

Mycenax Biotech Inc.

2023 Annual Report

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Notice to Readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Overseas Securities Exchange

None.

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Letter to Shareholders

Dear Shareholders,

Mycenax is the first Taiwanese company focuses on the contract development and manufacturing of biopharmaceuticals (CDMO), and committed to providing professional and comprehensive one-stop biopharmaceutical process services to global customers. Different from large-scale manufacturing business model, Mycenax's CDMO business focuses more on helping customers solve the issues of instability and difficulty in mass production during the early stages of drug development and overcoming process scaling and system conversion challenges before and after clinical trials. With deep professional knowledge and long-accumulated experience, Mycenax can provide customers with process design and production solutions that ensure stable output, reliable quality, and reasonable costs for various complex biopharmaceuticals, accompanying customers through every stage from drug development, human trials, regulatory review to commercialization, providing high-quality CDMO services.

Mycenax sincerely hopes for significant growth in future operational results, creating a win-win situation for shareholders, customers, and employees. Below is a report to all shareholders on the business results for 2023 and the business plan for 2024:

Business Results for 2023

Mycenax 's revenue comes from CDMO business. The operating revenue for 2023 was NTD 652,620 thousand, a 6% increase compared to 2022, due to the easing of the pandemic, allowing customers' research and development projects to continue. However, the utilization rate of production capacity remained low, resulting in an operating cost of NTD 1,027,811 thousand for 2023, with an operating gross loss of NTD 375,191 thousand. The operating expenses for 2023 were NTD 226,911 thousand, which is NTD 104,412 thousand lower than 2022. The non-operating net loss was NTD 81,879 thousand, mainly due to the fire event in March 2023, an increase of NTD 64,033 thousand compared to 2022. Consequently, the loss before income tax for 2023 was NTD 683,981 thousand, with an earnings per share of NTD (3.32).

Budget Execution for 2023

Mycenax did not publicly disclose financial forecasts for 2023.

Analysis of Financial Revenue and Profitability for 2023 and the Previous Year

	Item	2022	2023
Financial Structure	Debt to Asset Ratio (%)	30.26	35.09
	Long-term Capital to Property, Plant, and Equipment Ratio (%)	202.35	169.53
Solvency	Current Ratio (%)	303.09	145.74
	Quick Ratio (%)	247.95	119.78
Profitability	Net Profit Margin (%)	(61.95)	(104.63)
	Earnings per Share (NTD)	(2.74)	(3.32)

Mycenax 's financial structure indicators for 2023 showed an increase in the debt to asset ratio and a decrease in the long-term capital to property ratio compared to 2022, mainly due to the losses in 2023, resulting in a reduction in total equity and total assets. The solvency indicators for 2023 were lower than those for 2022, affected by the losses in 2023 and the increased cash outflows due to capital expenditures and repayment of bank loans, leading to a reduction in current and quick assets. The profitability indicators for 2023 were lower than those for 2022 due to ongoing losses.

Research and Development Status

To create a one-stop service platform for biopharmaceutical development and manufacturing, Mycenax continues to integrate existing key technologies and improve the biopharmaceutical development technology chain. Currently, several technology platforms have been successfully developed, including mammalian cell mass production platform, cell line preparation and process development platform, bispecific/multi-specific antibody development technology platform, continuous process technology platform, Plasmid DNA production platform, antibody-drug conjugate (ADC) technology platform, liquid and lyophilized formulation platform, characterization platform, drugability platform, and core technology platform for cell and gene therapy products, to meet the rapidly evolving biopharmaceutical products and technologies.

To address the potential design trends of CAR-T immunotherapy products, Mycenax is developing non-viral engineering technologies that better meet future customer needs and expand the process technology for allogeneic cell therapy products. For ADC drugs, Mycenax is developing more strategies for the specific conjugation of antibodies and small molecule drugs, as well as the linker molecules between them, to improve efficiency and the success rate of scaling up, aiming to create more effective and reliable ADC drugs for customers. Moreover, Mycenax 's technical capabilities have been recognized by the international giant Merck, with whom a cooperation memorandum was signed at the end of 2023, initiating a five-year cooperation plan. Mycenax hopes to leverage the team's technical capabilities, combined with Merck's equipment support, to create a new protein drug production process, aiming to develop a more compact, streamlined, economical, and efficient green process technology platform, entering the leading position of process technology in the world.

Business Plan for 2024

Mycenax 's operating policy for 2024 is as follows:

- A large D and medium M business model, focusing on efficiency and quality, providing better services and products to customers.
- Passing various international factory inspections to ensure compliance with global regulatory standards, enhancing product quality and reliability.
- Expand Japanese, Korean, European, and American market to increase the utilization rate of capacity.
- Expanding technical capabilities in new fields through strategic cooperation.
- Continuing to develop new projects and customers, getting out of the red as soon as possible to stabilize the operational foundation.

Important Production and Sales Policies

Mycenax has been deeply cultivating the CDMO market in Taiwan and Japan for many years, forming brand effects, and signing important orders with customers from Korea and other countries. In the future, we will continue to deeply cultivate the Asian markets such as Japan, Korea, and Taiwan. To expand the markets in Europe and the US, Mycenax established a US subsidiary in 2023 as a base for expanding US business. Mycenax also actively participates in exhibitions in Europe and the US, hoping to establish brand awareness in Europe and the US, expand more customers, and strive to become one of the top biopharmaceuticals CDMO companies in Asia with our base in Taiwan.

Impact of External Competitive Environment, Regulatory Environment, and Overall Operational Environment

The global economic environment is volatile, coupled with post-COVID-19 changes, the Russia-Ukraine war, and supply chain crisis-induced inflation, leading to a weak overall economic environment. Mycenax foresees facing more severe challenges, with the focus of 2024 remaining on business expansion capabilities and cost efficiency control. Mycenax will strive to develop more comprehensive competitive technology platforms to expand revenue in the field of biopharmaceutical CDMO services, pursuing the maximization of shareholders' interest.

Future Company Development Strategy

Mycenax will use Taiwan as our base, leveraging local R&D, manufacturing, and medical regulatory talents, and linking upstream and downstream industry resources to provide world-class biopharmaceutical CDMO services to global customers, accelerating the progress of medical drug development and contributing to human health and well-being.

Thank you to all shareholders for your trust and support. The management team will continue to strengthen Mycenax 's advantages, improve technology, quality, and customer service. We look forward to working with you towards a long-term and prosperous future.

A handwritten signature in black ink, appearing to read 'P. Chen', with a stylized, flowing script.

Pei-Jiun Chen

Chairman/President

Company Profile

2.1 Date of Establishment:2001/9/28

2.2 Company History

- 2001 - Established in Xindian City, Taipei, with a capital of NTD 10,000 thousand in September.
- 2002 - Conducted a cash capital increase and technical evaluation, with paid-in capital reaching NTD80,000 thousand.
 - Conducted another cash capital increase, with paid-in capital reaching NTD 100,000 thousand.
- 2003 - Started the construction of GMP Plant 1 in Zhunan Science Park.
 - Conducted a cash capital increase, with paid-in capital reaching NTD 140,000 thousand.
- 2004 - Conducted a cash capital increase, with paid-in capital reaching NTD 180,000 thousand.
- 2005 - Completed registration with the US FDA as a biopharmaceutical plant (DMF no. 17981).
 - Conducted a cash capital increase, with paid-in capital reaching NTD 330,000 thousand.
- 2006 - Completed public offering.
- 2007 - Signed an international development and sales agreement for TuNEX with Bio A&D Company from Korea.
 - Conducted a cash capital increase, with paid-in capital reaching NTD 500,000 thousand.
 - Received approval from the Taiwan Department of Health for TuNEXPhase I/II clinical trials for 'Rheumatoid Arthritis.'
- 2008 - Certified as a biotechnology new drug company by the Industrial Development Bureau, Ministry of Economic Affairs, under the Biotechnology New Drug Industry Development Regulations.
 - Listed as an Emerging Stock in October.
 - Won the Bronze Award in the "Taiwan Biomedical Industry Competition" hosted by the Industrial Technology Research Institute, Taipei Biotechnology Association, Taiwan Bio Industry Development Association, and the Epoch Foundation.
- 2009 - TuNEX received approval from the Korean Food and Drug Administration (KFDA) for Phase III clinical trials for Rheumatoid Arthritis.
- 2011 - Conducted a cash capital increase, with paid-in capital reaching NTD 575,000 thousand.
 - TuNEX received approval from the Taiwan Department of Health for Phase III clinical trials for Rheumatoid Arthritis.
 - Signed a cooperative development contract for TuNEX with TSH Biopharm Co., Ltd..
- 2012 - Terminated the product cooperative development and licensing contract with Biotrion Co. Ltd. (formerly Bio A&D Company).

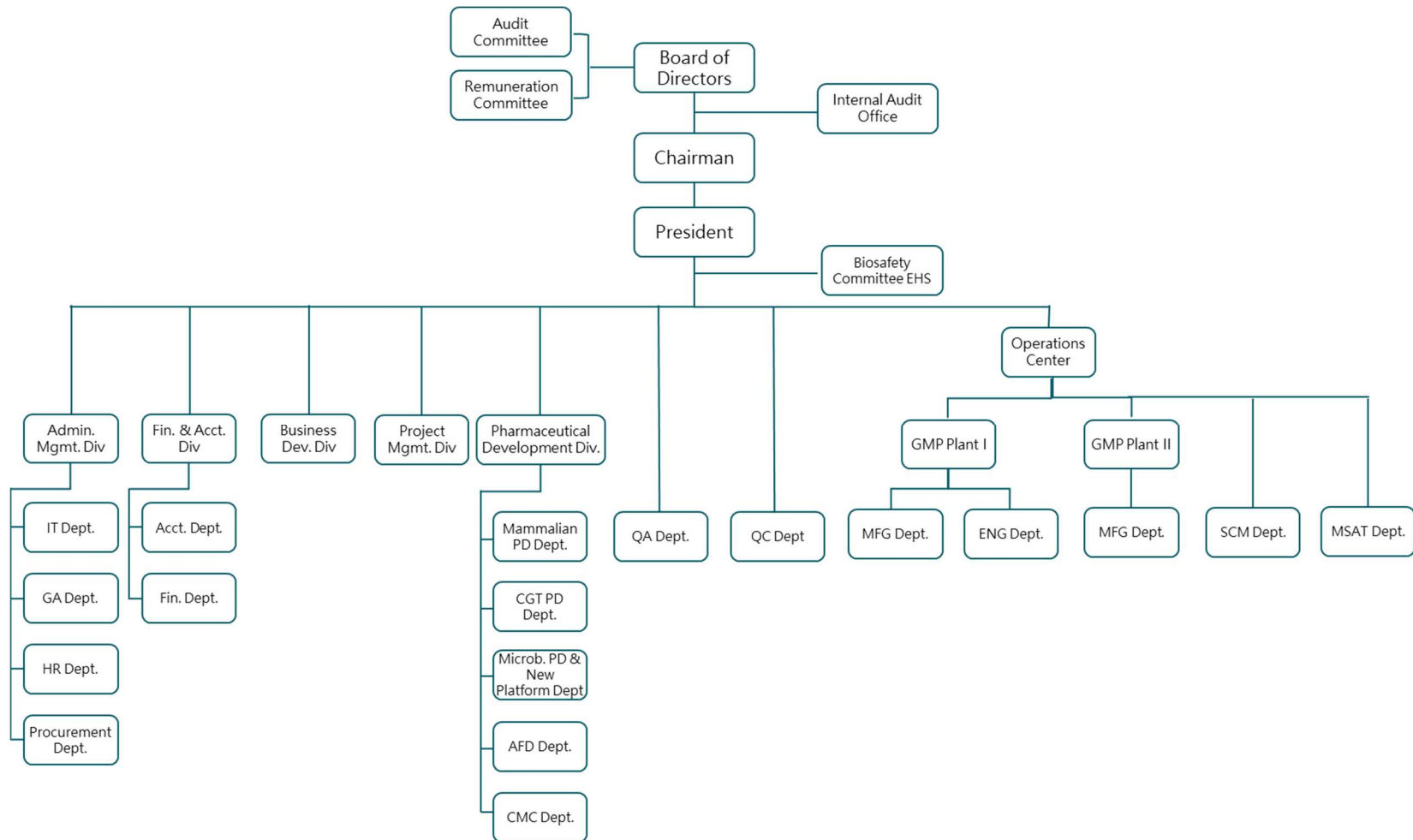
- 2013 - TuNEX won the Silver Award of 'Drug Technology Research and Development Incentive'.
 - GMP Plant 1 complied with the PIC/S GMP standards.
 - Completed cash capital increases twice and recovered technical shares, with paid-in capital reaching NTD 1,102,860 thousand.
 - Listed on the Over-the-Counter (OTC) market on Dec. 25.
 - Officially launched the Actemra-similar development project.
- 2014 - The Actemra-similar development project was officially named the "LusiNEX".
 - GMP Plant 1 established Taiwan's first biopharmaceutical manufacturing plant with a 2000-liter disposable mammalian cell bioreactor.
- 2015 - Collaborated with Biosana PTY Ltd. to develop continuous process technology.
- 2016 - TuNEX received approval from the Taiwan Ministry of Health and Welfare for Phase III clinical trials for Ankylosing Spondylitis.
 - Signed a drug licensing and distribution agreement with PharmaEngine, Inc.
- 2017 - TuNEX was approved by the Taiwan Food and Drug Administration (TFDA) for a new drug application (NDA) for Rheumatoid Arthritis.
 - LusiNEX passed the clinical trial review by the Australian Therapeutic Goods Administration (TGA), allowing for Phase I clinical trials (PI/PK).
- 2018 - LusiNEX passed the clinical trial review by the UK Medicines and Healthcare products Regulatory Agency (MHRA), allowing for Phase I clinical trials (PI/PK) in the EU.
 - Signed a TuNEX drug license transfer contract with PharmaEngine, Inc.
 - TuNEX received NDA approval and obtained a drug license from TFDA.
 - Received the certification as a foreign pharmaceutical manufacturer from the Japanese Ministry of Health, Labour and Welfare (AFM).
 - Shortlisted for the best manufacturing plant and best manufacturing technology award at CPhI worldwide.
 - Completed the LusiNEX clinical trial with results showing bioequivalence to marketed drugs in the US and EU.
- 2019 - Conducted a private placement capital increase, with paid-in capital reaching NTD 1,279,545 thousand.
 - Collaborated with Vectron Biosolutions AS from Norway to build a high-yield microbial platform.
 - Won the first prize in the 8th Merck Emerging Biotech Grant Program.
 - Acquired the asset of biopharmaceutical technology services and business transfer from Lumosa Therapeutics Co., Ltd.
 - Started construction of GMP Plant 2 in Zhunan Science Park.

- 2020 - Signed an asset transfer agreement with Gedeon Richter Plc., transferring LusiNEX-related cell banks, CMC technology, intellectual property, and clinical trial results.
- 2021 - Conducted a cash capital increase, with paid-in capital reaching NTD 1,532,536 thousand.
 - GMP Plant 2 construction completed.
 - Introduced Cytiva's continuous processing equipment to further expand continuous process development capabilities.
- 2022 - Conducted a private placement capital increase, bringing in strategic investor JCR Pharmaceuticals, a well-known Japanese pharmaceutical company, with paid-in capital reaching NTD 2,051,791 thousand.
 - Won the 'Best Biopharmaceutical Contract Development and Manufacturing Organization' award at the Taiwan Biopharma Excellence Awards 2022.
 - Signed a memorandum of understanding with the Industrial Technology Research Institute (ITRI) of Taiwan to introduce an Antibody-drug conjugate (ADC) drug screening platform.
 - Invested in Genovate Biotechnology Company to build a one-stop service platform for ADC.
- 2023 - Established a US subsidiary, Mycenax Biotech USA LLC, to expand into the European and American markets.

Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Function of Each Division

Division	Function
Board of Directors	<ul style="list-style-type: none"> • Make policy directives and set target goals for company business operations.
Audit Committee	<ul style="list-style-type: none"> • Ensure the proper presentation of Mycenax's financial statements. • Select (or dismiss) and assess the independence and performance of certified public accountants. • Implement effective internal controls. • compliance with laws and regulations. • Manage existing or potential risks.
Remuneration Committee	<ul style="list-style-type: none"> • Set and regularly review policies, systems, standards, and structures for performance evaluation and remuneration of Directors and managers. • Regularly assess and determine the salaries and remuneration of Directors and managers.
Internal Audit Office	<ul style="list-style-type: none"> • Review and evaluate the soundness, rationality, effectiveness, and implementation of internal control systems within departments. • Execute the annual audit plan. • Draft audit reports, assess improvement operations, and self-evaluate internal control systems. • Other tasks executed in accordance with legal requirements.
President Office	<ul style="list-style-type: none"> • Coordinate, communicate, and manage work among departments. • Assist the President in formulating company strategies and setting, planning, promoting, and tracking operational goals.
Biosafety and Environmental Health and Safety Group	<ul style="list-style-type: none"> • Promote biosafety-related tasks and ensure the safety of employees handling infectious biological materials. • Manage matters related to pathogens and biological toxins from Biosafety Levels 2 to 4. • Ensure a safe, clean working environment and facilities, regularly review and track compliance with regulations.
Administration Management Division	<ul style="list-style-type: none"> • Manage logistics regulations, including information, procurement, human resources, general administration, and legal affairs, effectively integrating and allocating resources to achieve organizational goals. • Establish, plan, implement, track, and optimize regulations, authorities, and procedures for the above-mentioned functional businesses, ensuring smooth internal operations.
Finance and Accounting Division	<ul style="list-style-type: none"> • Plan and review annual budgets, and make long-term and short-term financial forecasts. • Arrange long-term and short-term funding, financial dispatching, and fund utilization and management. • Plan and execute accounting and tax operations, compile financial statements, analyze company operations and costs. • Implement corporate governance, maintain investor relations, and plan and promote sustainable development goals. • Plan and manage board and shareholder affairs.
Business Development Division	<ul style="list-style-type: none"> • Business development. • Marketing planning. • Public relations and company image building. • Establish and maintain customer network relationships.
Project Management Division	<ul style="list-style-type: none"> • Serve as the external contact after contract signing, ensuring order fulfillment. • Establish and track customer orders and payments after contract signing. • Collect and update regulatory information, assisting customers with regulatory issues in various countries related to Chemistry, Manufacturing, and Controls (CMC).
Pharmaceutical Development Division	<ul style="list-style-type: none"> • Complete biopharmaceutical process development projects commissioned by customers (including cell line development, upstream and downstream process development, analytical method development, etc.). • Assist customers in generating CMC technical documents during the process development. • Conduct technical evaluations of new projects and develop and research new field technologies.
Operations Center	<ul style="list-style-type: none"> • Establish new plants and production lines or adjust and enhance existing production lines according to company development strategies. • Arrange and control production of various products reasonably to meet Good

Division	Function
	<p>Manufacturing Practice (GMP) regulations and quality requirements.</p> <ul style="list-style-type: none"> • Maintain stable operations of GMP factories in compliance with regulations and high-quality standards.
Quality Assurance Department	<ul style="list-style-type: none"> • Formulate and execute company quality control standards. • Ensure quality assurance and management of projects. • Audit suppliers and outsourcing agencies.
Quality Control Department	<ul style="list-style-type: none"> • Conduct raw material, product testing, and release in compliance with GMP regulations, pharmacopeia, and quality requirements. • Ensure stable operation of laboratory environments and equipment in compliance with GMP regulations, and that personnel operate according to Standard Operating Procedures (SOPs) and receive regular training to meet quality requirements. • Conduct raw material testing, product release testing, stability testing, process environment, and in-process testing.

3.2 Board of Directors and Executive Management

3.2.1 Board of Directors

2024/4/26

Title	Name	Nationality	Gender Age	Date of Elected	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouse or Minor Children		Education and Experience	Other Positions
							Shares	%	Shares	%	Shares	%		
Director	Center Laboratories, Inc.	R.O.C	-	2022/5/30	3	2004/10/8	33,974,314	22.04	41,974,314	20.35	0	0	-	-
	Representative: Pei-Jiun Chen ¹ (Chairman)	R.O.C	Female 51~60	2022/10/06	3	2022/10/06	-	-	870,000	0.42	0	0	<u>Education</u> Ph.D. in Biology, University of Michigan, USA <u>Experience</u> Post-doctoral research fellow, Stanford University, USA Sr. Researcher, AltruBio (Taiwan) Post-doctoral research fellow, University of Lausanne, Switzerland Chairman and President, TPG Biologics, Inc.	President, Mycenax Biotech Inc. Director, Ever Supreme Bio Technology Co., Ltd. Supervisor, Krisan Biotech Co., Ltd.
	Representative: Chun-Hong Chen ²	R.O.C	Male 61~70	2022/5/30	3	2006/6/20	-	-	0	0	0	0	<u>Education</u> Bachelor's degree in Business Administration, United University, USA <u>Experience</u> Vice President, MasterLink Securities Co., Ltd. President, Microbio Co., Ltd. Director / Supervisor, MasterLink Securities Co., Ltd.	Chairman, MasterLink Securities Co., Ltd. Chairman, MasterLink Futures Co., Ltd. Chairman, MasterLink Venture Capital Corp. Chairman, MasterLink Venture Management Corp. Chairman, MasterLink Venture Capital Corp. (Tianjin) Chairman, MasterLink Venture Management Corp. (Tianjin) Chairman, MasterLink Securities (B.V.I) Corp. Director, Shin Kong Financial Holding Co., Ltd. Director, Center Laboratories, Inc. Director, Collins Co., Ltd. Director, Chia Her Industrial Co., Ltd Director, Hi-Clearance Inc. Director, Yemi Investment Co., Ltd. Supervisor, GrowTrend Biomedical Co., Ltd. Supervisor, Minoshin International Co., Ltd. Supervisor, Kingbird Tech Co., Ltd. Director, Taipei Exchange (TPEX) Chairman, Taiwan Securities Association
Director	JCR Pharmaceuticals Co., Ltd.	Japan	-	2022/12/27	<3 ³	2022/12/27	42,000,000	20.46	42,000,000	20.36	0	0	-	-
	Representative: Yoh Ito	Japan	Male 61~70	2022/12/27	<3 ³	2022/12/27	-	-	0	0	0	0	<u>Education</u> MBA, Johnson Graduate School of management, Cornell University Ithaca, NY, USA <u>Experience</u>	Senior Corporate Officer, JCR Pharmaceuticals Co., Ltd.

Title	Name	Nationality	Gender Age	Date of Elected	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouse or Minor Children		Education and Experience	Other Positions
							Shares	%	Shares	%	Shares	%		
													Consultant, The Industrial Bank of Japan Ltd. Senior Corporate Officer, Intellasset Inc. Director, KYORIN Holdings, Inc. Director, KYORIN Pharmaceutical Co., Ltd.	
Director	Jason Technology Co., Ltd.	R.O.C	-	2022/5/30	3	2019/8/15	1,302,674	0.85	1,302,674	0.63	0	0	-	-
	Representative: Chia-Ling Lin	R.O.C	Female 31~40	2022/5/30	3	2019/8/15	-	-	1,543,070	0.75	23	0	<u>Education</u> Bachelor's degree in economics, McMaster University <u>Experience</u> Manager of Portfolio Management, BioEngine Technology Development Inc.	Director, Center Laboratories, Inc. Chairman, BioEngine Technology Development Inc. Director, Anya Biopharm Holding Corp. Supervisor, LeJean Biotech Co., Ltd. Supervisor, Jason Technology Co., Ltd. Supervisor, Royal Foods Co., Ltd.
Director	China Investment and Development Co., Ltd.	R.O.C	-	2022/5/30	3	2019/8/15	452,437	0.29	443,437	0.22	0	0	-	-
	Representative: Yi-Hsin Lee ⁴	R.O.C	Female 41~50	2024/2/19	3	2024/2/19	-	-	0	0	0	0	<u>Education</u> MBA, University of Strathclyde, UK <u>Experience</u> Analyst, Yunta Securities Investment Consulting Co., Ltd. Associate, J.P. Morgan Asset Management	Director, Brim Biotechnology, Inc. Vice President, CIDC Consultants Inc.
Independent Director	Kuo-Pin Kao	R.O.C	Male 61~70	2022/5/30	3	2013/3/28	0	0	0	0	0	0	<u>Education</u> Bachelor's degree in economics, National Chung Hsing University <u>Experience</u> Chairman, MasterLink Futures Co., Ltd. President, MasterLink Securities Co., Ltd. Chairman, Global Securities Finance Corporation Director, K WAY Information Corp.	Chairman, P&L Investment Co., Ltd.
Independent Director	Yu-Sheng Tsai	R.O.C	Male 41~50	2022/5/30	3	2019/8/15	0	0	0	0	0	0	<u>Education</u> EMBA, National Chengchi University Master of Law, Fu Jen Catholic University <u>Experience</u> Supervisor, WebComm Technology Co., Ltd. Managing Attorney, Wisetem Law Firm Assistant Manager of the Compliance Department, Sinopac Holdings Legal Supervisor, Taiwan Chi Cheng Enterprise Co., Ltd. Legal Supervisor, Asia Pacific Telecom Co., Ltd.	Managing Attorney, Genda Law Firm Arbitrator of Chinese Arbitration Association Chief Legal Officer, Quilter International Enterprise Co., Ltd. Lawyer of honor, Small and Medium Enterprise Administration, Ministry of Economic Affairs Lawyer of Legal Aid Foundation Independent Director, Lian Fa International Dining Business Corp.

Title	Name	Nationality	Gender Age	Date of Elected	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouse or Minor Children		Education and Experience	Other Positions
							Shares	%	Shares	%	Shares	%		
Independent Director	Allen Y Chao	USA	Male 71~80	2022/5/30	3	2022/5/30	0	0	0	0	0	0	<u>Education</u> Ph.D. in Pharmacy, Purdue University, USA <u>Experience</u> Founder and CEO, Watson Pharmaceuticals	Director, Tanvex BioPharma, Inc. Director, Tanvex BioPharma USA, Inc. Chairman, Tanvex Biologics, Inc. Director, Ansun BioPharma, Inc. Director, Mithra Biotechnology Inc. Director, Taipei Medical University

Notes:

1.Center Laboratories, Inc. appointed Pei-Jiun Chen as its Board representative on 2022/10/6, and was elected as the chairman by the Board of Directors.

2.Chun-Hung Chen was elected as a supervisor on 2006/10/20, and resigned on 2008/6/30, and was elected as a Director on 2014/6/25.

3.At the extraordinary shareholders' meeting on 2022/12/27, an additional director was elected to fill the original term, serving from 2022/12/27 to 2025/5/29.

4.China Investment and Development Co., Ltd. appointed Yi-Hsin Lee as the new representative on 2024/2/19.

5.Nien Hsing International Investment Co., Ltd. resigned on 2024/4/23.

