an analysis of financial instruments measured subsequent to initial recognition at fair value, which are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Each level of the fair value hierarchy is defined as follows:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

D. The valuation techniques and inputs used by the Company to measure the Level 3 fair value are as follows:

For equity investments in domestic unlisted or emerging companies, fair value is estimated using the market approach. This primarily involves reference to recent fundraising activities of the investee or similar entities, market transaction prices, and market conditions, with appropriate adjustments made for any premiums or discounts. A liquidity discount of 20% to 25% is applied to significant unobservable inputs used by the Company, and the fair value of the investment will increase when the liquidity discount decreases.

(3) Financial Risk Management Objectives

The Company's financial risk management objective is to manage market risk, credit risk, and liquidity risk associated with its operating activities. In order to mitigate the relevant financial risks, the Company is committed to identifying, assessing, and avoiding market uncertainties, so as to reduce potentially unfavorable effects brought by market changes to its financial performance.

The Company's major financial activities are reviewed by the Board of Directors in accordance with the relevant regulations and its internal control system. During the implementation of a financial plan, the Company must strictly comply with the financial procedures relating to overall financial risk management and segregation of duties.

A. Market Risk

Market risk refers to a type of risk in which the Company’s revenue or the value of financial instruments it holds is influenced by changes in market prices, such as exchange rates, interest rates, and equity securities prices. Financial risk management aims to manage the level of exposure to market risk within an acceptable range and maximize return on investment.

(a) Exchange Rate Risk

	2022.12.31			2021.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Foreign currency: functional currency						
Financial assets						
Monetary Items						
RMB: NTD	184	4.408	811	2,180	4.344	9,470
USD: NTD	7,263	30.71	223,047	10,592	27.68	293,187
Financial Liabilities						
USD: NTD	319	30.71	9,796	941	27.68	26,047
GBP: NTD	10	37.09	371	39	37.30	1,455

Due to a wide variety of foreign currencies involved in foreign currency transactions, exchange gains and losses are summarized and disclosed based on various foreign currencies with material impact. All the exchange gains (losses) (including realized and unrealized) recognized in 2022 and 2021 due to changes in exchange rates were NT$13,291 thousand and NT$(1,347) thousand, respectively.

(b) Interest Rate Risk

Interest rate risk refers to a type of risk in which the fair value of financial instruments changes due to market changes.

The carrying amounts of the Company's financial assets and liabilities that are exposed to interest rate risk at the balance sheet date are listed as follows:

	2022.12.31	2021.12.31
With cash flow interest rate risk		
—Financial Assets	$ 1,342,652	$ 296,225
—Financial liabilities	$ 862,200	$ 540,000

Sensitivity Analysis

The sensitivity analysis below is decided based on the interest rate exposure of financial instruments at the balance sheet date. Floating-rate liabilities are analyzed based on the assumption that the amount of liabilities outstanding at the balance sheet date remains outstanding throughout the year.

If the interest rate increases/decreases by one percentage point, with all other variables held constant, the Company's 2022 pre-tax net loss will decrease/increase by NTD 4,805 thousand, and the pre-tax net loss for 2021 will increase/decrease by (NTD 2,438) thousand.

B. Credit Risk

Credit risk refers to the risk of financial loss caused by counterparty defaulting on contractual obligations. The credit risk of the Company primarily arises from trade receivables generated by operating activities, as well as bank deposits, fixed income investments, and other financial instruments generated by investment activities. Business related and financial credit risks are managed separately.

(a) Business related credit risk

To maintain the quality of accounts receivable, the Company has established business related credit risk management procedures. The risk assessment of individual customers takes into account various factors that may affect their payment ability, including the customer's financial condition, credit rating, the Company's internal credit rating, historical transaction records, and current economic conditions. The Company also uses certain credit enhancement tools such as prepayment and credit insurance at appropriate time to reduce the credit risk of specific customers.