6.Notes:

- Directors holding shares in Mycenax on behalf of others: None.
- Directors with a spouse or relatives within the second degree of kinship as other supervisors or Directors: None.
- The chairman and the CEO or equivalent positions (highest manager) are the same person, spouse, or first-degree relatives: The chairman and president are the same person to improve operational efficiency and decision-making execution. The chairman closely communicates with each Director on Mycenax's operations and plans to implement corporate governance. Mycenax plans to increase the number of Independent Directors to enhance the Board's functions and supervisory role. Currently, Mycenax has the following specific measures:
 - (a)The three current Independent Directors are specialized in finance and accounting, law, and the biotechnology industry, effectively exercising their supervisory functions.
 - (b)More than half of the board members do not concurrently serve as employees or managers.
 - (c)Mycenax propose to elect an additional Independent Director at the 2023 annual shareholders' meeting.

3.2.2 Major Shareholders of institutional shareholders

(1) Major Shareholders of Mycenax's Institutional Shareholders as Directors

Institutional Shareholders	Major Shareholders	Holding Percentage
Center Laboratories, Inc.	Lejean Biotech Co., Ltd.	9.57%
	Royal Foods Co., Ltd.	6.00%
	Jason Technology Co., Ltd.	3.45%
	Farglory Life Insurance Co., Ltd.	1.55%
	Yu Te Investment Co., Ltd.	1.30%
	MasterLink Securities Corp.	1.02%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.01%
	Mu Mao Tzu Investment Co., Ltd.	0.98%
	Yong Lien Corp.	0.96%
	Weichen Investment Co., Ltd.	0.85%
JCR Pharmaceuticals Co., Ltd.	Medipal Holdings Corp.	23.28%
	The Master Trust Bank of Japan, Ltd. (Trust account)	12.20%
	Future Brain Co., Ltd.	6.96%
	Custody Bank of Japan, Ltd. (Trust account)	6.55%
	The Nomura Trust and Banking Co., Ltd. (Trust account: A)	5.20%
	Kissei Pharmaceutical Co., Ltd.	3.93%
	Sumitomo Pharma Co., Ltd.	2.71%
	Mochida Pharmaceutical Co., Ltd.	1.75%
	J.P. Morgan Bank Luxembourg S.A.381572	1.13%
	The Nomura Trust and Banking Co., Ltd. (Investment Trust account)	0.99%
Jason Technology Co., Ltd.	Hung-Hsuan Lin	35.83%
	Chia-Ling Lin	25.97%
	Wei-Hsuan Lin	25.69%
	Li-Chu O	12.25%
	Jung-Chin Lin	0.26%
China Investment and Development Co., Ltd.	Global Investment Holdings Co., Ltd.	37.76%
	Central Investment Holding Co. Ltd.	31.97%
	YFY Inc.	12.93%
	Mega International Commercial Bank Co., Ltd.	2.09%
	YFY Paradigm Investment Co., Ltd.	1.60%
	Tasco Chemical Co., Ltd.	1.60%
	Earle Ho and Sons, Ltd.	1.60%
	Tai Lung Capital Inc.	1.60%
	He-Xin Investment Co., Ltd.	1.55%
	Tung Mung Development Co., Ltd.	1.31%

(2)Major shareholders of companies mentioned on the right hand side of the table above

Institutional Shareholders	Major Shareholders	Holding Percentage
Lejean Biotech Co., Ltd..	Jason Technology Co., Ltd.	92.07%
	Jung-Chin Lin	7.857%
	Li-Chu, O	0.059%
	Hung-Hsuan, Lin	0.005%
	Chia-Ling Lin	0.005%
	Wei-Hsuan, Lin	0.004%
Royal Foods Co., Ltd.	Lejean Biotech Co., Ltd.	92.31%
	Jason Technology Co., Ltd.	7.67%
	Jung-Chin Lin	0.02%
Farglory Life Insurance Co., Ltd.	Xinyu Investment Co., Ltd.	19.00%
	Far East Construction Co., Ltd.	12.48%
	Yuan-Jian Investment Co., Ltd.	8.91%
	Teng Xiong Zhao	8.49%
	Hafo International Investment Co., Ltd.	6.71%
	Ruiqi International Investment Co., Ltd.	6.43%
	Farglory International Investment Co., Ltd	6.43%
	Jun Yao Yeh	5.96%
	Yu Nu Zhao	5.77%
	Dong Yuan Construction Engineering Co., Ltd.	5.63%
Yu Te Investment Co., Ltd.	Su-Chi Wang	75.00%
	Yu-En Lin	25.00%
Masterlink Securities Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	100.00%
Mu Mao Tzu Investment Co., Ltd.	Jun Yao Lin	99.997%
	Ming Yue Zheng	0.003%
Yong Lien Corp.	Wen Ti Cheng	27.90%
	Wen Yu Cheng	27.90%
	Cheng I Tsai	27.90%
	Wan Lai Cheng	12.40%
	Zheng Baocai Social Culture and Education Foundation	3.33%
	Yu Fen Chang	0.57%
Wechen Co. Ltd.	Chuan Yi Zhou	98.33%
	Pei Chen Tsai	1.67%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	The Master Trust Bank of Japan, Ltd. (Trust Account)	12.47%
	Northern Trust Co. (Avfc)Re Silchester International Investors International Value Equity Trust	5.55%
	Custody Bank of Japan, Ltd. (Trust Account)	3.98%
	State Street Bank & Trust Company 505001	3.17%
	Northern Trust Co. (Avfc) Re U.S. Tax Exempted Pension Ffunds	2.95%
	MEDICEO Employees Shareholders' Association Of Mpgroup	2.63%
	Kobayashi Pharmaceutical Co., Ltd.	2.40%
	Northern Trust Co. (Avfc) Re Non Treaty Clients Account	1.96%
	State Street Bank And Trust Company 505103	1.92%
	Custody Bank of Japan, Ltd. (Eisai Co., Ltd. Retirement Benefit Trust Account Reentrusted By Sumitomo Mitsui Trust Bank Ltd.)	1.70%
The Master Trust Bank Of Japan, Ltd. (Trust Account)	Mitsubishi UFJ Trust And Banking Corp.	46.50%
	Nippon Life Insurance Company	33.50%
	Meiji Yasuda Life Insurance Company	10.00%
	The Norinchukin Trust and Banking Co., Ltd.	10.00%
Custody Bank of Japan, Ltd. (Trust Account)	Ssumitomo Mitsui Trust Holdings, Inc.	33.30%
	Mizuho Financial Group, Inc.	27.00%
	Resona Bank, Ltd..	16.70%

Institutional Shareholders	Major Shareholders	Holding Percentage
	The Dai-ichi Life Insurance Company, Ltd.	8.00%
	Asahi Mutual Life Insurance Company	5.00%
	Meiji Yasuda Life Insurance Company	4.50%
	Japan Post Insurance Co., Ltd.	3.50%
	Fukoku Mutual Life Insurance Company	2.00%
The Nomura Trust and Banking Co., Ltd. (Trust Account: A)	Nomura Holdings, Inc.	100.00%
Kissei Pharmaceutical Co., Ltd.	The Master Trust Bank Of Japan, Ltd. (Trust Account)	8.61%
	Custody Bank Of Japan, Ltd. (Trust Account)	5.10%
	The Hachijuni Bank, Ltd.	5.02%
	The Dai-ichi Life Insurance Company, Ltd.	4.89%
	Kanzawa Ltd.	3.66%
	Mutsuo Kanzawa	3.37%
	Kissei Group Employee Stockholders Committee	2.81%
	Nabelin Co., Ltd.	2.67%
	The Nagano Bank, Ltd.	2.46%
	Shionogi & Co., Ltd.	2.00%
Sumitomo Pharma Co., Ltd.	Sumitomo Chemical Co., Ltd.	51.76%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.87%
	Custody Bank of Japan, Ltd. (Trust Account)	3.15%
	Inabata&Co., Ltd.	2.21%
	Nippon Life Insurance Company	1.91%
	SMBC Trust Bank Ltd. (Trust Account for Sumitomo Mitsui Banking Corp.'S Retirement Benefits)	1.76%
	Sumitomo Life Insurance Company	1.45%
	Custody Bank of Japan, Ltd. (Trust Account 4)	0.97%
	Bnym As Agt/ Clts Non Treaty Jasdec	0.87%
	Sumitomo Pharma Employee Shareholders' Association	0.83%
Mochida Pharmaceutical Co., Ltd.	Mochida Memorial Foundationfor Medical and Pharmaceutical Research	15.97%
	The Master Trust Bank Of Japan, Ltd. (Trust Account)	8.10%
	Princess Takamatsu Cancer Research Fund	4.73%
	Mufg Bank, Ltd.	4.45%
	Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (Mizuho Bank Account) Re-Trust Trustee: Custody Bank of Japan, Ltd.	4.03%
	Nissui Corp.	3.37%
	Naoyuki Mochida	3.12%
	Takeshi Mochida	2.67%
	Kazue Mochida	2.49%
	Yutaka Mochida	2.49%
The Nomura Trust And Banking Co., Ltd. (Investment Trust Account)	Nomura Holdings, Inc.	100.00%
Global Investment Holdings Co., Ltd.	Wbl Corporation Ltd. (Singapore)	20.79%
	Wan Hai Lines Group	11.73%
	Kuang Hwa Investment Holdings Co., Ltd.	9.38%
	Taiwan Styrene Monomer Corporation	5.82%
	Walsin Lihwa Group	5.86%
	Venture Tech Alliance	5.86%
	Scotia Capital Inc.	5.00%
	F. C. Lai Lai Department Store Co., Ltd.	4.69%
	Prince Motor Group	2.93%

Institutional Shareholders	Major Shareholders	Holding Percentage
	Yuen Foong Yu Paper Manufacturing Co., Ltd.	2.97%
	Shin Kong Life Insurance Group.	2.93%
Central Investment Holding Co. Ltd.	Kuomintang	100.00%
YFY Inc.	S. C. Ho	9.77%
	Hsin-Yi Foundation	5.66%
	Shin-Yi Enterprise Co., Ltd.	4.69%
	Hsinex International Corp.	3.61%
	Cheng-Ting Ho	2.80%
	Supervisory Committee of Workers' Pension Reserve Funds, YFY Inc.	2.79%
	Ru Yi Enterprise Co., Ltd.	2.68%
	Mei-Yu Ho	2.65%
	NEW Talent Ltd.	2.16%
	Felix Ho	2.15%
Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Company Ltd.	100.00%
YFY Paradigm Investment Co., Ltd.	Yfy Inc.	100.00%
Tasco Chemical Co., Ltd.	Tai-Ho Investment Co., Ltd.	58.20%
	He-Cheng Invest Co., Ltd.	19.55%
	Fong-He Development Co., Ltd.	9.84%
	Da-Jan Development Invest Co., Ltd.	1.72%
	He-Fong Invest Co., Ltd.	1.16%
	Fong-He Invest Co., Ltd.	1.01%
	Cheng-Ching Wu	0.99%
	Shang-Ping Wu	0.99%
	Pei-Jyuan Wu	0.95%
	Pei-Rong Wu	0.97%
Earle Ho and Sons, Ltd.	Chieh-Teng Hou	80.53%
Tai Lung Capital Inc.	Chung Lung Investment Co., Ltd.	27.72%
	Cheng-Wang Huang	27.55%
	Wu-Chen Huang	6.89%
	Chiao-Chang Huang	2.69%
	Chiao Hsin Huang	2.62%
He-Xin Investment Co., Ltd.	(Company Undergoing Liquidation and Dissolution)	-
Tung Mung Development Co., Ltd.	Tuntex Incorporation	10.1%
	TUNTEX DISTINCT CORP.	7.25%
	Lifung Holdings Limited	6.96%
	HOTEL-TAINAN	6.78%
	Brighton-Best International (Taiwan) Inc.	6.62%
	Chin-Pi Kuo	6.51%
	Hu-Ya-Hsiang Chen	5.99%
	Shou-Ching Cheng	5.92%
	Wen-Lung Cheng	5.02%
	Yu-Che Chen	4.86%

3.2.3 Professional Qualifications and Independence of Directors

Criteria Name		Qualifications and Experience	Independence	No. of Public Companies in which He or She also Serves as an Independent Director
Chairman	Pei-Jiun Chen	Please refer to "3.2.1 Director Information". None of the Directors have any circumstances listed in Article 30 of the Company Act ¹ .	Not Applicable	0
Director	Chun-Hong Chen			0
Director	Yoh Ito			0
Director	Chia-Ling Lin			0
Director	Hsiu-Yuan Lee			0
Independent Director	Kuo-Pin Kao		All Independent Directors meet the following criteria: 1. Not the person, the person's spouse, relative within the second degree of kinship of a director, supervisor or an employee of Mycenax or any of its affiliates. 2. Not the person who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, hold no shares of Mycenax. 3. Not a director or supervisor of Mycenax or any of its affiliates. 4. Not a professional who provides audits or commercial, legal, financial, accounting, or other related services with compensation within the past two years to Mycenax or its affiliates.	0
Independent Director	Yu-Sheng Tsai			1
Independent Director	Allen Y Chao			0

Note1: A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:

- Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
- Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
- Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
- Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court and having not been reinstated to his rights and privileges.
- Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet.
- Having no or only limited disposing capacity.
- Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

3.2.4 Board of Directors Diversity and Independence

(1) Board of Directors Diversity Policy

On 2022/3/10, Mycenax's Board of Directors revised the "Corporate Governance Best Practice Principles." Chapter three, "Enhancing Board Functions," states that the Directors concurrently serving as company officers shall not exceed one-third of the Board. An appropriate policy on diversity based on Mycenax's business operations, operating dynamics and development must be formulated and include, without being limited to, the following two guidelines:

- **Basic requirements**

Gender, age, nationality, and culture, and the ratio of female Directors should reach one-third of the Board seats.

- **Professional knowledge and skills**

Board members should generally possess the knowledge, skills, and qualities necessary to perform their duties, including a professional background (e.g., law, accounting, industry, finance, marketing and technology), skills and industry experience.

(2) Implementation

Mycenax's 10th Board of Directors is composed of 9 Directors, with only 1 Director concurrently serving as an employee. The Directors possess diverse and complementary skills across various industries, including biotechnology, finance, and law, all with industry experience. There are 4 female Directors, exceeding one-third of the Board seats. Additionally, Mycenax's Directors are multinational, bringing rich experience from different countries and markets. In summary, the members of the Mycenax's Board of Directors have diverse experiences and capabilities, which greatly benefit the overall operations of Mycenax.

The following table shows the implementation of Board of Directors diversity policy:

Diversity Items		Gender	Nationality	Age	Professional Ability			Industry Experiences
					Biotechnology	Finance /Accounting	Legal Practice	
Chairman	Pei-Jiun Chen	Female	R.O.C	51-60	V			V
Director	Chun-Hong Chen	Male	R.O.C	61-70		V		V
Director	Yoh Ito	Male	R.O.C	61-70	V	V		V
Director	En-Tzu Liu ¹	Female	R.O.C	31-40		V		V
Director	Chia-Ling Lin	Female	R.O.C	31-40	V			V
Director	Yi-Hsin Lee	Female	R.O.C	41-50		V		V
Independent Director	Kuo-Pin Kao	Male	R.O.C	61-70		V		V
Independent Director	Yu-Sheng Tsai	Male	R.O.C	41-50			V	V
Independent Director	Allen Y Chao	Male	USA	71-80	V			V

Note1: En-Tzu Liu is the representative appointed by Nien Hsing International Investment Co., Ltd., which resigned from the Board on 2024/4/23.

- Only 1 Director concurrently serves as an employee, accounting for 11% of the Board.
- There are 4 female Directors, accounting for 44%, and 5 male Directors, accounting for 56%.
- The Board is composed of Directors from multiple nationalities: 1 Japanese Director and 1 American Director, together accounting for 22% ; the remaining 7 Directors are of domestic nationality, accounting for 78%.
- 1 Director is over 70 years old, accounting for 11% ; 3 Directors are aged between 61-70, accounting for 33% ; 1 Director is aged between 51-60, accounting for 11% ; and 4 Directors are under 50 years old, accounting for 45%.
- 4 Directors have a professional background in the biotechnology industry, accounting for 44%, and all 9 Directors have industry experience, accounting for 100%.
- There are no spousal or second-degree kinship relationships among the Directors.

3.2.5 Information of Management Team

2024/4/26 ; Unit: Shares ; %

Title	Name	Nationality	Gender	Effective Date	Shareholding		Shareholding of Spouse or Minor Children		Shareholding by Nominee Arrangement		Education and Experience	Othe Positions	Manager is a Spouse or Consanguineous within Two Degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman/ President ¹	Pei-Jiun Chen	R.O.C	Female	2019/3/1	870,000	0.42	0	0	0	0	<u>Major Education</u> Ph.D. in Biology, University of Michigan, USA <u>Major Experience</u> Post-doctoral research fellow, Stanford University, USA Sr. Researcher, AltruBio (Taiwan) Post-doctoral research fellow, University of Lausanne, Switzerland Chairman and President, TPG Biologics, Inc.	Director, Ever Supreme Bio Technology Co., Ltd. Supervisor, Krisan Biotech Co., Ltd.	None	None	None
AVP of Pharmaceutical Development Division	Wei-I Chou	R.O.C	Male	2019/5/13	100,000	0.05	2,000	0	0	0	<u>Main Education:</u> Ph.D. in Life Sciences, Tsinghua University <u>Main Experience:</u> Senior Manager, Research and Development Department, Zymergen Company Senior Manager, Research and Development Department, GeneVax Company	None	None	None	None
AVP of Administration and Management Division	Chin-Hao Liang	R.O.C	Male	2020/8/17	5,000	0.00	0	0	0	0	<u>Main Education:</u> Master's in Information Management, Chung Yuan Christian University <u>Main Experience:</u> Deputy Manager, Plant Affairs Department, Chiwei Textile Company Senior System Management Consultant, Syscom Computer Company Senior Engineer, Achievo Technologies Company Senior Associate Manager, Kadokawa Taiwan Corporation	None	None	None	None
AVP of Finance and Accounting Division	Liru Yeh	R.O.C	Female	2023/8/11	0	0	0	0	0	0	<u>Main Education:</u> Master's in Financial Management, Sun Yat-sen University <u>Main Experience:</u> Associate Manager, Operations and Finance Department, Ancheng International Pharmaceutical Company Associate Manager, Operations and Finance Department, Ancheng Biotechnology Company Associate Manager, Capital Markets Department, KGI Securities Vice President, Investment Department, Intech Investment Holdings Manager, Finance and Accounting Department, Tung Lung Hardware Company Deputy Manager, Project Management Department, Taishin Securities Special Assistant of President	Independent Director of Tri-cornstech Corporation	None	None	None

Note1: Mycenax chairman also serves as the President. Currently, Mycenax has implemented the following specific measures to ensure corporate governance:

- The three incumbent Independent Directors have expertise in finance and accounting, law, and the biotechnology industry, effectively exercising their supervisory functions.
- Only one Board member concurrently serves as a manager.
- One additional Independent Director will be elected at the 2024 annual shareholders' meeting.

3.2.6 Remuneration of Directors, President, and Vice President

(1) Remuneration of Directors and Independent Directors for 2023

Unit: NTD thousand ; %

Title	Name	Director's emuneration								(A+B+C+D) and ratio to net income		Remuneration Received by Directors as an Employee										(A+B+C+D) and Ratio to Net Income		Remuneration received from Non-consolidated Affiliates or Parent Company
		Base compensation (A)		Retirement pay and pensions (B)		Director profit-sharing compensation (C)		Expenses (D)				Salaries, bonus, and special disbursements (E)		Retirement pay and pensions (F)		Employees' profit-sharing compensation (G)								
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company (%)	From All Consolidated Entities (%)			
																Cash	Shares	Cash	Shares					
Director	Center Laboratories, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None	
	Representative: Pei-Jiun Chen (Chairman)	0	0	0	0	0	0	30	30	30 (0.004)	30 (0.004)	7,808	7,808	0	0	0	0	0	0	7,838 (1.148)	7,838 (1.148)	None		
	Representative: Chun-Hong Chen	0	0	0	0	0	0	25	25	25 (0.004)	25 (0.004)	0	0	0	0	0	0	0	0	25 (0.004)	25 (0.004)	None		
Director	JCR Pharmaceuticals Co., Ltd	0	0	0	0	0	0	30	30	30 (0.004)	30 (0.004)	0	0	0	0	0	0	0	0	30 (0.004)	30 (0.004)	None		
	Representative: Yoh Ito	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
Director	Nien Hsing International Investment Co., Ltd. (Note 1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
	Representative: En-Tzn Liu	0	0	0	0	0	0	25	25	25 (0.004)	25 (0.004)	0	0	0	0	0	0	0	0	25 (0.004)	25 (0.004)	None		
Director	Jason Technology Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
	Representative: Chia-Ling Lin	0	0	0	0	0	0	30	30	30 (0.004)	30 (0.004)	0	0	0	0	0	0	0	0	30 (0.004)	30 (0.004)	None		
Director	China Investment and Development Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
	Representative: Hsiu-Yuan Lee (Note 2)	0	0	0	0	0	0	30	30	30 (0.004)	30 (0.004)	0	0	0	0	0	0	0	0	30 (0.004)	30 (0.004)	None		
Independent Director	Kuo-Pin Kao	600	600	0	0	0	0	85	85	685 (0.100)	685 (0.100)	0	0	0	0	0	0	0	0	685 (0.100)	685 (0.100)	None		
Independent Director	Yu-Sheng Tsai	240	240	0	0	0	0	85	85	325 (0.048)	325 (0.048)	0	0	0	0	0	0	0	0	325 (0.048)	325 (0.048)	None		
Independent Director	Allen Y. Chao	240	240	0	0	0	0	70	70	310 (0.045)	310 (0.045)	0	0	0	0	0	0	0	0	310 (0.045)	310 (0.045)	None		

1. Please state the policy, system, standards and structure of independent Directors' remuneration payment, and describe the relevance to the amount of remuneration, responsibilities, risks, time invested and other factors:

The remuneration of Independent Directors of Mycenax is comprehensively considered based on industry characteristics, peer payment practices, the contribution of Independent Directors to business operations, and the degree of risk they bear. After evaluation and discussion by the Remuneration Committee, it is submitted to the Board of Directors for resolution. Currently, Independent Directors of Mycenax receive fixed compensation on monthly basis and are reimbursed for transportation expenses when attending board meetings and functional committees.

2. Other than the disclosures in the table above, the remuneration received by the Mycenax's Directors for their services provided (such as serving as non-employee consultants of the parent company / all the companies listed in the financial reports/reinvested enterprises, etc.) in the most recent year: None.

Note 1: Nien Hsing International Investment Co., Ltd. resigned on 2024/4/23.

Note 2: China Investment and Development Co., Ltd. appointed Yi-Hsin Lee as the new representative on 2024/2/19.

(2) Remuneration of the President and Vice President

Unit: NTD thousand ; %

Title	Name	Salary (A)		Retirement Pay and Pensions (B)		Bonus and Allowance (C) ²		Employees' Profit-sharing Compensation (D)				(A+B+C+D) and Ratio to Net Income		Remuneration Received from Non-consolidated Affiliates or Parent Company
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chairman /President	Pei-Jiun Chen	4,424	4,424	-	-	3,384	3,384	-	-	-	-	7,808 (1.143)	7,808 (1.143)	None
Vice President	Chih-Yung Lin ¹	2,936	2,936	108	108	1,290	1,290	-	-	-	-	4,334 (0.635)	4,334 (0.635)	None

Note 1: Vice President Chih-Yung Lin resigned on 2023/12/31.

Note 2: The employee stock options recognized as salary expenses under IFRS 2 "Share-based Payment" have been included in the bonuse and special allowance in the above table

(3) Remuneration of the Top Five Highest-Paid Executives

Unit: NTD thousand ; %

Title	Name	Salary (A)		Retirement Pay and Pensions (B)		Bonus and Allowance (C) ²		Employees' Profit-sharing Compensation (D)				(A+B+C+D) and Ratio to Net Income		Remuneration Received from Non-consolidated Affiliates or Parent Company
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chairman /President	Pei-Jiun Chen	4,424	4,424	-	-	3,384	3,384	-	-	-	-	7,808 (1.143)	7,808 (1.143)	None
Vice President	Chih-Yung Lin ¹	2,936	2,936	108	108	1,290	1,290	-	-	-	-	4,334 (0.635)	4,334 (0.635)	None
Associate Vice President	Wei-I Chou	2,159	2,159	108	108	979	979	-	-	-	-	3,246 (0.475)	3,246 (0.475)	None
Associate Vice President	Chin-Hao Liang	2,175	2,175	108	108	748	748	-	-	-	-	3,031 (0.444)	3,031 (0.444)	None
Corporate Governance Officer	Te-Chu Sun ¹	1,361	1,361	83	83	401	401	-	-	-	-	1,845 (0.270)	1,845 (0.270)	None

Note 1: Vice President Chih-Yung Lin resigned on 2023/12/31, and Manager Teh-Chu Sun resigned on 2024/2/29.

Note 2: The employee stock options recognized as salary expenses under IFRS 2 "Share-based Payment" have been included in the bonuses and special allowance in the above table.

(4) Employee Profit Sharing of Management Executives: None.

3.2.7 Remuneration of Directors and Management Executives as a Percentage of Net Income in the Past Two years and Guiding Principles

(1) Comparison of Remuneration for Directors, President and Vice President:

Unit: NTD thousand

Item \ Year	2022		2023	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Total Directors' Remuneration ¹	1,831	1,831	1,490	1,490
Percentage of Directors' Remuneration (%)	(0.404)	(0.404)	(0.218)	(0.218)
Total Remuneration of President and Vice President	12,080	12,080	12,142	12,142
Percentage of Remuneration for President and Vice President (%)	(2.663)	(2.663)	(1.778)	(1.778)

Note 1 : The salary of Director Pei-Jiun Chen, who also serves as an employee, has been excluded as it is already included in the remuneration of the President and Vice President.

(2) Policies, Rules, and Combinations of Remuneration Payments, Procedures for Determining Remuneration, and Correlation to Business Performance and Future Risks

The remuneration of Mycenax's Directors and managers is stipulated in Article 25-1 of Mycenax's Articles of Association. Based on the annual profit, 10% to 12% is allocated for employee remuneration, and no more than 2% is allocated for Director remuneration. However, if Mycenax has accumulated losses, the amount must first be reserved to cover the losses before allocating employee and Director remuneration according to the aforementioned percentage. In the last two years, Mycenax did not distribute Director and employee remuneration due to ongoing losses.

Mycenax has established the "Remuneration Payment Measures for Directors and Functional Committee Members" to regularly assess the Directors' remuneration. The reasonableness of the related remuneration has been reviewed and approved by the Remuneration Committee and the Board of Directors. However, due to Mycenax's ongoing losses, Director compensation was not distributed. Directors only receive transportation allowances for attending Board meetings. Independent Directors, in addition to the transportation allowances, receive a fixed monthly remuneration and transportation allowances for attending Board meetings, as stipulated in the "Remuneration Payment Measures for Directors and Functional Committee Members."

The salaries of the Mycenax's managers are determined based on the "Manager Salary and Remuneration Measures," and the performance bonuses for managers are determined based on the "Performance and Competence Evaluation Measures." These are submitted to the Remuneration Committee for review and are implemented after being resolved by the Board of Directors.

3.3 Corporate Governance

3.3.1 Information of Board Meeting

(1) The Board of Directors Convened 6 Meetings in 2023

Title	Name	Attendance in person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remark
Chairman	Center Laboratories, Inc. Representative: Pei-Jiun Chen	6	0	100	-
Director	Center Laboratories, Inc. Representative: Chun-Hong Chen	5	1	83	-
Director	JCR Pharmaceuticals Co., Ltd. Representative: Yoh Ito	6	0	100	-
Director	Nien Hsing International Investment Co., Ltd. Representative: En-Tzn Liu ¹	5	0	83	-
Director	Jason Technology Co., Ltd. Representative: Chia-Ling Lin	6	0	100	-
Director	China Investment and Development Co., Ltd. Representative: Hsiu-Yuan Lee ²	6	0	100	-
Independent Director	Kuo-Pin Kao	6	0	100	-
Independent Director	Yu-Sheng Tsai	6	0	100	-
Independent Director	Allen Y Chao	5	1	83	-

Note 1: Nien Hsing International Investment Co., Ltd. resigned on 2024/4/23.

Note 2: China Investment and Development Co., Ltd. appointed Yi-Hsin Lee as the new representative on 2024/2/19.

(2) Other Issues

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:

Issues specified in Article 14-3 of the Securities and Exchange Act: Not applicable. Mycenax has already established an audit committee. For details on matters listed in Article 14-5 of the Securities and Exchange Act, please refer to "3.2.2 Information of Board Meeting Operation."

- Other issues opposed by Independent Directors, or about which said Directors have reservations should be recorded in writing in the meeting minutes of the Board: None.

(3) Recusals due to Conflicts of Interest

Date	Name of Directors	Proposal	Reasons for Recusal	Participation in Deliberation
2023/1/17	Kuo-Pin Kao	Proposal for adjusting Independent Directors' remuneration	Directors have interests in this proposal	Excluded from the deliberations
2023/3/13	Pei-Jiun Chen Chun-Hong Chen Yoh Ito En-Tzn Liu Chia-Ling Lin Hsiu-Yuan Lee	Approval of 2023 Private Placement	The prospective investors in the private placement include Directors of the Company	
2023/3/13	Chun-Hong Chen	Discharge Directors' Non-Compete Clause	The Director to be released from the non-compete clause	
2023/5/10	Pei-Jiun Chen	2022 performance evaluation and proposed year-end bonuses for managers	Chairperson Pei-Jiun Chen is a manager of the Company	

(4) Evaluation to the Board of Directors

Evaluation frequency	Evaluation period	Evaluation scope	Evaluation method	Evaluation measures
Once a year	2023/1/1 ~ 2023/12/31	Board of Directors	Internal Self-Evaluation of the Board of Directors	<ul style="list-style-type: none"> Evaluations are divided into five aspects: participation in the operations of the company, improvement in the quality of decision-making, composition and structure of the board, election and continuing education of directors, and internal control. The total self-evaluation score of the Board of Directors, after weighted scoring, is 95.64 out of 100, indicating good operation of the board. The secretariat reported to the Board of Directors on 2024/3/13.
		Individual Directors	Self-Evaluation of Directors	<ul style="list-style-type: none"> Evaluations are divided into six aspects: alignment with the goals and missions of the company, awareness of the duties of a director, participation in the operations of the company, management of internal relationships and communication, professionalism and continuing education of directors, and internal control. The total self-evaluation score of the Board of Directors members, after weighted scoring, is 94.80 out of 100, indicating that the Directors can adequately perform their functions in the Company's operations. The secretariat reported to the Board of Directors on 2024/3/13.
		Audit Committee	Self-Evaluation of Audit Committee	<ul style="list-style-type: none"> Evaluations are divided into five aspects: participation in the operations of the Company, awareness of the duties of the Audit Committee, improvement in the quality of decision-making, election and composition of the Audit Committee, internal control. The total self-evaluation score of the Audit Committee, after weighted scoring, is 100 out of 100, indicating excellent operation of the Audit

Evaluation frequency	Evaluation period	Evaluation scope	Evaluation method	Evaluation measures
				<p>Committee.</p> <ul style="list-style-type: none"> The secretariat reported to the Audit Committee on, 2024/3/11 and to the Board of Directors on 2024/3/13.
		Remuneration Committee	Self-Evaluation of Remuneration Committee	<ul style="list-style-type: none"> Evaluations are divided into five aspects participation in the operations of the Company, awareness of the duties of the Remuneration Committee, improvement in the quality of decision-making, election and composition of the Remuneration Committee, internal control. The total self-evaluation score of the Remuneration Committee, after weighted scoring, is 96.43 out of 100, indicating good operation of the Remuneration Committee. The committee plans to adhere to the scheduled four meetings in early 2024. The secretariat reported to the Remuneration Committee on 2024/3/11, and to the Board of Directors on 2024/3/13.
Every three years	2023/1/1 ~ 2023/12/31	Board of Directors	Engage External Professional Organization - Taiwan Investor Relations Institute to conduct written reviews and on-site evaluations	<ul style="list-style-type: none"> Evaluations are divided into five aspects: the organization and professional development, quality of decision-making, the performance result, internal control and risk management, level of participation in corporate social responsibility. The external institution evaluated that the company's Board of Directors is able to fully communicate and discuss matters effectively. The secretariat reported to the Board of Directors on 2024/3/13.
		Functional Committees		<ul style="list-style-type: none"> Evaluations are divided into five aspects: The following five aspects: participation in the operations of the Company, awareness of the duties of the Functional Committee, improvement in the quality of decision-making, election and composition of the Functional Committee, internal control. The external institution evaluated that Mycenax's Functional Committees is able to fully communicate and discuss matters effectively. The secretariat reported to the Audit Committee and Remuneration Committee on 2024/3/11, and to the Board of Directors on 2024/3/13.

(5) Strengthening the Functions of the Board of Directors

- To enhance the functions of the Board of Directors, Mycenax has established performance goals to improve the operational efficiency of the Board. Mycenax revised the "Performance Evaluation Measures for the Board and Functional Committees," conducting internal performance evaluations annually and engaging external professional independent institutions or external experts every three years to perform external evaluations.
- Mycenax continuously improves information transparency and discloses corporate governance-related information to protect shareholders' rights and interests.

3.3.2 Information of Audit Committee

(1) The Audit Committee Convened 6 Meetings in 2023

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) (B/A)	Remark
Independent Director (Convener)	Kuo-Pin Kao	6	0	100	-
Independent Director	Yu-Sheng Tsai	6	0	100	-
Independent Director	Allen Y Chao	5	1	83	-

(2) Other Issues

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all Independent Directors, and Mycenax responses to their opinions should be noted:

Issues specified in Article 14-5 of the Securities and Exchange Act:

Date	Proposals and reports	Audit Committee's Opinion	The Company's Response
2023/1/13	1. Mycenax's Operational Plan and Budget for the Year 2023. 2. Proposal to Revise Mycenax's "Internal Approval Authority Table."	Approved as proposal	Approved as proposal
2023/3/10	1. Mycenax's Business Report and Financial Statements for the Year 2022. 2. Proposal for Loss Compensation for the Year 2022. 3. Proposal to Revise the Internal Control System "Management System" under 'CM-110 Management of Related Party Transactions'. 4. Proposal to Amend Mycenax's "Articles of Incorporation". 5. Proposal for Issuing New Shares through Private Placement for Cash Capital Increase. 6. Proposal for Lifting the Non-Compete Restrictions on Mycenax's Directors and Their Representatives. 7. Proposal to Revise Mycenax's First Issuance of Employee Stock Warrants and Subscription Regulations for the Year 2022. 8. Mycenax's Internal Control System Statement for the Year 2022. 9. Proposal to Set the Capital Increase Record Date for the Execution and Conversion of Employee Stock Warrants into Common Shares. 10. Proposal to Revise Mycenax's "CL-103 Board Meeting Regulations".	Approved as proposal	Approved as proposal
2023/5/9	1. Mycenax's Consolidated Financial Report for the First Quarter of 2023. 2. Proposal Regarding Accounts Receivable (and Other Receivables) Overdue for More Than Three Months, Not Related to Lending.	Approved as proposal	Approved as proposal

Date	Proposals and reports	Audit Committee's Opinion	The Company's Response
	3. Proposal for Mycenax to Seek Credit Facilities from Financial Institutions. 4. Proposal to Set the Capital Increase Record Date for the Execution and Conversion of Employee Stock Warrants into Common Shares and the Capital Reduction Record Date for Canceling Restricted Employee Stock. 5. Proposal to Establish Mycenax's "CL-136 Sustainability Report Preparation and Verification Procedures". 6. Proposal to Establish Mycenax's "CL-137 Director and Functional Committee Member Remuneration Regulations" and "CL-138 Manager Salary and Remuneration Regulations". 7. Proposal for the Second Issuance of the First Batch of Employee Stock Warrants for 2022 and the List of Eligible Employees and Quantities.		
2023/8/9	1. Mycenax's Consolidated Financial Report for the Second Quarter of 2023. 2. Proposal to Set the Capital Increase Record Date for the Execution and Conversion of Employee Stock Warrants into Common Shares and the Capital Reduction Record Date for Canceling Restricted Employee Stock. 3. Proposal to Appoint a New Head of the Finance and Accounting Management Department in Response to the Resignation of the Current Head.	Approved as proposal	Approved as proposal
2023/11/19	1. Mycenax's Consolidated Financial Report for the Third Quarter of 2023. 2. Proposal Regarding Accounts Receivable (and Other Receivables) Overdue for More Than Three Months, Not Related to Lending. 3. Proposal to Set the Capital Increase Record Date for the Execution and Conversion of Employee Stock Warrants into Common Shares. 4. Proposal to Revise Mycenax's Audit Plan for 2023. 5. Mycenax's Audit Plan for 2024.	Approved as proposal	Approved as proposal
2023/12/28	1. Mycenax's Budget Plan for the Year 2024. 2. Proposal for the Remuneration of Mycenax's Certified Public Accountant for the Year 2024 and the Periodic Evaluation of the Accountant's Independence and Competence.	Approved as proposal	Approved as proposal

- In addition to the items listed above, any resolution passed by over two-thirds of the Board of Directors, but not approved by the Audit Committee: None.

(3) Recusals due to conflicts of interest: None.

(4) Communication Between Independent Directors and the Internal Audit Chief Officer and CPAs about Major Financial/Operational Matters

- In addition to receiving monthly audit reports, the Mycenax's Independent Directors also receive the annual audit plan and audit execution status from the chief audit executive on a quarterly basis, which are reported to the Audit Committee. The Independent Directors hold at least one private meeting with the chief audit executive each year to discuss internal audit matters, and the internal audit execution status is reported to the Board of Directors. Additionally, in the event of any special circumstances, the chief audit executive reports to the independent directors immediately via

phone or email. There were no such special circumstances in 2023.

- Mycenax invites the certifying accountant to attend at least four Audit Committee and Board of Directors meetings annually to discuss the review or audit results of the quarterly and annual financial reports, important accounting standards or interpretation letters, and updates on securities regulations and tax laws. Communication between the Mycenax's Independent Directors and the accountant is good.

(5) Bullet Points of the Audit Committee for 2023

- Review financial reports.
- Communicate audit report results with the chief audit executive based on the annual audit plan.
- Discuss audit results of the financial statements with the certifying accountant.
- Evaluate the effectiveness of the internal control system.
- Appointment, dismissal, or remuneration of the certifying accountant.
- Ensure compliance with regulations.

3.3.3 Information of Remuneration Committee

(1) Information of Remuneration Committee Members

Position	Name	Item	Professional Qualifications and Experience	Independence	Number of Remuneration Committee Members Held in Other Public Companies
Independent Director (Convener)	Kuo-Pin Kao	Please refer to "3.2.1 Director Information"	The remuneration committee of Mycenax is composed of Independent Directors and has complied with the relevant regulations on independence. Please refer to "3.2.3 Professional Qualifications and Independence Analysis of Directors "		0
Independent Director	Yu-Sheng Tsai				1
Independent Director	Allen Y Chao				0

(2) Functions of the Remuneration Committee

Mycenax established the Remuneration Committee on 2022/6/20, by resolution of the Board of Directors. The committee consists of three Independent Directors who perform their duties with the care of a good administrator and faithfully fulfill their listed responsibilities, submitting their recommendations to the Board of Directors for discussion:

- Formulate and regularly review the policies, systems, standards, and structures for evaluating the performance and remuneration of Directors and managers.
- Regularly assess and determine the remuneration of Directors and managers.

(3) Operation of the Remuneration Committee

The Remuneration Committee consists of three members, all of whom are Independent Directors,

with a term from 2022/5/30, to 2025/5/29. The Remuneration Committee convened five meetings in 2023:

Title	Name	Attendance in Person (B)	By proxy	Attendance Rate (%) (B/A)	Remark
Convener	Kuo-Pin Kao	5	0	100	-
Member	Yu-Sheng Tsai	5	0	100	-
Member	Allen Y Chao	4	1	80	-

(4)Other issues

- Any suggestion made by the Remuneration and Nomination Committee that was not accepted or revised by the Board of Directors: None.
- Any written objections or issues raised by a member of the Remuneration and Nomination Committee against resolutions passed by the committee: None.

(5)Meetings of Remuneration Committee

Date	Proposal	Remuneration Committee's opinion	The Company's Response
2023/1/13	1. Proposal for adjusting the remuneration of the company's independent directors.	Independent Directors with a personal interest in the matter recused themselves and approved as proposal.	Approved as proposal
2023/5/9	1. Proposal to establish the company's "CL-137 Regulations for Directors and Functional Committee Members' Remuneration" and "CL-138 Regulations for Managers' Salary and Remuneration." 2. Proposal for the second issuance of the first employee stock option certificates of 2022 for managers and the list and quantity of eligible purchasers, as well as the proposal for the distribution of performance bonuses for managers for 2022.	Approved as proposal	Approved as proposal
2023/8/9	1. 1. Proposal to appoint a new head of the Financial and Accounting Management Department due to the resignation of the current head.	Approved as proposal	Approved as proposal
2023/12/28	1. Proposal regarding the salary and remuneration for the change in the head of the Operations Management Department. 2. Proposal regarding the salary and remuneration for the newly appointed Chief Information Security Officer.	Approved as proposal	Approved as proposal

3.3.4 Information of the Nominating Committee

Mycenax has not yet established a Nominating Committee.

3.3.5 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Item	Implementation Status		Summary Description	Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No		
1. Has the Company instituted its own corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and made disclosure?	✓		Mycenax has formulated the Corporate Governance Best Practice Principles which are disclosed on Mycenax's website. For details, please visit www.mycenax.com.tw .	None
2. Shareholding structure & shareholders' rights (1) Has the Company established its internal operation procedure for responding to the suggestions, queries, disputes, and legal actions of the shareholders in accordance with the procedure?	✓		Mycenax has established spokesman, vice spokesman system and dedicated an investor mailbox to handle shareholder suggestions, inquiries, disputes, and litigation matters.	None
(2) Has the Company kept the list of the dominant shareholders that exercise de facto control of and the ultimate controllers of the Company?	✓		Mycenax verifies the accurate identification of the principal shareholders who have actual control over Mycenax by obtaining monthly reports on the shareholding changes of Directors and major shareholders holding more than 10% of Mycenax's shares. In addition, Mycenax maintains good interaction with these principal shareholders to further collect the ultimate controllers of the major shareholders.	None
(3) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?	✓		Mycenax's transactions with affiliated companies are managed in compliance with the Management for Transactions with Group Enterprises, Specific Companies, and Related Parties, the Measures for Management of Financial and Business Transactions among affiliated companies, and applicable legal regulations.	None
(4) Has the Company instituted internal rules and regulations prohibiting insiders from using undisclosed information in the market for the trading	✓		Mycenax prohibits company insiders from trading based on undisclosed information in accordance with the internal management procedures for Significant Information. Furthermore, on 2022/3/10, the Corporate Governance Best Practice Principles were modified to include measures regulating stock transactions by company insiders from the date of acquiring access to Mycenax's financial reports or related financial business performance. Directors are prohibited from trading their stocks during a blackout period of 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports. Notices via email were sent to company insiders to remind them of compliance with these regulations during the above periods. The internal management procedures for Significant Information and the Corporate Governance Best Practice Principles have been disclosed on Mycenax's website. For details, please visit www.mycenax.com.tw .	None
3. The Organization and Function of the Board (1) Has the board of directors formulated diversity policies, specific management objectives and fully implement them?	✓		The composition of the Board of Directors of Mycenax is diverse. Please refer to section "3.2.4 Board Diversity and Independence", which has been disclosed on Mycenax's website.	None
(2) Has the Company voluntarily established other functional committees besides the		✓	Mycenax has established Remuneration Committee and an Audit Committee. Additional functional committees might be established according to	Except for the addition of other functional

Item	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary Description	
establishment of a compensation committee and audit committee?			requirements.	committees as needed in the future, there are no significant differences.
(3)Has the Company established the rules and regulations and the methods for the evaluation of Board performance, and has it conducted performance evaluations at regular intervals each year?	✓		Mycenax has established the Board and Functional Committee Performance Evaluation Procedures on 2016/11/8. Performance evaluations are conducted regularly each year and reported to the Board. These evaluations serve as references for individual director remuneration and re-election. For details on the performance evaluation methods and implementation, please refer to section "3.3.1 Information of Board Meeting Operation".	None
(4)Has the Company assessed the independence status of the CPAs at regular intervals?	✓		Mycenax's Audit Committee conducts annual assessments of the independence of auditors in accordance with Article 47 of the Accountants Act and Bulletin No. 10 of the Regulations Governing the Professional Ethics of Certified Public Accountants and reports to the Board of Directors. The Audit Committee, based on the independence declaration issued by the auditors and the aforementioned standards, assessed the independence of Jin-di Wu and Wei-Liang Dai the CPAs of Ful-Fill & Co., on 2023/12/28. The Board and Audit Committee confirmed that both CPAs are conforming to the aforementioned requirement in independence consequently.	None
4. Does the TWSE/TPEX listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholders' meetings in compliance with the law, apply for/change company registry and producing meeting minutes of board/shareholders' meetings)?	✓		The Board of Directors resolved and approved Mycenax to establish the position of Governance Supervisor for the first time on 2022/11/8. In addition, the Board of Directors resolved to appoint Li-ru Yeh as the head of corporate governance on 2024/3/13. Liru Yeh possesses extensive qualifications in accounting, financial management, stock affairs, and related administrative management in matters relating to Board meeting and shareholders meeting. A. The responsibilities of the head of corporate governance includes the following items: Handling the affairs of the Board of Directors and shareholders meetings in accordance with the law and preparing minutes of the Board of Directors and shareholders meetings. B. Assisting directors with their onboarding and continuous development training. C. Providing directors with necessary information for their duties. D. Assisting directors in complying with laws and regulations. E. Managing other matters specified in the corporate articles of association or contracts.	None
5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section on the Company's website for stakeholder affairs, and responded adequately to stakeholders' inquiries on significant corporate social responsibility issues?	✓		Mycenax has set up a Stakeholders Section on corporate website, providing communication channels for stakeholders (such as employees, shareholders, customers, suppliers, etc.) to express their opinions. This enables corporate to collect the issues of concern to stakeholders and respond appropriately. For more details, please visit the website at www.mycenax.com.tw .	None
6. Does the Company commission	✓		Mycenax has appointed Capital Securities	None

Item	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary Description	
any professional shareholder services agency to hold shareholders' meeting and other relevant affairs?			Corporation's Stock Affairs Agency Department to handle the shareholders' meetings and stock affairs.	
7. Information Disclosure (1)Has the Company set up a website to disclose information pertaining to financial services and corporate governance?	✓		There is an Investor Relations Section on the website of Mycenax that discloses information on financial business and corporate governance.	None
(2)Has the Company utilized other methods of information disclosure (such as setting up a website in English, assigning someone to be responsible for the collection and disclosure of company information, implementing the spokesperson system, and/or recording the investors' conference and uploading it to the Company website)?	✓		Mycenax has dedicated efforts to collect and disclose corporate information. Additionally, we have appointed a spokesperson and a vice spokesperson. The presentation files from investor conference are available on the website of Mycenax (Investor Relations Section/Financial Information).	None
(3)Has the Company publish and report annual financial report within two months after the end of a fiscal year, and publish and report financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		✓	Mycenax announces and submits quarterly financial reports and business revenue in compliance with the deadlines specified in the Securities and Exchange Act ; and has not announced and reported the annual financial reports within two months after the end of the accounting year. The reporting dates will be adjusted in the future according to the corporate financial closing operations.	Except for adjusting the announcement date of the annual financial reports in the future, there are no significant differences.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)?	✓		<p>A. Employee Rights and Care: For details of implementation, please refer to section "5.5 Labor Relations".</p> <p>B. Investor Relations: A spokesperson, vice spokesperson, and personnel responsible for investor relations have been appointed to handle shareholder suggestions and related matters.</p> <p>C. Supplier Relations: Mycenax maintains good relationships with suppliers.</p> <p>D. Stakeholder Rights: Stakeholders can communicate and make suggestions to Mycenax to safeguard their legitimate rights and interests. The related communication information are listed on the website of Mycenax.</p> <p>E. Director's Training: Please refer to Note 1 below.</p> <p>F. Implementation of Risk Management Policies and Risk Assessments: The internal control measures are formulated according to the law and regulations to carry out risk management and assessment.</p> <p>G. Status of implementation of customer policies: Mycenax maintains stable and good relationships with customers to generate company profits.</p> <p>H. Status of Mycenax purchasing liability insurance for Directors: Mycenax has underwritten the Directors' and executives' liability insurance of USD 1 million to Shin Kong Insurance on 2023/8/16.</p>	None
9. Succession Planning for Board Members and Key Executives	✓		A. Succession Planning for Board Members: Considering diversity, no more than one-third of the Board seats are held by Directors who also serve as corporate executives. Moreover, Mycenax emphasizes gender equality and encourages Board members to possess the necessary knowledge, skills, and qualifications to fulfill their duties.	None

Item	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary Description	
			<p>Mycenax actively participates in biotechnology-related associations (such as the Taiwan Biotech Association, Taiwan Pharmaceutical Manufacture and Development Association, etc.), and establishes good interactions with domestic and foreign professional scholars to compile a list of potential successors.</p> <p>B. Succession Planning for Executives: Mycenax establishes individual development plans, training courses, interdisciplinary learning opportunities, and job rotations based on the abilities and job requirements of key executive personnel. The purpose is to cultivate the management, leadership, and business capabilities of key executive personnel.</p> <p>C. Since 2013, Mycenax has initiated a management capability development program, selecting 5 to 8 internal candidates and providing them with appropriate cultivation. Mentors are assigned to provide guidance, with the expectation of enhancing the management skills of talents and providing timely guidance in the management process, thus facilitating smoother succession of middle and senior-level executives in the future.</p>	
<p>10. Please explain the improvement of the company's corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the past year, and propose priorities and measures for criteria that have not been improved:</p> <p>(1) In this evaluation, the main items Mycenax did not score include the lack of a clear dividend policy in the corporate's articles of association, the absence of functional committees such as a sustainability development committee, the lack of evaluating the independence and suitability of auditors through AQI evaluation, and incomplete revisions to the regulations concerning related parties and supplier management.</p> <p>(2) Mycenax has proposed the improvement plan, which includes clearly specifying the dividend policy in the articles of association, establishing a sustainability development committee, adding procurement and sales management procedures to the related party regulations, and incorporating environmental protection and occupational safety and health standards into the supplier management regulations. These measures will be continuously evaluated in the fiscal year 2024.</p>				

Note 1: Training programs for Directors in 2023

Title	Name	Date	Organization	Training program	Hours
Chairman	Pei-Jiun Chen	2023/11/30	Taiwan Project Management Association	International Industry Trends and Project Management for Multinational Enterprises	3
		2023/12/5	Taiwan Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
Director	Chun-Hong Chen	2023/4/18	Taiwan Securities Association	Enhancing Information Security in the Financial Industry	3
		2023/9/6		Opportunities and Challenges for Taiwan in the New Era of Artificial Intelligence and ESG Investment Principles and Strategies	6
		2023/9/28		Corporate Governance Seminar (Session 171)	3
		2023/10/31		Corporate Governance Seminar- Corporate Sustainability(Session 181)	3
Director	Yoh Ito	2023/10/12	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3
Director	En-Tzn Liu	2023/8/4	Taiwan Securities and Futures Institute	Overview and Case Analysis of Insiders Trading in Corporations	3
		2023/11/3		Impact and Responses of the EU Carbon Border Adjustment Mechanism (carbon border tax) on Industrial Supply Chains	3
		2023/11/8		Introduction of disputes over corporate control and Commercial Case Adjudication Act	3
		2023/11/16		Opportunities and Challenges for Taiwan Industries in the Geopolitical Context - Exclusive Analysis of PMI/NMI	3
Director	Chia-Ling Lin	2023/10/12	Taiwan Corporate	Corporate Governance and Securities Laws and Regulations	3

Title	Name	Date	Organization	Training program	Hours
		2023/1018	Governance Association	Business Operations and Crisis Management	3
Director	Hsiu-Yuan Lee	2023/12/1	Taiwan Corporate Organization and Sustainable Development Association	Reflecting on Corporate Responses to Technological Advancements and Legal Changes Through AI Sustainability Issues	3
		2023/12/1		Risks of Transactions/Ownership Disputes and Corporate Governance	3
Independent Director	Kuo-Pin Kao	2023/4/25	Taiwan Corporate Governance Association	Offensive and Defensive Strategies for Ownership Disputes and Legal responsibility Risks for Corporate Executives (Independent Directors)	3
		2023/10/18		Business Operations and Crisis Management	3
Independent Director	Yu-Sheng Tsai	2023/4/12	Taiwan Academy Of Banking And Finance	Corporate Governance Forum	3
		2023/10/12	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3
		2023/10/18		Business Operations and Crisis Management	3
Independent Director	Allen Y Chao	2023/9/25	Taiwan Project Management Association	Corporate Transition Management and Transformation	3
		2023/9/26		Oversight of Corporate Performance Management	3