As of December 31, 2022, and 2021, the total amount of accounts receivable from the Company's top ten customers accounted for 57.88% and 65.81%, respectively, of the total accounts receivable of the Company. The Company reviews the recoverable amount of accounts receivable one by one as of the balance sheet date to ensure that appropriate impairment losses have been provided for accounts receivable that cannot be recovered. Therefore, the management of the Company believes that the related credit risk has significantly reduced. The credit concentration risk of other accounts receivable is relatively insignificant.

(b) Financial credit risk

The credit risk of bank deposits, fixed-income investments, and other financial instruments is measured and monitored by the finance department of the Company. As the Company's counterparties and obligors are banks, financial institutions, corporate entities, and government agencies with good credit ratings or above, and there is no significant doubt about their ability to perform, there is no significant credit risk.

C. Liquidity Risk Management

The objective of the Company's liquidity risk management is to maintain sufficient financial flexibility by ensuring the availability of cash and cash equivalents, highly liquid securities, and adequate bank financing facilities required for the Company's operations.

The following table presents an analysis of the Company's financial liabilities by maturity date and undiscounted amount of repayment obligations:

2022.12.31

Items	Less than 1 year	1 to 5 years	More than 5 years	Total
Short-term borrowings	$ 100,000	$ —	$ —	$ 100,000
Accounts Payable (including related parties)	52,521	—	—	52,521
Other payables (including related parties)	196,354	—	—	196,354
Lease liabilities	38,493	46,699	11,213	96,405
Long-term borrowings	105,880	503,680	152,640	762,200
Total	$ 493,248	$ 550,379	$ 163,853	$ 1,207,480

2021.12.31

Items	Less than 1 year	1 to 5 years	More than 5 years	Total
Short-term borrowings	$ 50,000	$ —	$ —	$ 50,000
Accounts Payable (including related parties)	54,675	—	—	54,675
Other payables (including related parties)	237,868	40,000	—	277,868
Lease liabilities	32,503	86,239	114,154	232,896
Long-term borrowings	15.600	301,600	172,800	490,000
Total	$ 390,646	$ 427,839	$ 286,954	$ 1,105,439

23. Cash Flow Information

(1)Non-cash transactions

	2022	2021
Property, Plant, and Equipment (Prepaid Equipment) Increase	$ (551,343)	$ (1,165,875)
Capitalization of Interest	8,304	4,643
Changes in Payables for Construction and Equipment	(83,897)	63,134
Acquisition of property, plant and equipment (prepayments included) - cash paid	$ (626,936)	$ (1,098,098)

	2022	2021
Increase in Intangible Assets	$ (11,863)	$ (13,856)
The increase/decrease in accounts payable	(175)	(1,122)
Acquisition of intangible assets.(cash paid)	$ (12,038)	$ (14,978)

(2)Changes in Liabilities from Financing Activities

			The Change in Non-Cash Items		
	2022.01.01 balance	Cash Flow	Changes in Lease Terms	Other	2022.12.31 balance
Lease liabilities	$ 204,644	$ (36,985)	$ 40,131	$ (114,138)	$ 93,652

			The Change in Non-Cash Items		
	2021.01.01 balance	Cash Flow	Changes in Lease Terms	Other	2021.12.31 balance
Lease liabilities	$ 96,607	$ (29,610)	$ 137,647	$ —	$ 204,644

VII. RELATED PARTY TRANSACTIONS

1. Name and Relationship of Related Parties

Name of Related Party	Relationship with the Company
Center Laboratories, Inc.	The investor with significant influence
JCR Pharmaceuticals Co., Ltd.	The investor with significant influence (acquired significant influence in October 2022)
BioGend Therapeutics Co., Ltd.	Substantial related party
LUMOSA THERAPEUTICS CO., LTD.	Substantial related party
Bioengine Technology Development Inc.	Substantial related party
GLAC BIOTECH CO., LTD.	Substantial related party

2. Significant transactions between the Company and related parties are listed as follows:

(1) Operating Revenue

Name of Related Party	2022	2021
BioGend Therapeutics Co., Ltd.	$ 22,935	$ 8,446
LUMOSA THERAPEUTICS CO., LTD.	9,638	20,107
JCR Pharmaceuticals Co., Ltd.	55,479	—
Total	$ 88,052	$ 28,553

For the related party transactions, the prices were determined by both parties based on market situations.