3.3.6 Implementation of Sustainable Development Practices and Deviation from the Corporate Sustainability Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		Currently, the corporate governance unit is in charge of promoting sustainable development, which coordinates, formulates, and revises corporate social responsibility policies, engages in discussions with relevant departments regarding stakeholders' concerns, and regularly compiles sustainability reports outlining Mycenax's sustainable development goals and operational achievements. Additionally, it periodically reports on the implementation of sustainable development to the board of directors. To further deepen Mycenax's sustainable development, Mycenax plans to establish a Sustainable Development Committee in the future.	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		Mycenax released its first sustainability report for the 2022 in 2023Q3. As Mycenax's subsidiaries are still in the early stages of establishment, the scope of risk assessment primarily focuses on Mycenax Taiwan, including headquarters, GMP Plant 1 and 2 in Zhunan, and research centers in Nangang and Zhubei. The sustainability report has conducted risk assessments on environmental, social, and governance issues related to Mycenax operations based on materiality principle, identifying risk events that may impact our business objectives.	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																						
	Yes	No	Summary Description																							
3.Environmental Issues (1)Has the Company set an environmental management system designed to industry characteristics?	✓		Mycenax’s Biosafety Committee EHS (hereinafter referred to as EHS) is in charge of establishing and promoting environmental management systems. Both GMP Plant 1 and 2 in comply with international PIC/S GMP regulations as production facilities. Waste generated during production processes and R&D experiments is entrusted to qualified vendors for proper disposal.	None																						
(2)Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		Mycenax operates in the low-petrochemical fuel utilization industry. The materials used by Mycenax comply with medical regulations, resulting in low environmental impact. Additionally, to continuously promote and advocate for energy reduction measures, we have been gradually implementing electronic forms, waste sorting, environmental greening, and are evaluating the purchase of high-efficiency equipment in the future to optimize energy usage.	None																						
(3)Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		Mycenax's management attaches great importance to the risks posed by climate change and conducts discussions and evaluations irregularly. Although a Sustainable Development Committee has not been established yet, various responsive measures have been progressively implemented: <ul style="list-style-type: none">• Early initiation of a comprehensive inventory project for greenhouse gas emissions.• Establishment of a list of backup supply chains for supply chain risk assessment (including supplier reliability, compliance, quality technology, and transportation risks).• Development of a Business Continuity Plan (BCP) to ensure Mycenax can resume operations in the shortest time possible in the event of climate change or disaster impacts.• Implementation of energy conservation, carbon reduction, water conservation, and waste management measures to reduce the impact of operational activities on climate change.	None																						
(4)Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other	✓		Here are the statistics for Mycenax's greenhouse gas emissions, water usage, and total waste weight for the past two years, along with related policies: 1.Greenhouse Gas Emissions <div>Measurement:mt CO2e/Year<table><tr><th rowspan="2">Year</th><th colspan="2">Scope 1</th><th colspan="2">Scope 2</th><th>Scope 3</th></tr><tr><th>Total Emissions</th><th>Density</th><th>Total Emissions</th><th>Density</th><th>-</th></tr><tr><td>2022</td><td>161.2967</td><td>0.2203</td><td>3,834.9828</td><td>5.237</td><td rowspan="2">Skip</td></tr><tr><td>2023</td><td>220.2377</td><td>0.3374</td><td>3,942.6854</td><td>6.0413</td></tr></table></div> In 2023, Mycenax's greenhouse gas emissions and intensv increased compared to 2022, primarily due to the	Year	Scope 1		Scope 2		Scope 3	Total Emissions	Density	Total Emissions	Density	-	2022	161.2967	0.2203	3,834.9828	5.237	Skip	2023	220.2377	0.3374	3,942.6854	6.0413	None
Year	Scope 1		Scope 2		Scope 3																					
	Total Emissions	Density	Total Emissions	Density	-																					
2022	161.2967	0.2203	3,834.9828	5.237	Skip																					
2023	220.2377	0.3374	3,942.6854	6.0413																						

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																							
	Yes	No	Summary Description																								
wastes?			<p>commencement of production at GMP Plant 2.</p> <p>Mycenax have been progressively formulating policies related to greenhouse gas emissions. For table of greenhouse gas emission along with related progress and policy, please refer to Section "3.3.6-1 Implementation of Climate-Related Information: 9. Greenhouse Gas Inventory and Confirmation Situation with Reduction Targets, Strategies, and Specific Action Plans".</p> <p>2.Total Water Usage</p> <table><tr><th>Year</th><th>Total Water Usage(t)</th><th>Water Usage per Square Unit (t/m2)</th></tr><tr><td>2022</td><td>47,337 t</td><td>1.5838</td></tr><tr><td>2023</td><td>45,370 t</td><td>1.5180</td></tr></table> <p>In 2023, Mycenax's total water usage was 45,370 tons, which decreased compared to 2022. This reduction is primarily attributed to the implementation of measures such as RO wastewater recycling for air conditioning systems, control of chilled water systems, control of pure water systems, and the reuse of stored rainwater, which have proven to be effective.</p> <p>3.Total Waste Weight</p> <table><tr><th rowspan="2">Year</th><th colspan="2">Waste (t)</th><th rowspan="2">Waste Density (t/revenue(millions))</th></tr><tr><th>harmful</th><th>harmless</th></tr><tr><td>2022</td><td>6.7812</td><td>20.6498</td><td>0.0374</td></tr><tr><td>2023</td><td>13.0782</td><td>12.69</td><td>0.0394</td></tr></table> <p>In 2023, Mycenax's waste increased slightly compared to 2022, primarily due to variations in product composition and process requirements, resulting in differences in waste generation proportions and densities.</p> <p>We continue to strive for improvements in waste management by increasing resource recovery rates, reducing waste generation, proper sorting and handling, recycling, and reuse. Additionally, we actively control excessive packaging to reduce waste output.</p>	Year	Total Water Usage(t)	Water Usage per Square Unit (t/m2)	2022	47,337 t	1.5838	2023	45,370 t	1.5180	Year	Waste (t)		Waste Density (t/revenue(millions))	harmful	harmless	2022	6.7812	20.6498	0.0374	2023	13.0782	12.69	0.0394	
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	harmful	harmless																									
2022	6.7812	20.6498	0.0374																								
2023	13.0782	12.69	0.0394																								
4.Social Issues (1)Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		<p>On 2021/11/9, the Board of Directors passed a resolution to establish a Human Rights Policy, which respects and supports fundamental human rights as outlined in international conventions. We are committed to treating all employees with dignity and respect, in compliance with local regulations in all operational locations.</p> <p>The key principles of our Human Rights Policy include:</p> <ul style="list-style-type: none">• Compliance with labor laws, fostering a friendly work environment, and ensuring reasonable working hours.• Establishing a healthy and safe workplace.	None																							

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<ul style="list-style-type: none"> Implementing measures for the prevention and handling of sexual harassment, including the establishment of a sexual harassment complaint channel. Promoting harmonious labor-management communication and providing grievance management. Supporting and assisting employees in maintaining physical and mental health and achieving work-life balance. Providing multiple open dialogue channels, including anonymous reporting, on Mycenax website (www.mycenax.com.tw), allowing suppliers, business partners, and other stakeholders to provide feedback or report suspected violations. In response to evolving circumstances and stakeholder needs, we regularly review and assess relevant risks, practices, and impacts. 	
(2)Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		Mycenax has established work rules and personnel management regulations. Detailed information about employee welfare measures can be found in this annual report under "5.5 Labor Relations".	None
(3)Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		<p>Mycenax regularly conducts safety and health education, including orientation training for new employees, annual health check-ups and specific health examinations, workplace environment inspections, regular maintenance of firefighting equipment, quarterly distribution of health promotion newsletters, and organizing health promotion activities.</p> <p>While Mycenax is not subject to the regulations of the Occupational Safety and Health Act, we have planned to systematically operate and manage safety and health practices according to ISO 45001 and CWA 15793 standards in 2024. We will assess the need for certification accordingly. There were no major work-related injuries or fatalities involving employees or contractors in 2023. Following a fire incident in March 112, we have enhanced our factory safety mechanisms and asset protection measures.</p>	None
(4)Has the Company established effective career development training programs for employees?	✓		Mycenax develops the annual company-wide education and training plan based on the training needs survey results of supervisors and colleagues each year. We encourage continuous learning and personal career	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			development among colleagues. In 2023, to diversify the types of courses offered, we introduced general education and management training programs. Additionally, to promote internal knowledge sharing, we specially invited supervisors to serve as instructors for training sessions and workshops.	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		Mycenax has signed confidentiality agreements with employees and customers and ensures the security of customer confidential information through information security measures. For details on the execution of confidentiality assurance, please refer to this annual report under "5.7 Intellectual Property Management Plan".	None
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		Mycenax has established a supplier management policy, under which suppliers undergo on-site visits or written evaluations. We require suppliers to comply with relevant laws and regulations and to actively promote corporate social responsibility, in line with the principles of corporate sustainability development.	None
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		✓	As of now, Mycenax's capital exceeds NT2 billion. We released our first sustainability report for the 2022 in 2023Q3. However, we have not obtained assurance or certification from third-party verification entities yet.	None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: Mycenax have already established a Sustainability Development Best Practice Principle to ensure our operations comply with relevant regulations without significant deviations.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: For more information about our promotion of sustainable development, please refer to our ESG Report.				

3.3.6-1 Implementation of Climate-Related Information

Item	Implementation status												
1. Describe board and management oversight and governance of climate-related risks and opportunities.	Mycenax’s EHS is currently responsible for the overall supervision to climate-related risks and opportunities. It reported the progress of greenhouse gas inventory and verification to the Board of Directors for the first time on 2022/6/8, and regularly updates the relevant progress to the Board of Directors.												
2. Describe how the identified climate risks and opportunities affect the company's business, strategy, and finances (short-term, medium-term, long-term).	<p>Mycenax has early started greenhouse gas inventory in March 2024, and collected data in April, including greenhouse gas emissions and energy usage. Mycenax’s possible impacts and opportunities of climate risks are summarized as follows:</p> <table><tr><th>Item</th><th>Impact</th><th>Opportunity</th></tr><tr><td>Short term</td><td>Unexpected climate events may cause production disruptions, supply chain disruptions or logistics difficulties, negatively impacting business continuity.</td><td>Implement energy conservation and carbon reduction measures while strengthening disaster response measures to improve response capabilities.</td></tr><tr><td>Medium term</td><td>Medium-term climate change may lead to changes in the operating environment and regulations, leading to an overall increase in production costs.</td><td>Based on climate change trends and needs, we will gradually adjust our operating methods and continue to innovate and develop new technologies through cooperation with suppliers and customers to enhance competitiveness.</td></tr><tr><td>Long term</td><td>Long-term climate change may change market demand, product value chains, and bring structural changes to business models.</td><td>Actively integrate the resources of government and private organizations to develop climate change response strategies and respond to future changes with a leading sustainable management attitude.</td></tr></table>	Item	Impact	Opportunity	Short term	Unexpected climate events may cause production disruptions, supply chain disruptions or logistics difficulties, negatively impacting business continuity.	Implement energy conservation and carbon reduction measures while strengthening disaster response measures to improve response capabilities.	Medium term	Medium-term climate change may lead to changes in the operating environment and regulations, leading to an overall increase in production costs.	Based on climate change trends and needs, we will gradually adjust our operating methods and continue to innovate and develop new technologies through cooperation with suppliers and customers to enhance competitiveness.	Long term	Long-term climate change may change market demand, product value chains, and bring structural changes to business models.	Actively integrate the resources of government and private organizations to develop climate change response strategies and respond to future changes with a leading sustainable management attitude.
Item	Impact	Opportunity											
Short term	Unexpected climate events may cause production disruptions, supply chain disruptions or logistics difficulties, negatively impacting business continuity.	Implement energy conservation and carbon reduction measures while strengthening disaster response measures to improve response capabilities.											
Medium term	Medium-term climate change may lead to changes in the operating environment and regulations, leading to an overall increase in production costs.	Based on climate change trends and needs, we will gradually adjust our operating methods and continue to innovate and develop new technologies through cooperation with suppliers and customers to enhance competitiveness.											
Long term	Long-term climate change may change market demand, product value chains, and bring structural changes to business models.	Actively integrate the resources of government and private organizations to develop climate change response strategies and respond to future changes with a leading sustainable management attitude.											
3. Describe the financial impact of extreme climate events and transition actions.	<p>The possible financial impacts of extreme weather events on Mycenax are as follows:</p> <p>1. Direct losses: May cause physical damage, such as facility damage, equipment loss, etc., which require repair or replacement, increasing operating costs.</p> <p>2. Indirect losses: It may lead to production interruption, supply chain interruption, decreased customer demand, etc., affecting business operations, thereby causing significant operating losses.</p> <p>In response to the need to transform in response to extreme climate, Mycenax may need to make corresponding investments, including new facilities, adoption of more environmentally friendly technologies, implementation of energy conservation and emission reduction measures, etc. These investments will increase related capital requirements.</p>												
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	Based on EHS’ biosafety management system, "Organizational Situation and Risk and Opportunity Management Procedure" and "Operation Continuity Plan", Mycenax regularly identifies, evaluates and controls risks and opportunities for improvement.												
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be explained.	Mycenax is currently conducting a greenhouse gas inventory and started data collection in April. In the future, it will conduct scenario analysis and assessment of climate change depending on the progress of Mycenax's sustainable development.												
6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transformation risks.	<p>Mycenax expects to complete a complete greenhouse gas inventory ahead of schedule in 2024, and has currently started data collection, including greenhouse gas emissions and energy usage.</p> <p>1. Follow-up plans include:</p> <ul style="list-style-type: none">• Energy management: Improve energy efficiency, reduce consumption, and reduce carbon emissions.• Greenhouse gas emissions management: monitor emissions and implement carbon neutrality plans.• Water management: Save water, improve utilization efficiency, and adopt a												

Item	Implementation status
	<p>circulating water system.</p> <ul style="list-style-type: none"> • Waste Management: Waste reduction, recycling and reuse, disposal of hazardous waste. <p>2. Mycenax identifies and manages entity risks and transformation risk management indicators and objectives as follows:</p> <ul style="list-style-type: none"> • Energy management: The goal is to reduce energy consumption and improve efficiency ; the indicator is the amplitude of power intensity data. • Greenhouse gas emission management: The goal is to reduce emissions and achieve carbon neutrality ; the indicators are carbon emissions and carbon neutrality progress. • Water management: The goal is to improve utilization efficiency and reduce water consumption ; the indicator is the extent of water consumption per unit area. • Waste management: The goal is to reduce waste generation and achieve recycling ; the indicator is the proportion of waste generation.
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p>	<p>Mycenax is not a priority industry for the imposition of carbon tax, but in the future, we will comply with regulatory requirements and conduct internal carbon pricing assessment based on the following parameters:</p> <ol style="list-style-type: none"> 1. External carbon market price: refer to the price of the external carbon market, such as the price of the carbon trading market or the carbon emissions trading system, as the basis for internal carbon pricing. Such a price basis can reflect the market's value for carbon emissions and market supply and demand. 2. Internal cost estimation: Develop internal carbon pricing by evaluating our own carbon emissions and the costs of emission reduction measures. 3. Social cost assessment: Develop internal carbon pricing based on the results of social cost assessment. 4. Risk management considerations: Consider the risks caused by carbon emissions, such as carbon price fluctuations, climate-related risks, and regulatory risks, to develop internal carbon pricing.
<p>8. If climate-related goals are set, information such as the activities covered, greenhouse gas emission scope, planning schedule, annual achievement progress, etc. should be explained ; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, information such as Indicate the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) being redeemed.</p>	<p>Mycenax's current paid-in capital exceeds 2 billion. According to the Financial Supervisory Commission's timetable in "Sustainable Development Roadmap for Listed Companies", Mycenax must complete a greenhouse gas inventory by 2026 years and complete greenhouse gas assurance work by 2028.</p> <p>Mycenax has started greenhouse gas inventory work in March 2020 ahead of schedule. The relevant plans for greenhouse gas emissions are as follows:</p> <ol style="list-style-type: none"> 1. Inventory Boundary: Covers all business activities and related operations of Mycenax. 2. Inspection period: 2023/1/1 to 2023/12/31 3. Scope of inventory: greenhouse gas emissions in Category 1 (direct emissions), Category 2 (indirect energy emissions), and Category 3. 4. Estimated achievement progress: <ul style="list-style-type: none"> • A comprehensive inventory is expected to be completed in 2023. • Set specific emission reduction targets and track progress each year.
<p>9. Greenhouse gas inventory and assurance, reduction goals, strategies and specific action plans.</p>	<p>According to Item 8 in this section, Mycenax has launched a complete greenhouse gas inventory in 2024 and uses 2023 as the base year for the greenhouse inventory volume, as well as started to collect relevant data since April 2024, including but not limited to Mycenax's greenhouse gas emissions, and planned to decide greenhouse gas inventory assurance, reduction targets, strategies, and specific action plans by 2024.</p>

3.3.7 Implementation of Integrity and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons

item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and by-laws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		1. Mycenax has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics," which are disclosed on Mycenax's website, serving as the basis for the Board members and management to implement the integrity management policy. 2. The members of the 10th Board of directors and management have signed the Statement of Compliance with Ethical Business Conduct, committing to actively implement ethical business practices.	None
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct ; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct ; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	✓		Mycenax has established the "Ethical Corporate Management Best Practice Principles," the "Code of Ethics," and the "Procedures for Handling Material Inside Information," and has promoted them internally to ensure that employees, managers, directors, the management team, and relevant stakeholders better understand the related regulations. Audits are also conducted irregularly to ensure compliance.	None
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		Mycenax has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics." Within various internal control system procedures, each transaction is reviewed, implementing layered controls to prevent unethical or other erroneous behaviors.	None
2. Ethical Management Practice	✓		Before collaborating with clients, our company undergoes an assessment to avoid partnering with entities engaged	None

item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?			in unethical behavior.	
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	✓		Currently, the Administration Management Division is in charge of promoting ethical corporate management in Mycenax, which regularly (at least once a year) reports to the Board of Directors on its ethical corporate management policies, measures to prevent dishonest conduct, and the supervision of their implementation. The latest report was submitted to the Board on 2023/11/13.	None
(3) policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		Mycenax has established the "Ethical Corporate Management Best Practice Principles," the "Code of Ethics," and the "Procedures for Preventing Insider Trading." Additionally, Mycenax have set up suggestion boxes and a whistleblowing email inbox to provide appropriate channels for opinions.	None
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		Mycenax has established relevant accounting and internal control systems, with auditors regularly reporting the audit status to the Board of Directors and the Audit Committee.	None
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		Mycenax regularly organizes internal and external education and training sessions related to integrity management issues, including courses on compliance with integrity regulations, accounting systems, and internal controls.	None
3. Implementation of Complaint Procedures (1) Has the company established specific whistleblowing and reward procedures, set up conveniently	✓		Mycenax has established a "Whistleblowing Policy," which sets up channels for reporting and procedures for handling illegal and unethical behavior by internal and external personnel, along with a system of rewards and	None

item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?			penalties. Additionally, there is an appeal mechanism in place for the parties involved in reported cases.	
(2)Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓		Mycenax has established a "Whistleblower Policy," which clearly defines the standard procedures for investigating reported matters and relevant confidentiality mechanisms.	None
(3)Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓		Mycenax maintains confidentiality regarding the identity of whistleblowers and the content of their reports and commits to ensuring that whistleblowers will not face any undue retaliation as a result of their reports.	None
4. Strengthening Information Disclosure Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		Mycenax discloses information related to the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics" on Mycenax's website.	None
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: No significant deviations. Mycenax has established the " Ethical Corporate Management Best Practice Principles " which has been approved by the Board of Directors and reported to the shareholders' meeting. Both the Board of Directors and the management team committed to actively implementing it, with no significant difference s.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., Mycenax's reviewing and amending of its ethical corporate management best practice principles): (1)Mycenax revised the " Ethical Corporate Management Best Practice Principles" based on authority's instruction, which was resolved by the Board of Directors on 2022/3/10 and reported to the shareholders' annual meeting in 2023. (2)The Board of Directors resolved to revise the "Procedures for Handling Material Inside Information" on 2022/12/27. The content includes but not limited to prohibiting directors and managers of our company from trading their stocks during the closed periods of thirty days before the announcement of annual financial reports and fifteen days before the announcement of quarterly financial reports. Starting from the 2023, our company notifies directors and managers via email about the closed periods before the announcement of each quarter's financial report to prevent inadvertent violations of this regulation by directors.				

3.3.8 Disclosure of Corporate Governance Best-practice Principles or Related Bylaws:

For the Mycenax's corporate governance-related regulations, please refer to the "Corporate Governance Section" on the Market Observation Post System or visit Mycenax's website at www.mycenax.com.tw.

3.3.9 Additional Information on Corporate Governance:

Mycenax's newly appointed directors, managers, and other insiders are issued the latest version of the "Regulations and Precautions for Insider Shareholding of Listed and OTC Companies" compiled by the Taipei Exchange upon their appointment. Monthly reminders are also sent to ensure compliance by insiders.

3.3.10 Implementation Status of Internal Control:

(1)Internal Control Declaration: Please refer to Attachment 1.

(2)If CPA was engaged to Conduct a Special Audit of Internal Control, provide its Audit Report.
None.

3.3.11 Conviction of Corporate or Employees' Wrongdoings, Company's Punishment on Employee for Violation of Internal Control, Major Faults and Improvements During Recent Fiscal Period and to the Publish Date of the Annual Report: None.

3.3.12 Major resolutions at the Shareholders' and Board Meetings.

Date	Major Resolutions of Board of Directors Meetings/ Shareholders' Meeting
Board Meeting 2023/1/17	1. Approval of Mycenax's 2023 Business Plan and Budget 2. Approval of the Amendment to Mycenax's "Internal Approval Authority Table" 3. Approval of the Lifting of Non-Compete Restrictions for Mycenax' Managers 4. Approval of the Adjustment to Mycenax's Independent Directors' Remuneration
Board Meeting 2023/3/13	1. Approval of Mycenax's 2022 Business Report and Financial Statements 2. Approval of Mycenax's 2022 Loss Compensation Plan (Accumulated Losses Zeroed Out After Capital Surplus Offset) 3. Approval of the Amendment to the "Management System" of the Internal Control System for 'CM-110 Management Procedures for Related Party Transactions' 4. Approval of the Amendment to Mycenax's "Articles of Incorporation" 5. Approval of the Issuance of New Shares through Private Placement for Capital Increase 6. Approval of the Lifting of Non-Compete Restrictions for Mycenax's Directors and Their Representatives 7. Approval of the Amendment to Mycenax's First Issuance and Subscription Plan of Employee Stock Warrants in 2022 8. Approval of the Date, Venue, Agenda, and Shareholder Proposal Acceptance for Mycenax's 2023 Annual General Meeting 9. Approval of Mycenax's 2022 Internal Control System Statement 10. Approval of the Base Date for the Capital Increase from the Exercise of Employee Stock Warrants into Common Shares 11. Approval of the Amendment to Mycenax's "CL-103 Board Meeting Rules"

Date	Major Resolutions of Board of Directors Meetings/ Shareholders' Meeting
Board Meeting 2023/3/10	<ol style="list-style-type: none"> 1. Approval of Mycenax's Consolidated Financial Report for the First Quarter of 2023. 2. Approval of the Non-Financial Nature of Accounts Receivable (and Other Receivables) Overdue for More Than Three Months. 3. Approval of Mycenax's Proposal to Negotiate Credit Facilities with Financial Institutions. 4. Approval of the Base Date for Capital Increase from the Exercise of Employee Stock Warrants into Common Shares and the Base Date for Capital Reduction to Cancel Restricted Employee Rights New Shares. 5. Approval of Mycenax's "CL-136 Procedures for Preparing and Verifying Sustainability Reports". 6. Approval of Mycenax's "CL-137 Director and Functional Committee Member Remuneration Guidelines" and "CL-138 Managerial Salary and Remuneration Guidelines". 7. Approval of the Second Issuance of Mycenax's 2022 First Employee Stock Warrants and the List of Employees Eligible for Subscription and Their Quantities. 8. Approval of the Distribution of 2022 Managerial Performance Bonuses.
Shareholders' Meeting 2023/6/20	<p>Acknowledgements:</p> <ol style="list-style-type: none"> 1. Acknowledgement of Mycenax's 2022 Business Report and Financial Statements. Implementation Status: The financial statements were announced in March 2023, and the business report was announced on May 19, 2023. 2. Acknowledgement of Mycenax's 2022 Loss Appropriation Plan. Implementation Status: Announced after the shareholders' meeting on 2023/6/20. <p>Discussion Items:</p> <ol style="list-style-type: none"> 1. Approval of the Amendment to Mycenax's Articles of Association. Implementation Status: Approved by the Hsinchu Science Park Administration on 2023/7/2, under letter number 1120021630, and announced on Mycenax's website. 2. Approval of the Issuance of New Shares through Private Placement for Cash Capital Increase. Implementation Status: Not yet implemented. 3. Approval of the Removal of Non-Compete Restrictions on the Company's Directors and Their Representatives. Implementation Status: Announced after the shareholders' meeting on June 20, 2023.
Board Meeting 2023/8/10	<ol style="list-style-type: none"> 1. Approval of Mycenax's Consolidated Financial Report for the Second Quarter of 2023. 2. Approval of the Capital Increase Base Date for the Execution of Employee Stock Option Certificates Conversion into Common Shares and the Capital Reduction Base Date for the Cancellation of Restricted Employee Rights New Shares. 3. Approval of the Appointment of a New Head for the Finance and Accounting Management Department Following the Resignation of the Previous Head. 4. Approval of the Removal of Non-Compete Restrictions on the Company's Managers.
Board Meeting 2023/11/13	<ol style="list-style-type: none"> 1. Approval of Mycenax's Consolidated Financial Report for the Third Quarter of 2023. 2. Approval of the Treatment of Accounts Receivable (and Other Items) Overdue for More Than Three Months as Non-Financial Lending in Nature. 3. Approval of the Capital Increase Base Date for the Execution of Employee Stock Option Certificates Conversion into Common Shares. 4. Approval of the Revision to Mycenax's Audit Plan for 2023. 5. Approval of Mycenax's Audit Plan for 2024.
Board Meeting 2023/12/28	<ol style="list-style-type: none"> 1. Approval of Mycenax's Budget for 2024. 2. Approval of the Remuneration for Mycenax's Certified Public Accountants for 2024 and the Regular Evaluation of Their Independence and Competence. 3. Approval of the Appointment and Remuneration of Mycenax's Proposed Information Security Officer. 4. Approval of the Changes in the Head of the Operations Management Department and Their Remuneration.
Board Meeting 2024/3/13	<ol style="list-style-type: none"> 1. Approval of Mycenax's Business Report and Financial Statements for 2023. 2. Approval of the Treatment of Accounts Receivable (and Other Items) Overdue for More Than Three Months as Non-Financial Lending in Nature. 3. Approval of Mycenax's Loss Appropriation Plan for 2023. 4. Approval of Mycenax's Statement of Internal Control System for 2023.