(2) Operating Expenses

Items	Name of Related Party	2022	2021
Other operating expenses	LUMOSA THERAPEUTICS CO., LTD.	$ 192	$ 243
Professional service fees	LUMOSA THERAPEUTICS CO., LTD.	147	241
Other operating expenses	Bioengine Technology Development Inc.	76	—
Professional service fees	Center Laboratories, Inc.	—	22
Disbursement fee	Center Laboratories, Inc.	11	7
Rent expense	BioGend Therapeutics Co., Ltd.	—	455
Other operating expenses	BioGend Therapeutics Co., Ltd.	—	208
Total		$ 426	$ 1,176

(3) Other income

Name of Related Party	2022	2021
LUMOSA THERAPEUTICS CO., LTD.	$ 1,043	$ 1,257

3. Receivables and payables with related parties:

(1) Accounts receivable

Name of Related Party	2022.12.31	2021.12.31
BioGend Therapeutics Co., Ltd.	$ 640	$ —
LUMOSA THERAPEUTICS CO., LTD.	4,931	7,875
JCR Pharmaceuticals Co., Ltd.	5,066	—
Total	$ 10,637	$ 7,875

(2)Other receivables

Name of Related Party	2022.12.31	2021.12.31
LUMOSA THERAPEUTICS CO., LTD.	$ —	$ 110

(3)Contract liabilities

Name of Related Party	2022.12.31	2021.12.31
BioGend Therapeutics Co., Ltd.	$ 18,334	$ 1,514
LUMOSA THERAPEUTICS CO., LTD.	11,765	8,943
GLAC BIOTECH CO., LTD.	180	—
JCR Pharmaceuticals Co., Ltd.	336	—
Total	$ 30,615	$ 10,457

(4)Other payable

Name of Related Party	2022.12.31	2021.12.31
LUMOSA THERAPEUTICS CO., LTD.	$ 11	$ 22

4. Information on Compensation of Key Management Personnel

Items	2022	2021
Salaries and other short-term employee benefits	$ 10,163	$ 8,954
Retirement benefits	202	162
Share-based payments	2,710	3,061
Total	$ 13,075	$ 12,177

VIII. PLEDGED ASSETS

The following assets of the Company have been provided as collateral or are subject to restrictions for use as a source of borrowing facilities by financial institutions.

Name of Pledged Asset	2022.12.31	2021.12.31	Content of Secured Debt
Pledged time deposits (Current financial assets at amortized cost)	$ 1,200	$ 8,500	Security deposits for leased land
Restricted assets (Other current assets)	2,044	851	Reserve accounts
Property, plant, and equipment (including prepayments for business facilities)	1,322,599	897,180	Bank loans
Total	$ 1,325,843	$ 906,531	

IX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

1. As of the end of December 31, 2022, and 2021, the Company had signed contracts for the purchase of equipment and construction of plant buildings, with capital expenditures yet to be completed amounting to NT$409,942 thousand and NT$608,768 thousand, respectively.

X. LOSS FROM MATERIAL DISASTERS: None

XI. SIGNIFICANT MATTERS AFTER THE PERIOD:

On March 6, 2023, a fire broke out in the warehouse of GMP Plant 1, located in Zhunan Township, which did not affect production line. As of March 13, 2023, the actual losses and insurance claims are still under assessment.

XII. OTHER

On January 4, 2018, the Company signed the "TuNEX drug license rights transfer agreement" with TSH BIOPHARM CORPORATION LIMITED. The total amount of the contract includes fixed payments and specific percentage of royalty payments upon achieving certain conditions.