Date	Major Resolutions of Board of Directors Meetings/ Shareholders' Meeting
	5. Approval of the Status of the Private Placement for Cash Capital Increase and Issuance of New Shares as Passed in the 2023 Annual General Shareholders' Meeting. 6. Approval of the Private Placement for Cash Capital Increase and Issuance of New Shares. 7. Approval of the Election of an Additional Independent Director. 8. Approval of the Nomination of a Candidate for the Additional Independent Director to be Elected at the 2024 Annual General Shareholders' Meeting. 9. Approval of the Removal of Non-Compete Restrictions on Mycenax's Directors. 10. Approval of the Date, Location, and Agenda for the 2024 Annual General Shareholders' Meeting and the Procedure for Accepting Shareholder Proposals. 11. Approval of the Capital Increase Base Date for the Execution of Employee Stock Option Certificates Conversion into Common Shares and the Capital Reduction Base Date for the Cancellation of Restricted Employee Rights New Shares. 12. Approval of the Amendment to Mycenax's "CL-103 Board of Directors Meeting Rules." 13. Approval of the Amendment to Mycenax's "CL-133 Audit Committee Charter." 14. Approval of the Change in Custodian for Mycenax's Endorsement and Guarantee Seal. 15. Approval of the Appointment of the Corporate Governance Officer.

3.3.13 Major Dissenting Comments Over Board Meeting Resolutions From 2023 up to the Publication Date in 2024: None.

3.3.14 Summary of the Resignations and Dismissals of the Chairman, President, Accounting Manager, Finance Manager, Internal Audit Officer, and R&D Head in 2023 and as of the date of this Annual report:

Title	Name	Date of Appointment	Date of Resignation	Reason for Resignation
Accounting and Finance Manager	Yu-Ching Chang	2022/10/3	2023/8/11	Career Planning
Corporate Governance Officer	Teh-Chu Sun	2022/11/8	2024/2/29	Career Planning

3.4 Certified Public Accountant Information

3.4.1 CPA service fees

Unit: NTD thousand

Accounting Firm	Name of CPA	Period covered by CPA's audit	Audit Fees	Non-Audit Fees ¹	Total
Ful-Fill & Co., CPAs	Jin-di Wu	2023/1/1~	1,180	170	1,350
	Wei-Liang Dai	2023/12/31			

Note: The non-audit fee services include tax certification of NTD120,000 and issuance of the 2023 non-executive position salary checklist of NTD50,000.

3.4.2 For CPA Changes, If the Audit fee in 2023 is Lower than 2022, Explain the Amount and the Reasons: None.

3.4.3 If the Audit Fee Dropped by more than 10%, Explain the Amount and Percentage of Decline and Reasons: None.

3.5 Information on CPA Changes: None.

3.6 Chairman, President or Finance/Accounting Manager Held Positions in the Company's Audit Firm or Its Affiliates Within the Past Year: None.

3.7 Changes in Shareholdings and in Shares Pledged by Directors, Management and Shareholders Holding more than 10%.

3.7.1 Changes in Shareholdings and in Shares Pledged by Directors, Management and Shareholders Holding more than 10%.

Unit: Shares

Title	Name	2023		2024 (as of April 26)	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Pledged Shares	Increase (Decrease) in Shares Held	Increase (Decrease) in Pledged Shares
Director / Major Shareholder	Center Laboratories, Inc.	0	0	0	0
	Representative: Pei-Jiun Chen (Chairman/President)	330,000	0	0	0
	Representative: Chun-Hung Chen	0	0	0	0
Director / Major Shareholder	JCR Pharmaceuticals Co., Ltd.	0	0	0	0
	Representative: Yoh Ito	0	0	0	0
Director	Nien Hsing International Investment Co., Ltd. ¹	0	0	0	0
	Representative: En-Tzn Liu ¹	0	0	0	0
Director	Jason Technology Co., Ltd.	0	0	0	0
	Representative: Chia-Ling Lin	0	0	0	0
Director	China Investment and Development Co., Ltd.	0	0	(9,000)	0
	Representative: Yi-Hsin Lee	0	0	0	0
	Former Representative: Hsiu-Yuan Lee ²	0	0	0	0
Independent Director	Kuo-Pin Kao	0	0	0	0
Independent Director	Yu-Sheng Tsai	0	0	0	0
Independent Director	Allen Y Chao	0	0	0	0
Vice President	Chih-Yung Lin ⁴	(29,000)	0	0	0
Associate Vice President	Wei-I Chou	0	0	0	0
Associate Vice President	Chin-Hao Liang	0	0	0	0
Associate Vice President	Liru Yeh ³	0	0	0	0
Former Accounting and Finance Manager	Yu-Ching Chang ⁴	0	0	0	0
Former Corporate Governance Officer	Te-Chu Sun ⁴	0	0	0	0

Note 1:Nien Hsing International Investment Co., Ltd. resigned on 2024/4/23.

Note 2:China Investment and Development Co., Ltd. appointed Yi-Hsin Lee as the new representative on 2024/2/19.

Note 3:Liru Yeh was appointed as the Chief Financial and Accounting Officer by the Board of Directors' resolution on 2023/8/10, and was further appointed as the Chief Corporate Governance Officer by the Board of directors on 2024/3/13.

Note 4:Vice President Chih-Yung Lin resigned on , 2023/12/31 ; former Chief Financial and Accounting Officer Yu-Ching Chang resigned on 2023/8/10, and left on 2023/8/11 ; former Chief Corporate Governance Officer Teh-Chu Sun resigned on 2024/2/29.

3.7.2 Information of Shares Trade or Shares Pledge with Related Party

(1)Shares Trade with Related Party: None.

(2)Shares Pledge with Related Party: None.

3.8 Information on the Top Ten Shareholders' Mutual Relationships

2024/4/26 ; Unit: Shares

Name	Shareholding		Shareholding of Spouse or Minor Children		Shareholding by Nominee Arrangement		The relationship Between Any of the Company's Top Ten Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
JCR Pharmaceuticals Co., Ltd.	42,000,000	20.36	0	0	0	0	-	-	-
JCR Pharmaceuticals Co., Ltd. Chairman:Shin Ashida	0	0	0	0	0	0	-	-	-
Center Laboratories, Inc.	41,974,314	20.35	0	0	0	0	LeJean Biotech Co., Ltd	LeJean Biotech Co., Ltd is a director of Center Laboratories, Inc.	-
							Chia-Ling Lin	Chia-Ling Lin is the director representative of Center Laboratories, Inc.	-
Center Laboratories, Inc. Chairman: Su-Chi Wang	0	0	0	0	0	0	-	-	-
Nien Hsing Textile Co., LTD.	6,789,665	3.29	0	0	0	0	-	-	-
Nien Hsing Textile Co., LTD. Chairman: Wei-Han Chen	0	0	0	0	0	0	-	-	-
Chien-Hsing Wu	4,119,000	2.00	0	0	0	0	-	-	-
Hsin-Ying Fan	2,248,000	1.09	0	0	0	0	-	-	-
Chia-Ling Lin	1,543,070	0.75	23	0	0	0	Center Laboratories, Inc.	Chia-Ling Lin is the director	-
							LeJean Biotech Co., Ltd. Chairman: Li-Chu Ou	First degree of kinship	-
							Hung-Hsuan Lin	Second degree of kinship	-
							Wei-Hsuan Lin	Second degree of kinship	-
Wei-Hsuan Lin	1,470,152	0.71	0	0	0	0	LeJean Biotech Co., Ltd. Chairman: Li-Chu Ou	First degree of kinship	-
							Chia-Ling Lin	Second degree of kinship	-
							Hung-Hsuan Lin	Second degree of kinship	-
Hung-Hsuan Lin	1,456,006	0.71	0	0	0	0	LeJean Biotech Co., Ltd. Chairman: Li-Chu Ou	First degree of kinship	-
							Chia-Ling Lin	Second degree of kinship	-
							Hung-Hsuan Lin	Second degree of kinship	-
Lirong Technology Co., Ltd.	1,342,546	0.65	0	0	0	0	Center Laboratories, Inc.	LeJean Biotech Co., Ltd. is a director of Center Laboratories, Inc.	-
Lirong Technology Co., Ltd. Chairman: Li-Chu Ou	4,584	0.00	0	0	0	0	Chia-Ling Lin	First degree of kinship	-
							Hung-Hsuan Lin	First degree of kinship	-
							Wei-Hsuan Lin	First degree of kinship	-
Jason Technology Co., Ltd.	1,302,674	0.63	0	0	0	0	-	-	-
Jason Technology Co., Ltd. Chairman: Li-Chu Ou	4,584	0.00-	0	0	0	0	Chia-Ling Lin	First degree of kinship	-
							Hung-Hsuan Lin	First degree of kinship	-
							Wei-Hsuan Lin	First degree of kinship	-

3.9 Total Percentage of Ownership to Investees

Unit: Shares ; %

Investees accounted for under the equity method ¹	Company Investment		Directors, Supervisors, Managers, and Direct or Indirectly Controlled Business Investment		Total Investment	
	Shares	%	Shares	%	Shares	%
KriSan Biothech Co., Ltd.	10,000,000	19.15	10,075,000	19.29	20,075,000	38.44

Note 1: This is a long-term investment accounted for using the equity method by the Company.

Fundraising Status

4.1 Capital and Shares

4.1.1 Source of Capital

(1) Types of Shares

2024/4/26 ; Unit: shares

Types of Shares	Authorized Capital				
	Outstanding Shares			Unissued Shares	Total
	Listed Shares	Private Placement Shares	Subtotal		
Registered Common Stock	138,246,200	68,000,000	206,246,200	293,753,800	500,000,000

Note: Mycenax's outstanding listed shares including 524,000 shares which were executed from employee stock option, and 140,000 shares awaiting to cancel due to the cancellation of restricted stock award, have not yet completed the change of registration as of the date of annual report.

(2) The capital formation process in 2023 and by the date of this annual report

Unit: shares ; NTD

Year/ Month	Issued Price	Approved Capital		Paid-in Capital		Notes		
		Shares	Amount	Shares	Amount	Source of capital	Capital In- creased by Assets other than cash	Other
2023.03	20.8	500,000,000	5,000,000,000	205,315,000	2,053,150,000	Execution of employee stock option: NTD 90 thousand	-	Note 1
2023.05	29.9 20.8	500,000,000	5,000,000,000	205,401,000	2,054,010,000	Execution of employee stock option: NTD 1,260 thousand	-	Note 2
						Cancellation of re- stricted stock award: NTD 400 thousand		
2023.08	29.9 20.8	500,000,000	5,000,000,000	205,761,500	2,057,615,000	Execution of employee stock option: NTD 4,805 thousand	-	Note 3
						Cancellation of re- stricted stock award: NTD 1,200 thousand		
2023.11	29.9 20.8	500,000,000	5,000,000,000	205,886,200	2,058,862,000	Execution of employee stock option: NTD 1,247 thousand	-	Note 4
2024.03	29.9 20.8	500,000,000	5,000,000,000	205,722,200	2,057,222,000	Execution of employee stock option: NTD 360 thousand	-	Note 5
						Cancellation of re- stricted stock award: NTD 2,000 thousand		

Note 1: Approved by Hsinchu Science Park Administration, Ministry of Science and Technology, in letter No. 1120009108 dated 2023/3/23.

Note 2: Approved by Hsinchu Science Park Administration, Ministry of Science and Technology, in letter No. 1120016764 dated 2023/5/23.

Note 3: Approved by Hsinchu Science Park Administration, Ministry of Science and Technology, in letter No. 1120028528 dated 2023/8/28.

Note 4: Approved by Hsinchu Science Park Administration, Ministry of Science and Technology, in letter No. 1120039001 dated 2023/11/28.

Note 5: Approved by Hsinchu Science Park Administration, Ministry of Science and Technology, in letter No. 1130008847 dated 2024/3/25.

(3) Information related to the comprehensive reporting system: None.

4.1.2 Shareholder Structure

2024/4/26 ; Unit: shares ; %

Shareholder Type	Government Agencies	Financial Institution	Other Domestic Juridical Persons	Foreign Institutions and Natural Persons	Natural Persons	Total
Number of Shareholders	0	0	63	23	14,777	14,863
Shareholding	0	0	60,212,545	43,313,549	102,720,106	206,246,200
Shareholding %	0.00	0.00	29.19	21.00	49.81	100.00

4.1.3 Shareholding Distribution

(1) Distribution of Common Stock

2024/4/26 ; Unit: shares ; %

Shareholding Range	Number of Shareholders	Shareholding	Shareholding %
1 ~ 999	2,122	225,654	0.11
1,000 ~ 5,000	10,103	19,916,347	9.66
5,001 ~ 10,000	1,266	10,282,625	4.99
10,001 ~ 15,000	390	4,989,559	2.42
15,001 ~ 20,000	258	4,812,714	2.33
20,001 ~ 30,000	211	5,445,157	2.64
30,001 ~ 40,000	112	3,997,299	1.94
40,001 ~ 50,000	98	4,575,015	2.22
50,001 ~ 100,000	161	11,453,000	5.55
100,001 ~ 200,000	77	10,940,830	5.30
200,001 ~ 400,000	30	8,217,281	3.98
400,001 ~ 600,000	14	6,964,354	3.38
600,001 ~ 800,000	4	2,836,119	1.38
800,001 ~ 1,000,000	3	2,735,911	1.33
Over 1,000,001	14	108,854,335	52.77
Total	14,863	206,246,200	100.00

(2) Distribution of Preferred Stock:

Mycenax has not issued any preferred stock.

4.1.4 List of Major Shareholders

2024/4/26 ; Unit: shares ; %

Major Shareholders	Shareholding	Shareholding percentage
JCR Pharmaceuticals Co., Ltd	42,000,000	20.36
Center Laboratories, Inc.	41,974,314	20.35
Nien Hsing Textile Co., LTD.	6,789,665	3.29
Chien-Hsing Wu	4,119,000	2.00
Hsin-Ying Fan	2,248,000	1.09
Chia-Ling Lin	1,543,070	0.75
Wei-Hsuan Lin	1,470,152	0.71
Hung-Hsuan Lin	1,456,006	0.71
Lirong Technology Co., Ltd.	1,342,546	0.65
Jason Technology Co., Ltd.	1,302,674	0.63

4.1.5 Market Price, Net Value, Earnings, Dividends, and Related Information

Year			2022	2023	2024/1/1~ 2024/3/31
Market Price per Share	Highest		55.00	50.80	41.45
	Lowest		32.90	33.85	34.90
	Average		43.99	41.78	38.40
Net Value per Share	Before Distribution		15.13	11.89	11.27
	After Distribution		15.13	Note 4	-
Earnings (Loss) per Share	Weighted Average Number of Shares		165,337	205,528	205,878
	Earnings (Loss) per Share	Before Adjustment	(2.74)	(3.32)	(0.66)
		After Adjustment	(2.74)	Note 4	-
Dividends per Share	Cash Dividends		-	-	-
	Stock Dividends	Earnings Distribution	-	-	-
		Capital Surplus Distribution	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Investment Return Analysis	Price-Earnings Ratio ¹		-	-	-
	Price-Dividend Ratio ²		-	-	-
	Cash Dividend Yield ³		-	-	-

Note 1: Price-Earnings Ratio = Annual average closing price per share / Earnings per share.

Note 2: Price-Dividend Ratio = Annual average closing price per share / Cash dividends per share.

Note 3: Cash Dividend Yield = Cash dividends per share / Annual average closing price per share

Note 4: Mycenax did not distribute dividends for the year 2023, as approved by the Board of Directors, pending the shareholders' meeting report.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy as Stipulated in the Company's Articles of Incorporation

Article 25, Articles of Incorporation:

- Annual earnings concluded by the Company are the first subject to pay the tax and reimbursement of previous losses, followed by a 10% provision for legal reserve unless legal reserves have accumulated to the same amount as the Company's paid-up capital, and condition or reversal of special reserve as the laws may require. Any earnings remaining may be prioritized for the current year's preferred share dividends and then added to opening undistributed earnings for distribution at the Board of Directors' proposal. Distributions that involve the issuance of new shares are subject to resolution at a shareholder meeting.
- Since the Company is in a highly developing industry, the dividend distribution policy is based on the Company's current year's earnings and previous years' accumulated earnings, considering the Company's profitability, capital structure, and future operating needs to determine the Company's planned dividend distribution. The distribution of stock dividends is limited to no more than 50% of the total dividends, and the remaining cash dividends are distributed. The Board of Directors will consider operating and capital expenditure requirements, propose a distribution plan and submit it to the shareholders' meeting for decision.

(2) Proposal of Dividend Distribution at this Shareholders' Meeting:

Mycenax had a net loss in 2023 and has accumulated losses that need to be offset. Therefore, no dividends will be distributed. This proposal was approved by the Board of Directors on 2024/3/13 and will be submitted for acknowledgment at the Mycenax's 2024 annual shareholders' meeting.

(3) Explanation of Expected Major Changes in Dividend Policy: None.

4.1.7 Impact of Proposed Stock Dividends at this Shareholders' Meeting on the Company's Business Performance and Earnings Per Share

Not applicable.

4.1.8 Employee and Director Remuneration

(1) Percentage or Range of Employee and Director Remuneration as Stated in the Articles of Incorporation

Please refer to the explanation in Section "4.1.6(1) Dividend Policy as Stipulated in the Company's Articles of Incorporation".

(2) The basis for estimating the amounts of employee and director remuneration for the current period is the calculation based on the number of shares to be distributed as employee remuneration. If there is a difference between the actual distribution amounts and the estimated amounts, the accounting treatment will be as follows:

If there is a difference between the estimated amounts and the actual amounts for the current period, the variance will be regarded as a change in accounting estimate and will be included in the profit or loss of the subsequent period.

(3) Board of Directors' Approval of Remuneration Distribution

- If there is difference between the amounts of employee and director remuneration distributed in cash or stock and the estimated amount recognized as an expense for the year, the variance, reasons, and handling should be disclosed: Mycenax had a loss in 2023, so this is not applicable.
- Amount of Employee Remuneration Distributed in Stock and the Proportion of this Amount to the Profit before Income Tax and Employee Remuneration in the Individual or Separate Financial Reports for the Current Period: Mycenax had a loss for the year 2023, so this is not applicable.

(4) Actual Distribution of Employee and Director Remuneration for the Previous Year (Including Number of Shares Distributed, Amount, and Share Price), and Explanation of Any Differences from Recognized Employee and Director Remuneration, Including the Variance, Reasons, and Handling:

Mycenax had a loss in 2022, so this is not applicable.

4.1.9 Company Share Buyback: None.

4.2 Company Bond Issuance: None.

4.3 Preferred Stock Issuance: None.

4.4 Overseas Depositary Receipts Issuance: None.

4.5 Employee Stock Option Certificates

4.5.1 Status of Employee Stock Option Not Yet Expired

2024/4/26

Employee Stock Option Type	First Issuance of 2019	First Issuance of 2022	
Declared Effective Date	2019/12/13	2022/6/23	2022/6/23
Issue date	2020/3/5	2022/7/19	2023/5/20
Units Issued	3,585	2,828	172
Units Available for Issuance	0	0	0
Available for subscription shares to total issued shares ratio	1.74%	1.37%	0.08%
Subscription Period	7 Year	5 Year	5 Year
Delivery Method	Delivery of Newly Issued Shares	Delivery of Newly Issued Shares	Delivery of Newly Issued Shares
Restricted Subscription Period and Ratio (%)	2 years from the issue date: 40 3 years from the issue date: 70 4 years from the issue date: 100	2 years from the issue date: 40 3 years from the issue date: 70 4 years from the issue date: 100	2 years from the issue date: 40 3 years from the issue date: 70 4 years from the issue date: 100
Shares Acquired Through Execution	2,164,500 shares	0 shares	0 shares
Subscription Amount Executed	NTD 45,867,600	NTD 0	NTD 0
Shares Not Yet Executed ¹	815,000 shares	1,972,000 shares	120,000 shares
Subscription Price per Share Not Yet Executed	NTD 20.8	NTD 36.1	NTD 39.15
Percentage of unexercised stock options to total issued shares	0.40%	0.96%	0.06%
Impact on shareholders' interest	No material impact to the dilution effect on the existing shareholders' interest.		

Note1: Deducted cancellation quantities: 605,500 units of the first employee stock option in 2019, and 856,000 shares and 52,000 shares respectively for the first employee stock option in 2022.

4.5.2 As of the date of this annual report, the names of the top ten employees who have obtained employee stock option, along with the number of options they are eligible to exercise and their subscription status.

2024/4/26 ; Unit: thousand Shares ; NTD thousand ; %

	Title	Name	Number of Shares Obtained	Shares obtained to total issued shares (%)	Executed				Not Executed			
					Number of Shares Subscribed	Subscription Price	Subscription Amount	Shares subscribed to total issued shares (%)	Number of Shares Subscribed	Subscription Price	Subscription Amount	Shares subscribed to total issued shares (%)
Managers	President	Pei-Jiun Chen	1,667	0.81	870	NTD 21.7 NTD 20.8	18,492	0.42	570	NTD 20.8 NTD 36.10 NTD 39.15	14,824	0.28
	Vice President	Chih-Yung Lin										
	Associate Vice President	Wei-I Chou										
	Associate Vice President	Wan-Tzu Chang										
	Associate Vice President	Chin-Hao Liang										
	Associate Vice President	Liru Yeh										
	Senior Manager	Yu-Ching Chang										
	Manager	Teh-Chu Sun										
Employees	Division Director	Hung-Ming Huang	891	0.43	426	NTD 21.9 NTD 20.8	9,012	0.21	426	NTD 20.8 NTD 36.1 NTD 39.15	13,639	0.21
	Manager	Chih-Hung Kuo										
	Assistant Manager	Ming-yi Qiu										
	Assistant Manager	Yvonne Lin										
	Assistant Manager	Hsin-Te Li										
	Manager	Jheng-Liang Yao										
	Assistant Project Manager	Jie-Ru Shih										
	Supervisor	Ya-Ching Shih										
	Principle Engineer	Leo Lai										
	Vice President of the U.S. Subsidiary	Li-Ming Liang										

Note: Chih-Yung Lin, Wan-Tzu Chang, Yu-Ching Chang, Teh-Chu Sun and Hsin-Te Li have resigned.

4.6 Status of Restricted Stock Award (RSA)

4.6.1 Status of Restricted Stock Award (RSA)

2024/4/26

Type	RSA - 2022
Effective date of declaration	2022/6/23
Issue date	2022/7/5
The number RSA issued	1,000,000 shares
Issue price	NTD 0
The ratio of the number of RSA to total issued shares	0.48%
Conditions for vesting RSA	<p>1. Indicator A (55% of total shares issued): Employees who receive RSA must remain employed on each vesting date and have not violated any company labor contracts, work rules, non-compete agreements, confidentiality agreements, or other agreements with the company during the period. They must also meet both Mycenax's operational performance indicators and individual performance evaluation criteria. The conditions for vesting and the corresponding share ratios are as follows:</p> <p>(1)Vesting Conditions: A. Individual Performance: Achieve a score of 3.5 or above on the work objectives assessment for the most recent year at each vesting period. B. Company Operational Objectives: a. The audited financial statements for 2023 show operating revenue of NTD 1 billion or more. b. The audited financial statements for 2025 show operating revenue of NTD 2.5 billion or more.</p> <p>(2)Vesting Percentage: A. As of 2024/3/31: 40% of the allocated shares. B. As of 2026/3/31: 60% of the allocated shares.</p> <p>2. Indicator B (45% of total shares issued): Employees who receive RSA must remain employed on each vesting date and have not violated any company labor contracts, work rules, non-compete agreements, confidentiality agreements, or other agreements with Mycenax during the period. They must also achieve Mycenax's set operational performance indicators:</p> <p>(1)Vesting Conditions: Within 24 months after the customer submits a new drug marketing authorization application to PMDA, both Production Line 1 (2F, No. 8 and No. 10, Science East 3rd Road, Zhunan Township) and Production Line 2 (1F, No. 8, Science East 3rd Road, Zhunan Township) must pass PMDA facility inspection.</p> <p>(2)Vesting Percentage: A. If both Production Line 1 and Production Line 2 pass PMDA Japan's facility inspection within 18 months after the customer submits a new drug marketing authorization application to PMDA, 100% of the allocated shares will vest.</p>

	B. If both Production Line 1 and Production Line 2 pass PMDA Japan's facility inspection within 18 to 24 months after the customer submits a new drug marketing authorization application to PMDA, 80% of the allocated shares will vest.
The restricted rights of RSA	<ol style="list-style-type: none"> 1. The RSA cannot be sold, pledged, transferred, gifted to others, used as collateral, or disposed of in any other way. 2. Voting rights at shareholders' meetings: Same as other common stock of Mycenax. 3. Rights to subscribe and receive dividends: Same as other common stock of Mycenax. Employees are entitled to receive cash dividends and stock dividends distributed by Mycenax, and such dividends are considered to have met the vesting conditions and do not need to be held in trust.
The custody situation of RSA	<ol style="list-style-type: none"> 1. After the issuance of RSA, they should be immediately delivered to a trustee. Before the vesting conditions are met, employees are not permitted to request the return of RSA from the trustee for any reason or by any means. 2. During the period of trust for RSA, all negotiations, signing, amending, extending, terminating, and all instructions regarding the delivery, use, and disposal of trust property related to the trust agreement shall be conducted by Mycenax's fully authorized representative in collaboration with the stock trust institution (including but not limited to) ; attendance, proposals, speeches, and voting rights at shareholders' meetings shall be executed by the entrusted trust institution in accordance with the contract.
The procedure for employees who have been allocated or subscribed to new shares but have not met the vesting conditions	<p>If an employee fails to meet the vesting conditions after being allocated RSA, Mycenax will reclaim their shares at no cost and proceed with cancellation. However, any derived rights such as rights issues or dividends need not be returned by the employee.</p> <ol style="list-style-type: none"> 1. Resignation (voluntary/retirement/dismissal): RSA that has not met the vesting conditions are considered unvested as of the effective date of resignation. Mycenax will reclaim their shares at no cost and proceed with cancellation according to the law. 2. Leave without pay: The rights and obligations of unvested RSA remain unaffected, and they must still adhere to the regulations. The actual shares that can be vested each year, apart from meeting the conditions stipulated in the regulations, need to be calculated based on the proportion of months actually worked in the corresponding fiscal year. However, for Indicator A - Company Operational Objective b, the proportion of months worked will be calculated from January 2024 to December 2025. If the vesting date falls on a day when the employee is on leave without pay, it will be considered as unmet conditions, and Mycenax will reclaim the unvested RSA and proceed with cancellation. 3. General Death: RSA that has not met the vesting conditions are considered unvested as of the date of death. Mycenax will reclaim their shares at no cost and proceed with cancellation according to the law. 4. Disability or Death Due to Occupational Accident: In the event of disability or death due to an occupational accident rendering the employee unable to continue working, if the vesting conditions for the year of resignation or death are met, it will be considered as meeting the vesting conditions for that year. The heirs must complete the necessary legal procedures and provide relevant documentation to apply for the inheritance of the shares or rights they are entitled to, in compliance with the regulations of these provisions. However, for RSA that have not met the vesting conditions, Mycenax will reclaim their shares at no cost and proceed with cancellation according to the law. 5. Transfer: If an employee voluntarily transfers to a related company, their treatment regarding allocated RSA should be handled similarly to that of resigned employees. However, if the transfer is at Mycenax's request, their allocated RSA will not be affected by the transfer. 6. Organizational Restructuring Due to Merger and Acquisition:

	If Mycenax undergoes organizational restructuring due to merger and acquisition laws, the status of unvested RSA as meeting or not meeting the vesting conditions, and the proportion of vesting, will be determined by the board of directors.
The number of RSA re-claimed or repurchased	500,000 shares
The number of RSA that have been released	0 shares
The number of RSA that have not been released	500,000 shares
The ratio of unreleased RSA to the total issued shares	0.24%
The impact on shareholders' interest	The dilution effect on the future earnings per share of Mycenax is currently limited, and there is no significant impact on existing shareholder interest

4.6.2 As of the date of this annual report, the names of the top ten employees who have obtained restricted employee stock options, along with the number of shares obtained

2024/4/26 ; Unit: thousand Shares/NTD thousand

	Title	Name	Number of RSA Acquired	RSA Acquired to Total Issued Shares (%)	Released				Unreleased			
					Number of Shares Released	Issue Price (NTD)	Issue Amount	Released shares to total issued shares (%)	Number of Shares Unreleased	Issue Price (NTD)	Issue Amount	Unreleased shares to total is- sued shares (%)
Manager	President	Pei-Jiun Chen	600	0.29	0	0	0	0	280	0	0	0.14
	Vice President	Chih-Yung Lin										
	Associate Vice President	Wei-I Chou										
Employee	Div. Director	Hung-Ming Huang	400	0.19	0	0	0	0	220	0	0	0.11
	Div. Director	Tzu-Ling Yeh										
	Senior Manager	Keng-Te Ho										
	Senior Manager	Yu-Nung Lin										
	Manager	Cheng-Han Tsai										
	Manager	Chih-Hung Kuo										
	Assistant Manager	Hsiang-Kai Lin										

Note 1: Chih-Yung Lin, Tzu-Ling Yeh, Keng-Te Ho, Hsiang-Kai Lin have resigned.

Note 2: 500,000 shares have been reclaimed from managers and top ten employees due to resignation or failure to meet vesting conditions.

4.7 Status of new share issuance in mergers or acquisitions of other companies' shares: None.

4.8 Execution status of capital utilization plan

4.8.1 As of the end of the previous quarter before the date of this annual report, the content and execution status of previous issuances or private placements of securities that have not been completed are as follows :

(1) Private Placement of Common Stock in 2022

A. Plan Content

- Approval Date and Document Number by Regulatory Authority: Oct. 26, 2022, with reference number 1110035352 issued by the National Science and Technology Development Agency, Hsinchu Science Park Administration.
- Total Funding Required for the Plan: NTD 1,625,000,000.
- Funding Source: Private placement of 50,000,000 shares of common stock, with a par value of NTD10 per share and an issue price of NTD 32.5 per share, raising a total of NTD 1,625,000,000.
- Plan Items, Progress of Fund Utilization, and Expected Benefits:

Unit: NTD thousand

Plan Items	Usage	Funding Required
Replenishment of Working Capital	Replenishment of Working Capital	475,000
Others	Long-term development strategy	1,150,000
Total		1,625,000
Expected Benefits: The private placement funds are intended for replenishing operating funds and implementing long-term development strategies. This will enhance Mycenax's competitiveness, improve operational efficiency, and strengthen financial structure, resulting in positive effects on shareholder interest.		

- Date of Inputting Specified Information onto the website: 2022/7/27.
- No changes have been made to the plan.

B. Execution Status and Benefit Evaluation

Unit: NTD thousand

Plan Items	Usage	Planned Utilization Amount	Execution Status by 2024Q1
Replenishment of Working Capital	Replenishment of Working Capital	475,000	475,000
Others	Long-term Development Strategy	1,150,000	673,891
Total		1,625,000	1,148,891

If the execution progress or benefits do not meet the expected targets, specific reasons, their impact on shareholder equity, and improvement plans should be explained: Not applicable.

4.8.2 As the above plan involves the expansion or construction of real estate, factories, and equipment, as well as the replenishment of working capital, the following items are disclosed:

- (1) Comparison and explanation of items such as real estate, factories and equipment, operating income, operating costs, and operating profit:** Please refer Section 7.
- (2) Explanation of changes in current assets, current liabilities, total liabilities, interest expenses, operating income, and comparison of earnings per share:** Please refer Section 6 and 7.

Operating Overview

5.1 Business Report

5.1.1 Business Scope

(1) Key Business Components

- C802041 Drugs and Medicines Manufacturing
- C802060 Veterinary Drug Manufacturing
- F108021 Wholesale of Western Pharmaceutical
- F401010 International Trade
- CF01011 Medical Devices Manufacturing
- C199990 Manufacture of Other Food Products Not Elsewhere Classified
- C802990 Other Chemical Products Manufacturing
- IG01010 Biotechnology Services
- IG02010 Research and Development Service

Mycenax is Taiwan's first company specializing in Contract Development and Manufacturing (CDMO) of biopharmaceuticals. Mycenax is dedicated to providing professional, comprehensive one-stop services for biopharmaceutical processes to clients worldwide. Unlike large-scale manufacturing focused CMO business models, Mycenax's CDMO operations focus on assisting clients in overcoming issues related to early-stage drug development, such as instability and difficulties in mass production. Mycenax also helps clients tackle challenges in process scale-ups and system transfers before and after clinical trials.

Leveraging deep expertise and accumulated long-term experience, Mycenax can offer clients stable production, reliable quality, and cost-effective process design and production solutions for various complex and intricate biopharmaceuticals. Mycenax supports our clients at every stage, from drug development and human trials to regulatory review and product market launch, offering high-quality CDMO services.

Main Categories of Biopharmaceuticals Worldwide

- New Protein Molecules and Biosimilars
- Antibody - Drug Conjugates (ADC)
- Stem Cell Products
- Immune Cell Products

Mycenax is currently the only professional CDMO company in Taiwan capable of providing one-stop services for process development and clinical trial drug production for the above four categories of biopharmaceuticals. Mycenax will continue to base its operations in Taiwan, leveraging local expertise in R&D, manufacturing, and pharmaceutical regulations, all while connecting upstream and

downstream industry resources. Mycenax aims to offer world-class biologics CDMO services to global clients, accelerating the development of medical drugs and contributing to the health and well-being of humanity.

(2) Current Company Services

In response to market trends, Mycenax not only maintains a solid foundation in protein drugs but also actively develops and deploys process technologies for emerging biopharmaceuticals. The current services provided by Mycenax for conventional biologics and emerging biologics are as follows:

A. Conventional Biologics Process Development and Production

With over a decade of experience in research and practical application, Mycenax has established two major technology platforms: mammalian cell and microbial cell systems. These platforms provide clients with optimal protein drug expression systems.

• Mammalian Cell Platform

Mammalian cells are currently the primary platform for protein drug production. The main advantage of protein drugs produced using mammalian cells is the similarity to natural proteins found in the human body, thereby enhancing their therapeutic functions. Moreover, using a mammalian cell platform can result in higher protein yields. Mycenax has collaborated with internationally renowned biotech companies Thermo Fisher and Merck, obtaining licenses for the CHO-S and CHOZN cell line platforms. Mycenax has also integrated the most advanced single-cell cloning equipment, making our cell line technology and expertise industry-leading. This not only shortens drug production time for our clients, but also increases yield which helps to reduce production costs.

• Microbial Cell Platform

The primary advantage of using microbial cells to produce protein drugs lies in their ability to quickly express proteins that are simpler in structure, less modified, and smaller in molecular weight, such as cytokines and insulin. Additionally, microbial cell culture has lower costs and is easier to scale up for mass production. In recent years, with the development of the emerging biologics field, the demand for producing relevant materials using microbial cell platforms has increased. Mycenax has obtained licenses for various strains and plasmid systems from abroad, suitable for process development of various drugs. Mycenax can provide stable and high-quality CDMO services using these microbial cell platforms.

B. Emerging Biologics Process Development and Production

Emerging biologics refer to newly developed types of biological drugs in recent years, including Antibody-Drug Conjugates (ADC), cell therapy drugs, nucleic acid drugs, gene therapy drugs, and exosomes. The mechanisms of action, manufacturing methods, and characteristic analyses of these drugs are vastly different from conventional biologics. However, emerging biologics that have been brought to market have shown significant efficacy in treating previously intractable diseases, making

them a highly anticipated choice and a hot focus of current drug development companies. In response to this trend, Mycenax provides CDMO services specifically designed for the process design and production of ADCs, allogeneic cell therapy products, and exosomes.

- **Antibody-Drug Conjugates (ADCs)**

Antibody-Drug Conjugates (ADCs) are a class of biopharmaceuticals specifically targeting cancer cells. They use large molecule monoclonal antibodies with targeting properties to carry toxic small molecule chemotherapeutic agents, effectively treating various cancers. With the growing acceptance of targeted therapies and the increasing number of such drugs, by 2023 the U.S. Food and Drug Administration (FDA) has approved 13 ADCs for market release. This indicates that ADCs have become a new trend in global drug development, with the market size expected to continue rising. Mycenax has been involved in ADC process development for many years and has established an ADC laboratory in Zhubei. This lab has built a technical platform for antibody-drug conjugates, possessing both traditional conjugation and site-specific conjugation techniques for linking drugs to antibodies. Additionally, Mycenax has invested in KriSan Biotech to incorporate the capability to manufacture the small molecule drugs required for ADCs, thus providing clients with a comprehensive one-stop CDMO service for ADC drugs.

- **Allogeneic Cell Therapy Products**

Cell therapy drugs have emerged as highly promising new options for treating previously incurable diseases in recent years. These include both stem cell and immune cell products. Mycenax is actively developing processes for allogeneic cell products and has successfully established advanced automated and closed-process technologies, overcoming the production hurdles for allogeneic cell products. This enables clients to achieve the possibility of next-generation off-the-shelf cell therapy products. Concurrently, Mycenax has also developed gene-editing techniques that can produce large quantities of chimeric antigen receptor (CAR) cells, such as CAR-NK and CAR- $\gamma\delta$ T cells, which enhance the targeting and therapeutic efficacy of clients' cell therapy products, meeting the market demand for various allogeneic cell therapy drugs.

- **Exosome Products**

Exosomes are nano-vesicles secreted by cells that can transport proteins, nucleic acids, carbohydrates, and lipids, facilitating intercellular communication and possessing immunomodulatory effects. They play a crucial role in various physiological processes in the human body. Exosomes have the potential to promote cell regeneration and repair, attracting significant attention for their potential therapeutic applications in tissue and organ repair and anti-inflammatory treatments. Mycenax utilizes mesenchymal stem cells to produce exosomes and invests in researching stem cell culture and exosome purification methods. Mycenax has overcome the bottlenecks in scaling up production and developed stable and standardized processes that provide high yields and high-purity exosomes, meeting clients' needs for developing exosomes into pharmaceutical or other commercial products.

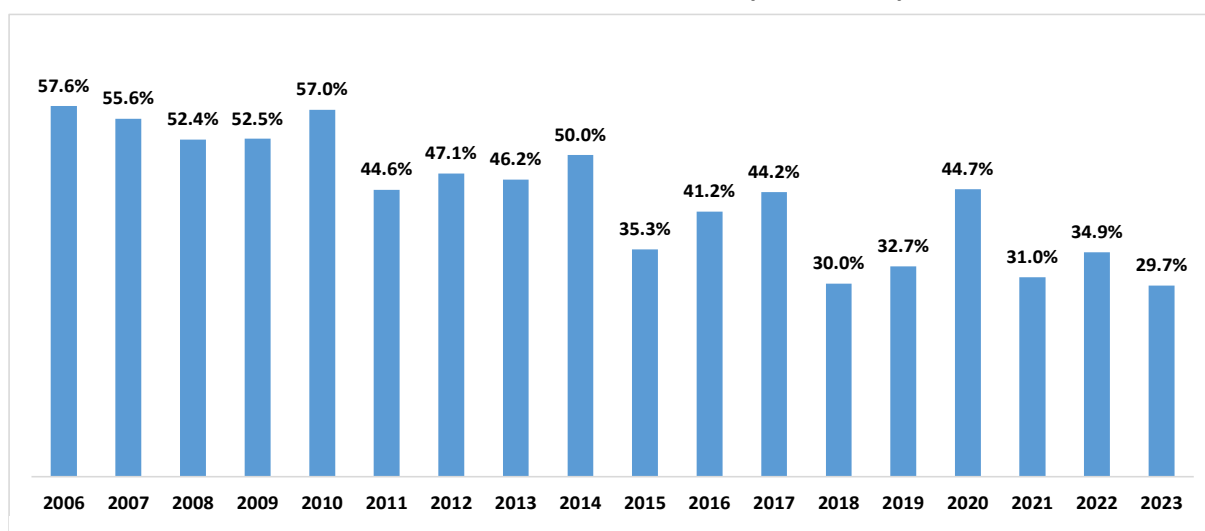
5.1.2 Industry Overview

(1) Current Industry Status and Development

In early stages of biopharmaceutical development, the process was mainly dominated by global pharmaceutical development companies, utilizing their internal resources for drug development and manufacturing. However, as the biopharmaceutical market has expanded year by year, complexity of biopharmaceutical development and high costs of setting up production lines has led to process development and commercial production stages becoming increasingly reliant on CDMO companies.

According to the 2023 BioPlan Associates report (20th Annual Report and Survey of Biopharmaceutical Capacity and Production), the proportion of biopharmaceuticals produced in-house by pharmaceutical companies using mammalian cell platforms has significantly decreased from 57.6% in 2006 to 29.7% in 2023 (as shown in the figure below). In other words, over the past decade, the proportion of biopharmaceutical development companies outsourcing drug manufacturing to CDMO companies has increased to 70%.

Proportion of Biopharmaceuticals Companies Manufacturing Biopharmaceuticals in-house for Mammalian Platforms (2006-2023)



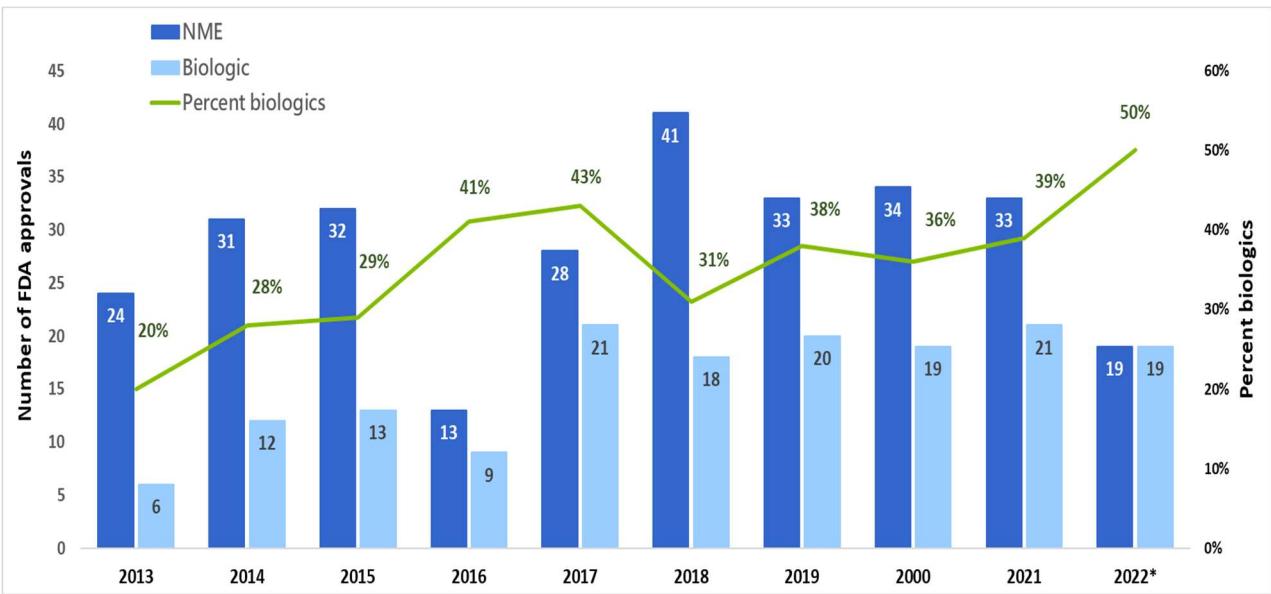
Source: BioPlan associates · 20th Annual Report and Survey of Biopharmaceutical Capacity and Production · 2023

In the rapidly evolving pharmaceutical industry, the design of both small molecule and large molecule drugs is continually advancing. The number of new drug development companies worldwide has surged from fewer than 3,000 in 2014 to over 6,000 by 2024. Many of these new biopharmaceutical startups are relatively small and lack the capital to invest in their own manufacturing facilities. Consequently, they must rely on CDMO companies to assist in developing drug processes and mass production, as well as providing regulatory knowledge and documentation services to pass the scrutiny of drug regulatory agencies and meet production needs from preclinical stages to market launch.

As a result, CDMO companies have become indispensable in the pharmaceutical industry. This trend is also evident in the increasing number of biologics CDMO companies worldwide. According to BioPlan Associates' database statistics, the number of biologics CDMO companies has increased by about 20% over the past three years, with nearly 400 biologics CDMO companies globally (Friedman, E. 2023, Oct. 4. Outsourced Pharma).

The future market size of biologics CDMOs depends on biologic expansion trends in the drug market. Since 1998, the most new drugs approved annually by the U.S. Food and Drug Administration (FDA) have been small molecule chemical drugs, which also hold the majority of market share. However, large molecule biologics have shown better specificity in combating diseases and are more suitable for precision medicine and personalized treatment trends. Therefore, the development of biologics has become a significant trend over the past decade. In addition to conventional protein drugs, a more diverse range of biologics, such as bispecific antibodies, ADCs, cell and gene therapy drugs, and nucleic acid vaccines, have been competing for approval. The proportion of biologics among new drugs in the past decade has shown a clear upward trend (as illustrated in the figure below).

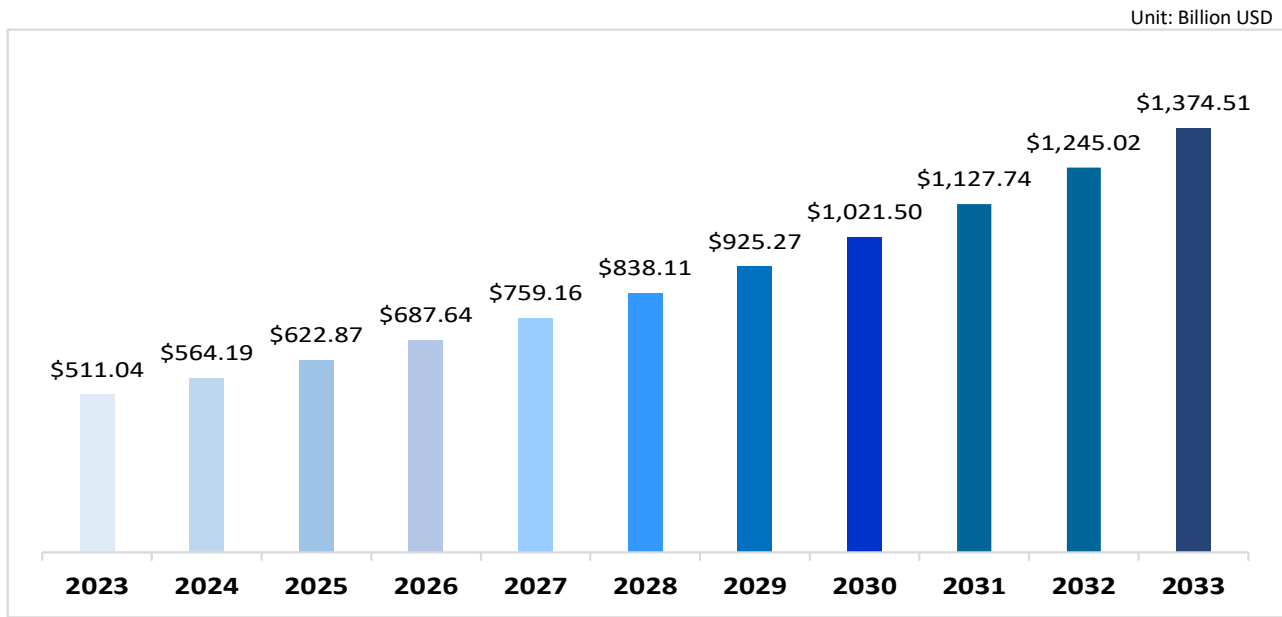
Statistics of New Drugs Approved Annually by the U.S. Food and Drug Administration (FDA)



Source : Senior, M. 2023, Feb. *nature biotechnology*, 41, 174

In the face of numerous currently untreatable diseases, the development of new forms of biologics is highly anticipated. The biopharmaceutical market size is projected to grow from approximately USD 511 billion in 2023 to about USD 1.3745 trillion by 2033 (as illustrated in the figure below).

Biologics Market 2023 to 2033



Source : www.novaoneadvisor.com

Based on this data, the biologics CDMO market can be expected to continuously expand with the development of various biologics. According to Mordor Intelligence Source predictions, the global biologics CDMO market will grow from USD 15.3 billion in 2024 to USD 27.9 billion in 2029, at a rapid compound annual growth rate (CAGR) of 12.78%. The Asia Pacific region is anticipated to be the fastest-growing region, while the largest market will be expected to remain in North America.

Biologics CDMO Market



Study period	2019-2029
Market Size(2024)	USD 15.32 Billion
Market Size(2029)	USD 27.94 Billion
CAGR(2024-2029)	12.78%
Fastest Growing Ma	Asia-Pacific
Largest Market	North America

Source : Mordor Intelligence

(2) Relationship between Upstream, Midstream, and Downstream in the Industry

The upstream of the pharmaceutical industry chain primarily consists of raw material and equipment suppliers, as well as new drug development companies. The midstream consists of active pharmaceutical ingredient (API) manufacturers who handle the production, processing, and purification of APIs. Downstream consists of sterile formulation manufacturers plus pharmaceutical sales and distribution. Formulation manufacturers mix APIs with excipients to create formulations, which are then sterilely filled and packaged into finished pharmaceuticals for delivery to sale channels.

Due to the complexity of biologics, smaller upstream biologic development companies often seek the services of biologic CDMO companies to reduce Development costs and risk of failure. CDMO's provide expertise in process development and production, allowing these companies to focus most of their resources on innovative drug research and development, thereby accelerating the drug development process.

Professional CDMOs offer comprehensive one-stop services from development and clinical trials to mass production, covering all stages of the drug lifecycle. These services include early-stage cell line generation, productivity and quality optimization, process scale-up development, preclinical API supply, analytical method development and validation, dosage form development, and drug characterization. Mid-stage services involve writing CMC (Chemistry, Manufacturing, and Controls) review documents and manufacturing clinical trial materials. Late-stage services include commercial formulation production, filling, and packaging. Some large CDMO companies even incorporate material supply chain and transportation distribution into their services.

Biologic CDMO's occupy a crucial intermediate block in the pharmaceutical industry chain, bridging drug development and commercialization. They cover parts of the traditional pharmaceutical industry's upstream, midstream, and downstream sectors. This makes the industry knowledge-intensive, technology-intensive, and capital-intensive.

Upstream suppliers provide development and production materials (e.g. chemicals, cells, culture media, synthetic genes, analytical kits, purification consumables) as well as equipment (e.g. testing instruments, manufacturing equipment) while downstream manufacturers provide mainly for pharmaceutical sales companies and distribution companies.

(3) Various Development Trends of Products/Services

Mycenax's development trends in conventional and emerging biologics CDMO services are as follows:

A. Conventional Biologics

Conventional biologics mainly consist of protein-based large molecule drugs. According to the Vision Research Report, the global CDMO market for large molecule drugs was valued at USD 11.6 billion in 2022 and is estimated to reach USD 32.3 billion by 2032.

Among large molecule drugs, monoclonal antibodies (mAbs) are currently the most dominant. In

2023, mAbs held a 68% market share in the biologics market, followed by recombinant proteins at 15%. Six out of the top ten best-selling drugs worldwide in 2023 were monoclonal antibody drugs. Due to their stable characteristics, the mAb processes and analytical methods can often be standardized. Many CDMO companies have established technical platforms to attract clients with faster development processes and more cost-effective production solutions.

Mycenax has also developed competitive world-class mAb process technology and production platforms. Mycenax can assist clients in completing the process from cell line generation to GMP production within ten months, rapidly progressing clients' new monoclonal antibody drugs to clinical trial applications.

CDMO services for recombinant proteins are highly challenging and serve as a benchmark for the development capabilities of CDMO companies. The complexity and instability of recombinant proteins require deep professional knowledge and extensive experience to help clients overcome various development challenges, reducing both time and cost.

According to the Vision Research Report, the CDMO market for recombinant protein drugs was valued at USD 20.9 billion in 2023 and is projected to reach USD 77.4 billion by 2033. Before transforming into a CDMO, Mycenax developed its first large molecule drug, the recombinant protein Etanercept, which was the first protein drug independently developed by a local pharmaceutical company in Taiwan and approved by Taiwan's FDA.

Mycenax's rich knowledge and technology in recombinant protein development represent a significant competitive advantage in the CDMO market, which aligns with Mycenax's commercial model of large D (Development) and medium M (Manufacturing). Mycenax is committed to expanding this new drug market and providing the most professional services for solving complex processes of protein drugs.

Furthermore, many original patents for protein drugs have expired in recent years, leading to a growing market for biosimilar drugs. In 2023, the global biosimilar drug market reached USD 21.2 billion. According to IMARC Group, this market is expected to grow to USD 164.5 billion by 2032. Currently, more than 450 biosimilar drugs have been approved globally, with over 250 in clinical development, with more than 400 competitors in the biosimilar drug sector. In this field, development speed is crucial for profitability, as only the top three biosimilar developers to reach the market can capture a share of the original drug's market.