Therefore, the Company recognizes the agreed fixed payments as other payables by discounting them based on the expected payment schedule. As of December 31, 2022, there were still payables of NT$39,024 thousand (recorded under other payables-current). The specific percentage of royalty payments will be recognized upon meeting the definition of liabilities and recognition conditions.

XIII. ADDITIONAL DISCLOSURES

1. Information on Significant Transactions and Investees

No.	Items	Description
1.	Financing provided	None
2.	Endorsement/guarantee provided	None
3.	Marketable securities held (excluding investments in subsidiaries, associates and joint venture)	TABLE 1
4.	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	TABLE 3
5.	Acquisition of real estate property at costs of at least NT$300 million or 20% of the paid-in capital	None
6.	Disposal of real estate property at costs of at least NT$300 million or 20% of the paid-in capital	None
7.	Purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital	None

No.	Items	Description
8.	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	None
9.	Engaging in Derivatives Transactions	None

2. Disclosure of Information on Investees

No.	Items	Description
1.	Information on investees (excluding information on investments in Mainland China)	TABLE 2
2.	Disclosure of control over investment companies	None

3. Information in Investments in Mainland China: None

4. Information on Major Shareholders:

Name, number of shares and percentage of ownership of shareholders with a shareholder percentage of at least 5%: TABLE 3

XIV. SEGMENT INFORMATION

The Company is a professional CDMO (Contract Development and Manufacturing Organization) company, providing a full range of biopharmaceutical development and production services, only operating a single industry, and the Company's operating decision-makers are based on the Company's overall evaluation of performance and allocation of resources, and the Company has been identified as a single reportable department.

1. The principal products and services revenue

Items	2022	2021
Sale of technical services	$ 614,857	$ 591,998
Other revenue	117,419	182,272
Total	$ 732,276	$ 774,270

2. Geographical information

The Company's main operating region is located in the Republic of China. Geographical segment revenue is calculated based on the location of the recipient. Please refer to Note 6.15 for details.

3. Main customer information

Customer	2022				2021			
	Revenue Amount		Revenue Percentage		Revenue Amount		Revenue Percentage	
Gedeon Richter Plc,	$	114,260	16		$	179,968	23	
Client AK		112,654	15			48,150	6	
Client AP		99,732	14			7,688	1	
Client Y		52,529	7			167,003	22	
Total	$	379,175	52		$	402,809	52	

TABLE 1

Relevant information disclosure on the Company's marketable securities holdings on December 31, 2022

(excluding subsidiaries, associates and joint ventures):

Unit: In Thousands of NTD

Name of Company Held	Type and name of securities	Relationship with Securities Issuer	Financial Statement Account	Ending Balance			
				Number of Shares	Carrying amount	Shareholding percentage	Fair Value
Mycenax Biotech Inc.	Taiwan Depository & Clearing Corporation	Non-related parties	Non-current financial assets at fair value through other comprehensive income	1,340	268	0.0002%	268

TABLE 2

Name, location and other relevant information of the investees: (excluding investees in mainland)

Unit: In Thousands of NTD; Shares

Name of Investor	Investee Companies	Address	Main Operations	Initial Investment Amount		December 31, 2022			Net Profit (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2022	December 31, 2021	Number of shares	Ratio	Carrying amount			
Mycenax Biotech Inc.	KRISAN BIOTECH CO., LTD.	5F., No. 28, Ln. 31, Sec. 1, Huandong Rd., Xinshi Dist., Tainan City, Taiwan (R.O.C.)	Development and manufacturing of active pharmaceutical ingredients (APIs)	200,000	—	10,000,000	19.15%	199,245	(5,411)	(755)	

MYCENAX BIOTECH INC.

INFORMATION ON MAJOR SHAREHOLDERS

December 31, 2022

TABLE 3

Names of major shareholders	Shares	
	No. of shares held	Shareholding percentage
JCR Pharmaceuticals Co., Ltd.	42,000,000	20.45%
Center Laboratories, Inc.	41,974,314	20.44%