The development of biosimilars heavily relies on advanced process development technology, making it essential for pharmaceutical companies to partner with reliable CDMOs. Mycenax has previously demonstrated its capability by rapidly developing the biosimilar Actemra (LusiNEX) and successfully selling it at a high price to a major European biosimilar company. This achievement underscores Mycenax's internationally recognized technical expertise, enabling it to assist CDMO clients in efficiently developing high-yield, high-quality biosimilars that closely match original drugs.

B. Emerging Biologics

• Antibody-Drug Conjugates (ADC)

The global market size for ADC drugs was USD 2.7 billion in 2019. With the continuous approval of new products and the expansion of new indications, the market size for ADC drugs is expected to reach USD 17.7 billion by 2027, with a compound annual growth rate of 25.9% from 2020 to 2027. It is evident that ADC's, which can precisely target and kill cancer cells, represents a highly anticipated new field in the drug market.

In 2022, Mycenax signed an MOU with the Industrial Technology Research Institute to strategically cooperate in the development of ADC products. In 2023, Mycenax invested in KriSan Biotech, aiming to jointly promote development processes and manufacturing services related to ADC's, with the goal of becoming a comprehensive service CDMO company for ADC drugs.

• Allogeneic Cell Therapy

Currently, there are over 500 immunotherapy products targeting tumors globally, as well as nearly 250 cell therapy drugs for other disease areas, indicating that cell therapy is flourishing worldwide. Chimeric Antigen Receptor T-cell (CAR-T) therapy mainly uses autologous cells from the patient. However, due to limitations in time and process flexibility, the quality and efficacy can sometimes fall short of expectations. Therefore, allogeneic cell therapy has emerged as a new trend in recent years.

To enhance therapeutic potential and safety, further purification of T cells into subsets such as $\gamma\delta$ -T cells, natural killer (NK) cells, NKT cells, or cytokine-induced killer (CIK) cells can significantly reduce risks of graft-versus-host disease (GVHD) and host-versus-graft attack (HVGA), achieving immediate treatment while lowering medical costs. The following table compares the advantages and disadvantages of autologous and allogeneic cell therapies:

Product Item	Time	Cost	Quality Control	Feasibility/Success Rate
Autologous Cell Therapy	2-12 weeks needed depending on the patient's own cell condition	Custom-made, higher cost	Affected by the patient's own cell condition, difficult to control	The patient's cell condition directly affects the quality of the prepared cells, impacting the success rate
Allogeneic Cell Therapy	Can be prepared in advance and obtained at any time	Mass produced, lower cost	Good quality control and testing to ensure treatment efficacy	"Off-the-shelf" cell therapy products can be stored in advance and shipped at any time to patients worldwide who need them

Mycenax established a dedicated cell therapy products process development laboratory in 2022 and is actively expanding its development services in this field. Mycenax has experience in scaling up allogeneic cell therapy processes and can expand allogeneic immune cells to a 200-liter GMP process for production. Currently, Mycenax is working on establishing a GMP production base for cell therapy in the Zhubei Biomedical Park, promoting advanced mass production manufacturing services to become a leader in providing allogeneic cell therapy drugs.

(4) Competitive Situation

Since 2005, Mycenax has been gradually building a biologics development and manufacturing platform that meets international quality standards. In 2006 and 2007, Mycenax received a cGMP certification from TFDA (Taiwan Food and Drug Administration) for its biotech bulk drug substance plant and for its sterile filling/lyophilization sterile preparation plant, respectively. In 2013, Mycenax obtained the PIC/S GMP certification from TFDA.

In recent years, the COVID-19 pandemic and increasing value of CDMO services have attracted significant investment in Taiwan, leading to a short-term increase in the number of manufacturers and heightened competition. However, Mycenax has accumulated extensive experience in developing and manufacturing more than a dozen products under GMP conditions. Mycenax enjoys high recognition and a strong customer base in Taiwan, Japan, and South Korea, positioning it as a leading biologics CDMO company in Taiwan. Mycenax continues to strengthen its competitive edge through advancements in R&D capabilities, production capacity, cost optimization, application of new technologies, and the enhancement of customer relationships. Mycenax is committed to becoming a leading biologics CDMO in Asia.

5.1.3 Overview of Technology and R&D

(1) R&D Expenses for the Most Recent Year and Up to Date Annual Report Publication

Mycenax's research and development expenses in 2023 amounted to approximately NTD76 million, a decrease from 2022. This reduction is primarily due to significant progress in major internal technology development projects such as allogeneic cell therapy, antibody-drug conjugates, and bispecific/multispecific antibodies.

(2) Successfully Developed Technologies or Products

A. Cell Process Development and Protein Drug Mass Production Technology

In 2023, Mycenax developed leading gene engineering technology comparable to that of major international CDMO companies, significantly shortening process development time and reducing production costs, bringing the DNA to GMP protein drug development timeline down to 10 months. Additionally, Mycenax continues to optimize its two major cell line generation platforms, CHOZN GS-/- and CHO-S. Since 2021, CHOZN GS-/- has been practically applied in numerous CDMO projects. Using the Beacon® automated single-cell cloning instrument, antibody-producing cell lines are screened and, after process development, achieve high yield and stability, receiving high praise from customers. At the GMP plant, Mycenax can successfully scale up processes with optimal design and control, mass producing protein drugs at scales of 50 liters, 200 liters, 500 liters, or 2,000 liters to meet CDMO clients' demands for speed and yield in protein drug development.

B. Bispecific/Multispecific Antibody Development Technology Platform

In recent years, the FDA has continuously approved several bispecific antibody drugs, demonstrating their effective application in cancer treatment. Mycenax's bispecific/multispecific antibody screening platform and corresponding process technology enable comprehensive early evaluation and selection of stable, effective, and developmentally promising bispecific/multispecific antibody designs. This helps customers reduce clinical failure risks and late-stage production costs in the development of new antibodies, thereby increasing drug viability.

C. Continuous Processing Technology Platform

Mycenax has partnered with the American company Cytiva to develop a continuous processing technology platform, integrating cell production and protein purification into an automated, linked process. This technology has become a mainstream trend in global pharmaceutical technology development. For CDMO companies, continuous manufacturing technology offers the advantages of automation and increased process flexibility, eliminating the need for labor and reducing human errors. Particularly in the face of diverse production items and cell therapy products, continuous manufacturing processes are more adaptable, helping to reduce potential risks and ensure product quality.

Mycenax has established a laboratory for a fully continuous platform at its Zhubei R&D center, achieving continuous production through software automation control. Mycenax has successfully integrated column purification and virus inactivation steps into the continuous processing of antibody production and has shared related results in online seminars.

D. Plasmid DNA Production Platform

In 2023, the market size for viral vectors and plasmid DNA manufacturing reached approximately USD 5.6 billion, and is projected to grow at a compound annual growth rate of 19.6% from 2024 to 2032. This market growth is primarily driven by ongoing advancements in the field of gene therapy, making high-quality viral vectors and plasmid DNA essential for developing new gene therapies. Mycenax established a plasmid DNA production platform in 2021 and successfully applied it to express viral plasmids with highly repetitive sequences in the first half of 2022. Mycenax's plasmid production process meets international standards in terms of yield and quality.

E. Antibody-Drug Conjugate (ADC) Technology Platform

In 2022, Mycenax established a dedicated ADC laboratory at its Zhubei R&D base, creating a drug chemistry synthesis and antibody conjugation experimental platform. This platform successfully controls the drug-to-antibody ratio (DAR), establishes analytical methods, and achieves large-scale production with product quality comparable to commercial drugs. In 2023, Mycenax developed site-specific conjugation technology, successfully scaled up the process, and validated its stability to meet various market demands. Moving forward, Mycenax plans to increase the safety and effectiveness of conjugation sites and develop new linker technologies, helping customers identify suitable, effective, and stable antibody-drug conjugates.

F. Liquid and Lyophilized Formulation Platforms

Mycenax continuously improves its biopharmaceutical formulation development platforms to provide comprehensive services, including optimizing existing protein liquid formulations and establishing new lyophilized formulation platforms. The global demand for lyophilized injectables is expected to grow from USD 6.93 billion in 2022 to nearly USD 13.73 billion by 2030, with a compound annual growth rate of 8.9%. Mycenax's lyophilization technology platform assists customers in rapidly developing stable protein lyophilized formulations by combining excipient screening with low-temperature ice sublimation techniques. This ensures drug stability during transport and meets long-term storage quality requirements.

G. Characterization Analysis Platform

With the rapid development of biopharmaceuticals, the importance of quality analysis has become increasingly prominent. Mycenax continues to optimize its biopharmaceutical analysis platform, establishing a characterization analysis platform on top of basic purity and activity release standards. This includes mass spectrometry-related analyses, circular dichroism spectroscopy, dynamic light scattering instruments, and surface plasmon resonance technology for affinity analysis of protein products. During early clinical stages, Mycenax provides comprehensive analytical services to help shorten development timelines and increase success rates. During clinical stages, Mycenax's robust analytical capabilities assist customers in passing regulatory reviews.

H. Drugability Platform

The development cost for protein drugs is high, and the probability of successfully passing clinical trials and reaching the market is less than 10%. Therefore, drugability analysis is crucial in the early stages of drug development, providing a comprehensive understanding of the drug's characteristics. This includes a thorough evaluation of candidate drugs, such as biological function, purity, aggregation, thermal stability, charge heterogeneity, glycosylation, acid stability, and experimental designs for accelerated storage conditions. Conducting these tests early in drug development can effectively assess the developability of the drug, eliminating unsuitable candidates early on to reduce the risk of later-stage failures and potential issues during clinical application. Mycenax has established an early screening platform for drug targets, combining existing drug development technologies and professional analysis, significantly reducing the risks associated with subsequent drug development and manufacturing for clients.

I. Cell and Gene Therapy Product Technology Platform

Advances in cell and gene therapy offer new treatment methods for many intractable diseases. These therapies can be used to treat cancer, genetic disorders, autoimmune diseases, and have shown significant success in some cases. Mycenax continuously optimizes its services and core technology platform in the field of allogeneic cell therapy products to align with future development trends and overcome technical barriers, including:

- **Diverse Cell Sources:** Mycenax collaborates with internationally renowned companies to provide stable quality cell sources, including peripheral blood, cord blood, and stem cells, overcoming the impact of cell stability and donor variability on the process.

- **Gene Editing Technology:** At the cell therapy R&D center compliant with BSL2 operation standards, Mycenax provides small-scale viral vector production services to meet clients' needs for specific target CAR gene-edited products. For viral vector production systems, Mycenax ensures the quality of viral vectors during the development and GMP production stages through collaboration with international major companies. Additionally, a non-viral transposon vector system has been established.
- **Automated Process Technology:** Mycenax has established automated closed amplification processes to replace labor-intensive operations in traditional processes, ensuring sterility and reducing production costs.
- **Mass Production Technology Innovation:** In 2023, Mycenax has successively built 3D stem cell mass production platforms, exosome mass production platforms, and immune cell mass production platforms, along with corresponding analytical technologies, including cell markers, cytotoxicity, and cell differentiation, to provide more comprehensive services.

(3)Technologies Under Development

A. Expansion of Allogeneic Cell Therapy Product Process Technology

To meet potential design trends of chimeric antigen receptor (CAR) immune cell drugs in the future, Mycenax is developing non-viral genetic engineering technologies that better align with anticipated customer needs. This not only increases the design capacity of CAR genes but also eliminates the risk associated with using viral vectors in the manufacturing process, significantly reducing development and production costs for clients as well. Additionally, Mycenax is continuously develops large-scale expansion process technologies for various immune cells to meet all customers' needs for cell therapy products.

B. Expansion of Process Technology for Various Conjugation Strategies of ADC Drugs

For the specific site-specific conjugation of antibodies and small molecule drugs in ADCs, and the linker molecules between them, Mycenax is developing more strategies to improve efficiency and the success rate of scaling up. This ensures that better combinations can perform well in both the process and practical application, producing more effective and reliable ADC drugs for clients.

C. Process Intensification Technology and Platform

Mycenax's process development capabilities have been recognized by the international company Merck, making it one of the few companies selected to jointly develop process intensification technologies. At the end of 2023, Merck and Mycenax signed a memorandum of cooperation, starting a five-year long-term plan. Two companies will use continuous processing and other advanced technologies to develop smaller, more efficient, more economical processes that can be applied to new and complex protein drugs. They will also explore new modules and methods to achieve continuity from upstream to downstream, ultimately integrating AI to enter Industry 4.0. Mycenax aims to develop a smaller, more streamlined, more economical, and more efficient green process technology platform with its development capabilities and Merck's equipment support, to maintain a leading position in process technology worldwide.

5.1.4 Short, Medium, and Long-term Business Development Plans

Mycenax aims to balance efficiency and innovative development capabilities by leveraging its innovative development capabilities (D) and appropriate production scale (M) to meet clients' GMP production needs from preclinical development to market launch. The short, medium, and long-term business development plans are outlined as follows:

(1) Short-term Business Development Plans

- Adopt a "large D, medium M" business model, focusing on efficiency and quality to provide better services and products to clients.
- Ensure compliance with global regulatory standards through various international inspections, positioning Mycenax as a company capable of producing commercialized drugs.
- Actively expand into the Japanese, Korean, and European/American markets to increase production capacity utilization.
- Expand technical capabilities in new fields through various strategic collaborations.
- Continuously acquire new projects and clients, transitioning from loss to profitability as soon as possible to solidify the operational foundation.

(2) Medium and Long-term Business Development Plans

- Enhance self-research and development capabilities to increase irreplaceability. By continuous innovation plus research and development, Mycenax aims to provide unique products and services, consolidate its market position, and expand its business scope.
- Deepen market penetration in Asia, expand into European and American markets, establish regional business teams, and collaborate directly with local clients to increase brand awareness and market share, achieving global business expansion and growth goals.
- Collaborate with world-class pharmaceutical companies to join their main drug production supply chains, bringing more business opportunities and partnerships to Mycenax while enhancing its position and reputation in the biopharmaceutical market.

5.2 Market and Sales Status

5.2.1 Market Analysis

(1) Market Share, Future Supply and Demand, and Growth Prospects

The global biologics CDMO market is estimated to reach USD 15.3 billion in 2024. Mycenax has accumulated over a decade of experience in biopharmaceutical process development and GMP manufacturing in Taiwan, serving clients not only from Taiwan but also from Japan, Korea, Singapore, and other Asia-Pacific countries. Mycenax enjoys high recognition and a strong customer base. With the continuous growth of biopharmaceuticals, the demand for professional CDMO services from new drug development companies will also increase. It is estimated that the global CDMO market

will have an annual compound growth rate of over 12% in the next five years, with the fastest-growing CDMO market coming from the Asia-Pacific region. Mycenax plans to leverage this trend to actively market, expand business across countries, increase market share, and generate higher revenue.

(2) Competitive Advantages

A. Biologics Development and Manufacturing Platform Meeting International Standards

In 2006 and 2007, Mycenax received cGMP certification from TFDA for its biotech bulk drug substance plant and sterile filling/lyophilization plant, respectively. In 2013, Mycenax obtained the PIC/S GMP certification from TFDA. Mycenax possesses the capabilities required for biologics production, offering one-stop development and production services from upstream to downstream. This includes a professional team for cell culture, protein purification, protein analysis, and regulatory support, providing a top-tier technology platform for cell line generation, large-scale cultivation, cell fluid recovery, purification, drug quality analysis, and final product sterile filling. Mycenax can undertake the development of most biologics for clients. Mycenax continuously improves service quality in areas such as Development capabilities, production capacity, cost optimization, new technology applications, and customer relationships, thereby strengthening its core competitiveness.

B. Product Development Experience and Strong Execution Capabilities

Through the development of its own products and the execution of industry-commissioned projects, Mycenax has accumulated extensive development and management experience. Mycenax can integrate scientific, regulatory, and economic considerations to conduct careful evaluations, quickly formulate development strategies and execution plans, including timelines, batch sizes, and budgets, to help clients meet production needs under the most effective and high-quality control. This ensures that products comply with regulations and are produced at an economically viable scale for market launch.

C. Diverse and Leading Technical Capabilities

In October 2022, Mycenax was awarded the "Best Contract Development & Manufacturing Organization Award" by the internationally renowned consulting firm IMAPAC, recognizing the excellent process development technology and outstanding CDMO services. This award demonstrates the international recognition and affirmation of the CDMO services Mycenax has provided in protein drug process development and production. Building on its solid technological foundation, Mycenax is actively investing in the development of technologies for bispecific/multispecific antibodies, antibody-drug conjugates (ADC), cell and gene therapy products, plasmid DNA production, and continuous processing. These new technology platforms have been gradually established and are already being used to provide early drug development services to global clients. Mycenax is able to keep pace with new drug development trends in these new drug fields and provide timely technical support for the process development of various new types of drugs, helping clients shorten development timelines and reduce development costs.

D. Focus on the CDMO Business Model

Since 2019, Mycenax has transformed from a biotechnology company that developed its own drugs and provided CDMO services simultaneously, into Taiwan's first company focused exclusively on the design and mass production of biologics processes as a CDMO. By no longer developing its own drugs and solely accepting client commissions, Mycenax can avoid conflicts of interest between client process technologies and our own, eliminating the potential risk of converting client-confidential technologies for our use. This assures clients that they can transfer their processes to Mycenax without concerns for subsequent services. Moreover, developing proprietary drugs requires significant time, human resources, and capital, with long and risky payback periods, making it difficult to spare resources for the talent and technology-intensive CDMO business. By focusing on being a CDMO and not developing proprietary drugs, Mycenax can reduce business risks and allocate all resources to talent training, technology development, equipment optimization, and production line upgrades. Compared to companies that do not focus on CDMO, Mycenax can build professional strength, organize excellent teams, and enhance hardware facilities specifications, providing clients with the highest quality CDMO services. This focus on CDMO is the key advantage that currently enables Mycenax to earn clients' trust and maintain a competitive edge over other industry peers.

(3)Favorable and Unfavorable Factors for Development and Countermeasures

A. Favorable Factors

- Trend of Industry Division of Labor

The global biologics CDMO service market grows in tandem with the overall biopharmaceutical market. The globalization of the biopharmaceutical industry's division of labor and the trend towards Development/production outsourcing have become industry trends. Due to increasingly stringent pharmaceutical regulations worldwide, the increase in new biopharmaceutical products, complex process designs, and high control difficulties, the costs and challenges of pharmaceutical R&D have increased. Additionally, cost competition following the expiration of patented drugs has driven the biopharmaceutical industry towards a more refined and global division of labor. Large pharmaceutical companies and small to medium biotechnology companies are increasingly reliant on outsourcing service providers, with higher market penetration rates for Development and production outsourcing. Since the 1980s, the biotechnology industry has been a key technological field promoted by Taiwan government, fostering domestic biotech R&D talent through national research projects, biotech research institutions, and biotech-related university departments. In 2022, long-term promotion by the government led to the implementation of the "Biotechnology and Pharmaceutical Industry Development Act," along with tax incentives, creating a favorable environment for the development of the biotech and pharmaceutical industries and establishing an industry ecosystem beneficial for CDMO companies.

- Aging Population and Improved Living Standards

In recent years, with advancements in medical standards, improved quality of life, and a growing

trend in exercise, the average lifespan of Taiwanese people has been increasing, indicating an aging population. As society ages, dependence on pharmaceuticals will increase. Along with rising national income and improved living standards, people are expected to pay more attention to health insurance and medical quality, leading to an increased demand for pharmaceuticals. This expansion of the pharmaceutical market is beneficial for the development of the biotech and pharmaceutical industry, and the industry's future prospects remain promising.

- **A Complete Biopharmaceutical Development Technology Platform Meeting International Standards**

Mycenax possesses the most critical CMC and cGMP manufacturing technologies core to biopharmaceutical development and continues to build platforms for emerging biologics. Utilizing an innovative development capability (D) with an appropriate production scale (M) under the large D, medium M business model, Mycenax offers a comprehensive biologics development technology platform with experience in successful biologics development and market launches. This includes establishing cell banks, CMC analytical methods, upstream cell culture, downstream product recovery and purification, and final product filling and lyophilization. These capabilities and resources provide the necessary drug development and manufacturing services for biotech/pharmaceutical companies.

B. Unfavorable Factors and Countermeasures

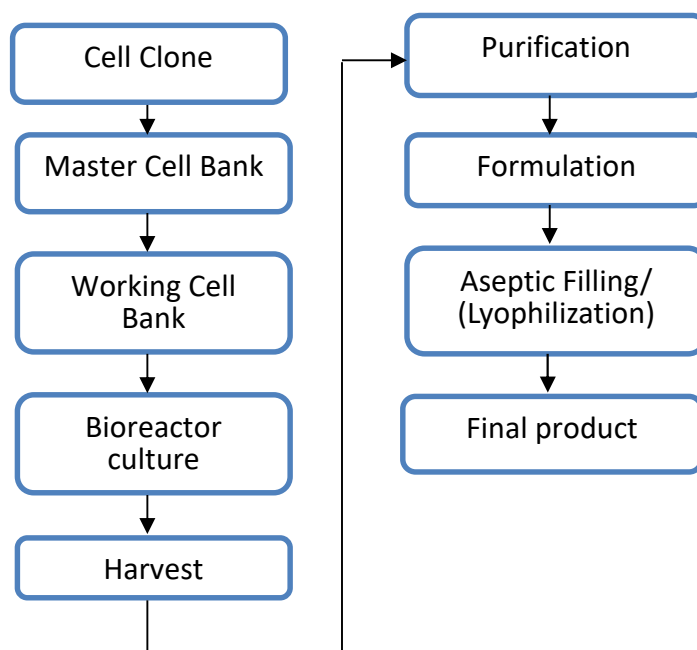
- **Lack of Talent for Expanding into European and American Markets**

Countermeasure: Mycenax has established a subsidiary in the United States and plans to hire local business development personnel to expand into the U.S. and European markets, increasing local CDMO project sources and thereby boosting revenue.

- **Competition with International Biologics CDMO Companies**

Countermeasure: Mycenax positions its CDMO brand with a "large D, medium M" approach, emphasizing innovative development capabilities (D) and an appropriate production scale (M). By leveraging core technologies accumulated over the years and meeting flexible, customized drug needs of clients, Mycenax targets niche markets for complex protein drugs and emerging biologics to attract business and differentiate itself from large international CDMO companies. Based in Taiwan and collaborating with major global material suppliers, Mycenax provides clients with sufficient software and hardware resources, delivering high-quality, reliable first-class CDMO services. Mycenax aims to establish a strong presence in the Asia-Pacific region while maintaining a global outlook.

5.2.2 Production Processes of Main Products



(1) Supply Status of Major Raw Materials

Mycenax is a contract development and manufacturing organization (CDMO) specializing in the development and GMP manufacturing of biopharmaceuticals. The main raw materials include cell clone, medium, and buffer. All suppliers must comply with international pharmaceutical regulations. Mycenax maintains good relationships with major suppliers, ensuring a stable supply of materials.

(2) List of Major Suppliers and Customers

A. Suppliers Accounting for at Least 10% of Annual Consolidated Net Procurement

Unit: NTD thousand ; %

Item	2022				2023			
	Name	Amount	As % of 2022 Total Net Procurement	Relation to Mycenax	Name	Amount	As % of 2023 Total Net Procurement	Relationship with the Issuer
1	Thermo Fisher	45,741	16.93	None	Cytiva	64,553	27.57	None
2	Merck	34,843	12.90	None	Merck	34,514	14.74	None
3	Pall	27,941	10.34	None	Thermo Fisher	32,289	13.79	None
	Others	161,668	59.83	-	Others	102,805	43.90	-
	Net Purchases	270,193	100.00	-	Net Purchases	234,161	100.00	-

Explanation of Changes:

Mycenax 's current purchase items mainly include raw materials and R&D consumables needed for providing biopharmaceutical CDMO services. The procurement of raw materials varies based on the R&D and CDMO projects, resulting in different annual procurement amounts from major suppliers.

B. Customers Accounting for at Least 10% of Annual Consolidated Net Revenue

Unit: NTD thousand ; %

Item	2022				2023			
	Name	Amount	As % of 2022 Total Net Revenue	Relations to Mycenax	Name	Amount	As % of 2022 Total Net Revenue	Relations to Mycenax
1	Gedeon Richter Plc	114,260	15.60	None	Company Y	190,194	29.14	None
2	JCR	112,654	15.38	Yes	JCR	129,234	19.80	Yes
3	Company AP	99,732	13.62	None	-	-	-	-
	Others	405,630	55.40	-	Others	333,192	51.06	-
	Net Sales	732,276	100.00	-	Net Sales	652,620	100.00	-

Explanation of Changes:

Mycenax primarily provides biopharmaceutical CDMO services, with revenue recognized upon the fulfillment of contract obligations. Due to the varying progress of customers' projects, the annual revenue from customers may differ by case. Additionally, another source of revenue is selling bio-similar drug LusiNEX to Gedeon Richter Plc., transferring the rights and receiving payments upon contract execution. All related revenue has been fully recognized until 2022.

(3) Production Volume in the Last Two Years

Mycenax is a CDMO company. The production value is determined by the tasks of the projects, and there are no stable mass production products. Therefore, this is not applicable.

(4) Sales Quantity and Revenue

Unit: NTD thousand

Main Products (or Department)	Year	2022				2023			
		Domestic		Export		Domestic		Export	
		Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Technical service revenue		-	276,634	-	338,223	-	156,048	-	495,459
Others		-	1,533	-	115,886	-	85	-	1,028
Total		-	278,167	-	454,109	-	156,133	-	496,487

Explanation of Changes:

Mycenax currently generates revenue from biopharmaceutical CDMO services. The quantity of services cannot be measured, so sales quantity is not applicable. The revenue varies each year based on the progress of individual projects.

5.3 Employee Information

Year		Units: people, years (of age), years (of service), %		
		2022	2023	As of 2024/4/26
Number of Employees	Managers	6	5	4
	Staffs	372	289	293
	Total Employees	378	304	297
Average Age		32.95	32.95	36.47
Average Years of Service		2.50	2.50	3.86
Educational Distribution Ratio (%)	Ph.D.	5.03	4.61	4.38
	Master	54.76	56.25	56.57
	College	39.42	38.82	38.72
	Senior High School	0.79	0.33	0.34

5.4 Environmental Expenditure Information

For the most recent fiscal year and up to the date of this annual report's publication, disclose any losses due to environmental pollution (including compensation and results of environmental protection inspections that violated environmental protection regulations, specifying the date of the disposition, disposition number, violated regulatory provisions, details of the violation, and the content of the disposition). Also, disclose the estimated amounts of current and future potential occurrences and the corresponding measures. If reasonable estimation is not possible, explain the facts that make reasonable estimation impossible: None.

5.5 Labor-Management Relations

5.5.1 List the company's various employee welfare measures, continuing education, training, and retirement systems, and their implementation status, as well as labor-management agreements and measures to protect various employee rights:

(1)Employee Welfare

- To care for employees, the company provides a good working environment and has established an Employee Welfare Committee. This committee offers various welfare benefits and activities, including birthday bonuses, wedding bonuses, childbirth bonuses, holiday bonuses, funeral subsidies, domestic and international travel subsidies, hospitalization condolence payments, dining events, year-end parties with raffles, and regular free health check-ups.
- In accordance with the law, all employees of the company are enrolled in labor and health insurance, and additionally, the company provides group insurance for all colleagues.
- In April 2018, the company established an employee stock ownership trust applicable to all employees. Employees contribute a fixed amount from their monthly salary, and the company matches this amount, depositing it into a dedicated trust account.

(2)Employee Continuing Education and Training

To meet the needs of organizational operations and development, enhance the key competencies, professional knowledge, and skills of our employees, and accomplish individual work tasks and organizational goals, the company has established an educational training management method.

In 2023, the provided training includes:

- New Employee Training: Helps new employees quickly adapt to the company.
- Professional Training: Includes GMP regulatory analysis and CDMO industry trends, ensuring employees acquire the necessary knowledge for their jobs.
- General Training: Includes topics like presentation logic, assisting employees in improving workplace quality and efficiency.

(3) Retirement System and Implementation

In accordance with the "Labor Pension Act," since 2005/7/1, the company has been contributing 6% of employees' monthly salaries to individual pension accounts at the Bureau of Labor Insurance.

For employees who choose the old pension system under the "Labor Standards Act," their pensions are calculated based on years of service and the average salary of the six months prior to the approved retirement date. The company contributes 2% of the total monthly salary to the employee retirement fund, which is deposited in a special account at the Bank of Taiwan under the name of the Labor Retirement Reserve Supervisory Committee.

Bank of Taiwan under the name of the Labor Retirement Reserve Supervisory Committee.

(4) Diversity of Employee

The company's employee gender ratio is 45:55 (male), with an average age of about 35 years. Many employees are at the age of marriage and childbearing. Annually, about 1-2% of male or female employees take parental leave. Each office at all factory locations has a dedicated nursing room for female employees during the breastfeeding period, creating a friendly environment and ensuring employees feel cared for while working.

(5) Community Risk and Opportunity

The company collaborates with universities in Hsinchu and Miaoli on industry-academia cooperation projects. Every year, we participate in campus recruitment and employment seminars, offering regular internships and job opportunities. During internships, students receive comprehensive training from the company, and those with excellent performance evaluations can secure full-time positions, enabling them to transition directly from graduation to employment. Additionally, the company offers long-term service bonuses to attract enthusiastic applications from students, hoping that young talents can find local employment and contribute their knowledge to local enterprises.

(6) Employee Communication

The company places great importance on labor management relations, striving to create a mutually beneficial and prosperous environment and establishing smooth communication channels. Employees can communicate their issues, suggestions, or rights to the company's management through any form. Labor-management relations are stable and harmonious, with no major labor disputes.

(7)Protection of Employee Rights

Mycenax has formulated work rules in accordance with the law to regulate various labor conditions and protect employee rights.

5.5.2 Disclosure of the losses due to labor disputes for the most recent fiscal year and up to the date of this annual report and reveal the estimated amounts of current and future potential occurrences and the corresponding measures.

Mycenax and our subsidiary have maintained harmonious labor relations since their establishment, and thus have not suffered any significant losses due to labor disputes.

5.6 Information Security Management

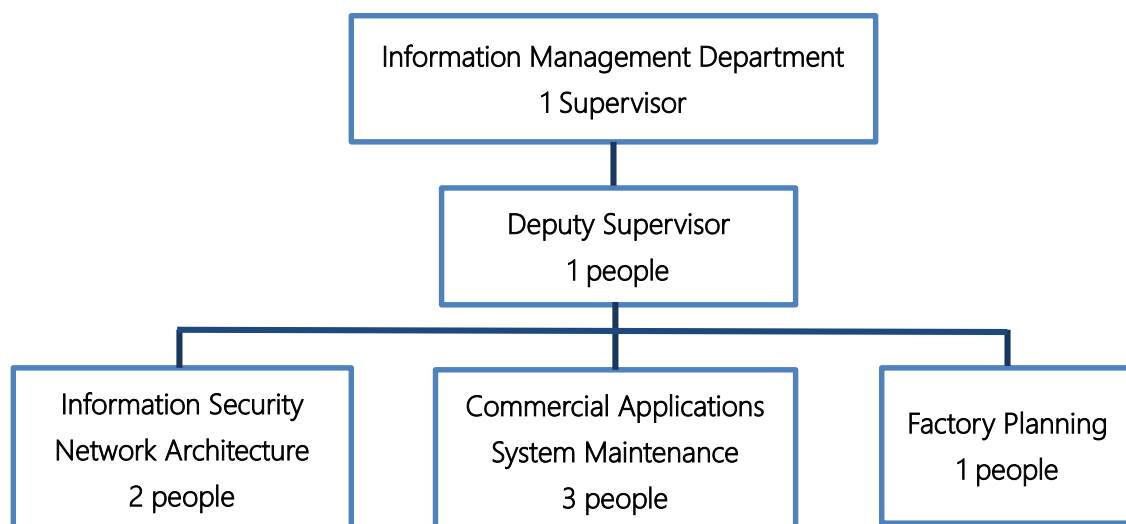
5.6.1 Information Security Risk Management Framework, Information Security Policy, Specific Management Plans, and Resources Invested in Information Security Management.

(1)Information Security Risk Management Framework

A. Corporate Information Security Management Strategy and Framework

The company has an Information Management Department responsible for the overall formulation, implementation, risk management, and compliance auditing of information security and protection policies. The highest-ranking official of the Information Management Department reports the effectiveness of information security management, related issues, and directions to the board of directors annually.

B. Organizational Structure of the Company's Information Management Department



(2)Information Security Policy

A. Corporate Information Security Management Strategy and Framework

To effectively implement information security management covering all plant locations, the

company holds regular quarterly meetings. Based on the Plan-Do-Check-Action (PDCA) management cycle, we review the applicability of information security policies and protection measures and report the execution results to the board of directors annually.

- **Planning Phase:** Focuses on information security risk management, establishing a comprehensive Information Security Management System (ISMS). This system reduces corporate information security threats from system, technical, and procedural aspects, providing top-notch confidential information protection services tailored to the company's needs.
- **Execution Phase:** Constructs multi-layered information security defenses, continuously introduces innovative information security defense technologies, and integrates security control mechanisms into daily operations, including the maintenance of software and hardware. Systematic monitoring of information security is conducted to maintain the confidentiality, integrity, and availability of the company's critical assets.
- **Checking Phase:** Actively monitors the effectiveness of information security management and performs security indicator measurement and quantitative analysis based on audit results.
- **Action Phase:** Focuses on review and continuous improvement, implementing supervision and auditing to ensure the ongoing effectiveness of security regulations. When employees violate relevant regulations and procedures, personnel actions (including annual performance evaluations or necessary legal actions) are taken based on the severity of the violation. Additionally, regular reviews and implementations of improvement measures, including information security measures, education, training, and awareness, are conducted based on performance indicators and maturity evaluation results to ensure the protection of the company's confidential information.

B. Specific Management Plans

Item	Specific Management Plans
Network Security	<ul style="list-style-type: none"> • Network Security: Implement advanced technologies to perform computer scans and system and software updates. • Enhance network firewalls and network control to prevent the spread of computer viruses across devices and locations.
Device Security	<ul style="list-style-type: none"> • Establish control mechanisms for computer equipment entering the company to prevent unauthorized or malware-containing devices from entering. • Implement endpoint antivirus measures based on the type of computer to strengthen malicious software behavior detection.
Application Security	<ul style="list-style-type: none"> • Develop an application security self-checklist, evaluation standards, and improvement goals for the development process. • Continuously strengthen application control security mechanisms and integrate them into the development process and platform.
Data Security	<ul style="list-style-type: none"> • Control folder access permissions through document confidentiality classification. • Regularly back up all important data and comply with the 3-2-1 backup rule. • Regularly communicate the company's latest information security regulations and precautions.

(3)Resources Invested in Information Security Management

Resources invested in information security management and execution results for the year 2023.

A. Strengthening the Information Security Framework

- Improved network architecture in all plant locations ; unapproved devices cannot access the company's internal network resources.
- Established a visualized network equipment management platform to monitor network equipment status in real-time.
- Rented cloud backup space to place the third backup in the cloud.

B. Employee Education and Training

- Conducted a social engineering black-box drill (without prior notice) for all employees to enhance information security awareness, with a total of 377 participants.
- Provided information security policy training for new employees, with a total of 16 participants.
- IT colleagues responsible for information security received external training in two separate batches.
- Each quarter, selected information security incident cases are used to promote the importance of information security to the entire company.

(4) The company reported the execution status of information security management for 2023 at the board meeting on November 13, 2023.

5.6.2 For the most recent fiscal year and up to the date of this annual report's, disclose any losses, potential impacts, and corresponding measures due to major information security incidents. If reasonable estimation is not possible, explain the facts that make reasonable estimation impossible: None.

5.7 Intellectual Property Management Plan

5.7.1 Based on the "Taiwan Intellectual Property Management System (TIPS) Manual," the company established an intellectual property management plan, which was approved by the board of directors on September 15, 2021. This plan aims to manage intellectual property according to the company's current operational direction and continuously improve the intellectual property and confidentiality management system.

5.7.2 Current Management of Intellectual Property

Item	Management Content	2023 Implementation Report (Reported to the Board of Directors on 2023/11/13)
Business Secret Protection	<p>Authorized department-level supervisors determine confidentiality levels based on factors such as importance, economic value, and risk of leakage.</p> <ul style="list-style-type: none"> • Personnel Control: Define personnel with access to the organization's confidential information and set different levels of access permissions. • Equipment Control: Control the personnel, purposes, methods, and circulation of information for equipment holding organizational secrets and important documents. • Confidential Document Control: Establish related processes for documents affecting intellectual property, such as setting permissions, access, data system backup, and restoration protocols. • Environmental Facilities Control: Control facilities for accessing confidential documents, define controlled areas, and plan control measures, including but not limited to, access zone control, entry and exit registration, and factory inspections. • Education and Training: Provide education and training on trade secrets and confidentiality management to all employees to enhance their awareness of confidentiality. • Employment Contracts: Employment contracts include confidentiality and non-compete clauses. Employees are obligated to maintain confidentiality during and after employment and must not disclose any company secrets or violate confidentiality obligations, non-compete clauses, or trade secrets of previous employers. 	<ul style="list-style-type: none"> • Customer Delivered Information: Classified as "Top Secret" • Information Storage Method • "Top Secret" document folders set up by the information unit (iDEAL solution) • Only accessible by the creators of confidential information on their local machines, and must not be viewed by unauthorized persons. • Control of personnel who can view and access the information. • Paper Documents • Marked with "Confidential" or "Top Secret." • Stored in locked filing cabinets or access-controlled areas. • Company-Owned Business Secrets: Managed by the Trade Secret Manager (department-level supervisor).
Trademark Management	<ul style="list-style-type: none"> • System Management: Mycenax has established an intellectual property management database to manage the status of trademarks. • Regular Inventory: Conducts an annual inventory of the number and status of company trademark cases and reports for review to determine whether to continue maintenance or provide usage evidence. • Strategic Planning and Control: Provides layout suggestions based on Mycenax's current development direction. • Monitoring of Similar Trademarks: Conducts quarterly monitoring and searches for similar trademarks. • Patent Management 	<ul style="list-style-type: none"> • Abandoned a trademark usage declaration for one case. • In 2023, no similar trademarks were found in the main business service areas.
Patents	<ul style="list-style-type: none"> • System Management: Mycenax has established an intellectual property management database 	<ul style="list-style-type: none"> • Abandoned renewal for one patent.

Item	Management Content	2023 Implementation Report (Reported to the Board of Directors on 2023/11/13)
	<p>to manage the status of trademarks.</p> <ul style="list-style-type: none"> Regular Inventory: Conducts an annual inventory of the number and status of company patent cases and reports for review to determine whether to continue maintenance. 	

5.8 Important Contracts

Contract Type	Counterparts	Period	Main Content	Restrictive Clauses
License Rights Transfer Agreement	TSH Biopharm Co., Ltd.	2018/1/4~	TSH transfers the license and its right of "TuNEX 25mg powder and solvent for solution for injection" to MyCENAX.	N/A
Syndicated Loan Agreement	Taiwan Cooperative Bank Ltd.and 6 other banks	2020/8/13 ~ 2028/8/12	Credit Line for the Construction and Equipment Purchase of Zhunan Plant No. 2, Credit Line for the Construction and Equipment Purchase of Zhubei Cell Therapy Facility, Short-term Working Capital Credit Line	Funds Used for Plant Construction and Machinery Equipment Purchase
Lease Contract	Advanced ACEBIOTEK Co., Ltd.	2021/1/1 ~ 2025/9/30	Leasing Office and Laboratory Spaces	N/A
Contract For Design and Construction	Chu Yang Technology Engineering Co., Ltd.	2023/4/11~ 2025/3/31	Construction of Mycenax Biotech's Cell Therapy Pilot Plant	N/A

Financial Overview

6.1 Condensed Balance Sheet and Comprehensive Income Statement for the Last Five Years

6.1.1 Condensed Balance Sheet - Consolidated

Unit: NTD thousand

Item	Year	Financial Summary for the Last Five Years ¹				
		2019	2020	2021	2022	2023
Current Assets						1,098,010
Property, Plant, and Equipment						1,779,575
Intangible Assets						42,902
Other Assets						849,914
Total Assets						3,770,401
Current Liabilities	Before Distribution					753,423
	After Distribution					(Note 3)
Non-Current Liabilities						569,786
Total Liabilities	Before Distribution					1,323,209
	After Distribution					(Note 3)
Equity Attributable to Owners of the Parent Company						2,447,192
Capital Stock ²						2,057,884
Capital Surplus	Before Distribution					1,074,289
	After Distribution					(Note 3)
Retained Earnings	Before Distribution					(682,641)
	After Distribution					(Note 3)
Other Equity						(2,340)
Treasury Stock						-
Non-Controlling Interests						-
Total Equity	Before Distribution					2,447,192
	After Distribution					(Note 3)

Note 1: Mycenax has prepared consolidated financial statements audited by certified public accountants starting from the year 2023.

Note 2: Includes capital collected in advance and capital to be retirement.

Note 3: The loss compensation proposal for 2023 has not yet been approved by the shareholders' meeting, so the amounts after distribution are not applicable.

6.1.2 Condensed Balance Sheet - Individual

Unit: NTD thousand

Item \ Year		Financial Summary for the Last Five Years ¹				
		2019	2020	2021	2022	2023
Current Assets		494,959	576,510	897,408	1,923,781	1,092,295
Property, Plant, and Equipment		545,077	690,078	1,146,975	1,886,916	1,779,575
Intangible Assets		74,850	60,641	57,626	49,844	42,902
Other Assets		293,108	425,324	1,037,003	592,457	854,667
Total Assets		1,407,994	1,752,553	3,139,012	4,452,998	3,769,439
Current Liabilities	Before Distribution	231,915	424,779	540,067	634,733	752,461
	After Distribution	231,915	424,779	540,067	634,733	(Note 3)
Non-Current Liabilities		74,126	116,107	692,280	712,690	569,786
Total Liabilities	Before Distribution	306,041	540,886	1,232,347	1,347,423	1,322,247
	After Distribution	306,041	540,886	1,232,347	1,347,423	(Note 3)
Equity Attributable to Owners of the Parent Company		-	-	-	-	-
Capital Stock ²		1,279,545	1,282,876	1,533,337	2,053,253	2,057,884
Capital Surplus	Before Distribution	260,908	53,113	576,948	1,468,143	1,074,289
	After Distribution	39,508	53,113	322,612	1,061,311	(Note 3)
Retained Earnings	Before Distribution	(473,311)	(207,233)	(254,336)	(406,832)	(682,641)
	After Distribution	(251,911)	(207,233)	-	-	(Note 3)
Other Equity		34,811	82,911	50,716	(8,989)	(2,340)
Treasury Stock		-	-	-	-	-
Non-Controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	1,101,953	1,211,667	1,906,665	3,105,575	2,447,192
	After Distribution	1,101,953	1,211,667	1,906,665	3,105,575	(Note 3)

Note 1: The financial data for each period above has been audited by certified public accountants.

Note 2: Includes capital collected in advance and capital to be retirement.

Note 3: The loss compensation proposal for 2023 has not yet been approved by the shareholders' meeting, so the amounts after distribution are not applicable.

6.1.3 Condensed Comprehensive Income Statement - Consolidated

Unit: NTD thousand

Item \ Year	Financial Summary for the Last Five Years ¹				
	2019	2020	2021	2022	2023
Operating Revenue	390,844	665,341	774,270	732,276	652,620
Gross Profit	132,508	186,532	137,609	(113,672)	(375,191)
Income(Loss) from operations	(230,254)	35,398	(85,331)	(444,995)	(602,102)
Non-Operating Income and Expenses	280	(7,431)	(2,187)	(17,846)	(81,879)
Income (Loss) Before Tax	(229,974)	27,967	(87,518)	(462,841)	(683,981)
Income (Loss) from Continuing Operation	(218,175)	30,948	(89,858)	(453,631)	(682,847)
Income (Loss) from Discontinued Operation	-	-	-	-	-
Net Income (Loss)	(218,175)	30,948	(89,858)	(453,631)	(682,847)
Other Comprehensive Income (income after tax)	11,490	61,830	10,560	(3,917)	175
Total Comprehensive Income (Loss)	(206,685)	92,778	(79,298)	(457,548)	(682,672)
Net Income Attributable to Owners of the Parent Company	-	-	-	-	(682,847)
Net Profit Attributable to Non-Controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	-	-	-	-	(682,672)
Comprehensive Income Attributable to Non-Controlling Interest	-	-	-	-	-
Earnings Per Share	(1.74)	0.24	(0.61)	(2.74)	(3.32)

Note 1: The consolidated financial statements have been audited by certified public accountants since 2023.

6.1.4 Condensed Comprehensive Income Statement - Individual

Unit: NTD thousand

Item \ Year	Financial Summary for the Last Five Years ¹				
	2019	2020	2021	2022	2023
Operating Revenue	390,844	665,341	774,270	732,276	652,620
Gross Profit	132,508	186,532	137,609	(113,672)	(375,191)
Income (Loss) from operations	(230,254)	35,398	(85,331)	(444,995)	(608,333)
Non-Operating Income and Expenses	280	(7,431)	(2,187)	(17,846)	(80,334)
Income (Loss) Before Tax	(229,974)	27,967	(87,518)	(462,841)	(688,667)
Income (Loss) from Continuing Operation	(218,175)	30,948	(89,858)	(453,631)	(682,847)
Income (Loss) from Discontinued Operation	-	-	-	-	-
Net Income (Loss)	(218,175)	30,948	(89,858)	(453,631)	(682,847)
Other Comprehensive Income (in-come after tax)	11,490	61,830	10,560	(3,917)	175
Total Comprehensive Income (Loss)	(206,685)	92,778	(79,298)	(457,548)	(682,672)
Net Income Attributable to Shareholders of the Parent	-	-	-	-	(682,847)
Net Income Attributable to Non-Controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	-	-	-	-	(682,672)
Comprehensive Income Attributable to Non-Controlling Interest	-	-	-	-	-
Earnings Per Share	(1.74)	0.24	(0.61)	(2.74)	(3.32)

Note 1: The financial data for each period above has been audited by CPAs.

6.1.5 Names of Certifying Accountants and Audit Opinions for the Last Five Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2019	Ful-Fill & Co., CPAs	Jin-di Wu, Wei-Liang Dai	Unqualified Opinion
2020	Ful-Fill & Co., CPAs	Jin-di Wu, Wei-Liang Dai	Unqualified Opinion
2021	Ful-Fill & Co., CPAs	Jin-di Wu, Wei-Liang Dai	Unqualified Opinion
2022	Ful-Fill & Co., CPAs	Jin-di Wu, Wei-Liang Dai	Unqualified Opinion with Emphasis of Matter Paragraph ¹
2023	Ful-Fill & Co., CPAs	Jin-di Wu, Wei-Liang Dai	Unqualified Opinion with Emphasis of Matter Paragraph ¹

Note1: Emphasis of Matter Paragraph: This is due to Investments accounted for using the equity method in 2022 being audited by other CPAs.

6.2 Financial Analysis for the Last Five Years

6.2.1 Financial Analysis - Consolidated

Analysis Items (Note 2)		Year	Financial Summary for the Last Five Years ¹							
		2019	2020	2021	2022	2023				
Financial Structure (%)	Debt to Asset Ratio					35.09				
	Long-term Capital to Property, Plant, and Equipment Ratio					169.53				
Solvency (%)	Current Ratio					145.74				
	Quick Ratio					119.78				
	Interest Coverage Ratio					(Note 2)				
Operating Capability	Receivable Turnover Rate (times)					7.72				
	Average Collection Days					47				
	Inventory Turnover Rate (times)					4.51				
	Payable Turnover Rate (times)					21.29				
	Average Days to Sale					81				
	Property, Plant, and Equipment Turn-over (Times)					0.36				
	Total Asset Turnover Rate (times)					0.16				
	Profitability					Return on Assets (%)	(16.15)			
Return on Equity (%)						(24.59)				
Income Before Tax to Paid-in Capital Ratio (%)						(33.22)				
Net Profit Margin (%)						(104.63)				
Earnings Per Share (EPS) (NTD)						(3.32)				
Cash Flow	Cash Flow Ratio (%)					(Note 2)				
	Cash Flow Adequacy Ratio (%)					(Note 2)				
	Cash Reinvestment Ratio (%)					(Note 2)				
Leverage	Operating Leverage					(Note 2)				
	Financial Leverage					(Note 2)				
Explanation of the Reasons for Changes in Financial Ratios Over the Last Two Years (Analysis is not required for changes less than 20%):										
There is no comparative period since 2023 is the first year of preparing consolidated financial statements.										

Note 1: Mycenax has prepared consolidated financial statements audited by certified public accountants starting from 2023.

Note 2: For the year where there is an operating net loss or negative net cash flow from operating activities, calculations are not performed.

6.2.2 Financial Analysis - Individual

Analysis Items (Note 2)		Year	Financial Summary for the Last Five Years ¹				
			2019	2020	2021	2022	2023
Financial Structure (%)	Debt to Asset Ratio		21.74	30.86	39.26	30.26	35.08
	Long-term Capital to Property, Plant, and Equipment Ratio		215.76	192.41	226.59	202.35	169.53
Solvency (%)	Current Ratio		213.42	135.72	166.17	303.09	145.16
	Quick Ratio		178.77	110.14	117.55	247.95	119.17
	Interest Coverage Ratio		(Note 2)	18.23	(Note 2)	(Note 2)	(Note 2)
Operating Capability	Receivable Turnover Rate (times)		5.02	7.23	7.84	7.34	7.72
	Average Collection Days		73	50	47	50	47
	Inventory Turnover Rate (times)		3.38	5.02	4.93	4.03	4.51
	Payable Turnover Rate (times)		8.00	14.73	13.40	15.78	21.29
	Average Days to Sale		108	73	74	91	81
	Property, Plant, and Equipment Turnover (times)		0.81	1.08	0.84	0.48	0.36
	Total Asset Turnover Rate (times)		0.31	0.42	0.32	0.19	0.16
Profitability	Return on Assets (%)		(17.15)	2.00	(3.64)	(11.63)	(16.15)
	Return on Equity (%)		(21.72)	2.68	(5.76)	(18.10)	(24.59)
	Income Before Tax to Paid-in Capital Ratio (%)		(17.97)	2.18	(5.71)	(22.54)	(33.45)
	Net Profit Margin (%)		(55.82)	4.65	(11.61)	(61.95)	(104.63)
	Earnings Per Share (NTD)		(1.74)	0.24	(0.61)	(2.74)	(3.32)
Cash Flow	Cash Flow Ratio (%)		(Note 2)	41.00	(Note 2)	(Note 2)	(Note 2)
	Cash Flow Adequacy Ratio (%)		(Note 2)	(33.19)	(Note 2)	(Note 2)	(Note 2)
	Cash Reinvestment Ratio (%)		(Note 2)	9.97	(Note 2)	(Note 2)	(Note 2)
Leverage	Operating Leverage		(Note 2)	11.37	(Note 2)	(Note 2)	(Note 2)
	Financial Leverage		(Note 2)	1.03	(Note 2)	(Note 2)	(Note 2)

Reasons for Changes in Financial Ratios Over the Last Two Years (Analysis is not required for changes less than 20%):

1. Decrease in Current Ratio and Quick Ratio: Primarily due to a reduction in cash, caused by capital expenditures such as installation of filling lines of GMP Plant 2 and pilot plant for cell therapy, repayment of bank loans, and continued losses in 2023, resulting in cash outflows and reductions in current and quick assets.
2. Increase in Payable Turnover Rate: Mainly due to an increase in operating costs. GMP Plant 2 was completed in mid-2022, resulting in only partial depreciation in 2022, whereas full-year depreciation was recorded in 2023, leading to higher operating cost.
3. Decrease in Property, Plant, and Equipment Turnover Rate: Primarily because GMP Plant 2 was completed in mid-2022, resulting in higher balances of property, plant, and equipment at the end of both 2022 and 2023.
4. Decrease in Return on Assets, Return on Equity, Income Before Tax to Paid-in Capital Ratio, Net Profit Margin, and Earnings Per Share: Mainly due to the increase in loss before income tax in 2023. For detailed reasons, please refer to "Section 7. Review and Analysis of Financial Status and Performance, and Risk Matters" in this annual report.

Note 1: The financial data for each period above has been audited by certified public accountants.

Note 2: For the year where there is an operating net loss or negative net cash flow from operating activities, calculations are not performed.

Financial Analysis Calculation Formulas:

1. Financial Structure

(1) Long-term Capital to Property, Plant, and Equipment Ratio = (Total Equity + Non-Current Liabilities) / Net Property, Plant, and Equipment.

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.

(3) Interest Coverage Ratio = Earnings Before Interest and Taxes (EBIT) / Interest Expense.

3. Operating Capability

(1) Receivable Turnover rate (including accounts receivable and notes receivable from operations) = Net Sales / Average Accounts Receivable (including accounts receivable and notes receivable from operations).

(2) Average Collection Days = 365 / Accounts Receivable Turnover.

(3) Inventory Turnover rate = Cost of Goods Sold / Average Inventory.

(4) Payable Turnover rate (including accounts payable and notes payable from operations) = Cost of Goods Sold / Average Accounts Payable (including accounts payable and notes payable from operations).

(5) Average Days to Sale = 365 / Inventory Turnover.

(6) Property, Plant, and Equipment Turnover rate = Net Sales / Average Net Property, Plant, and Equipment.

(7) Total Asset Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on Assets (ROA) = [Net Income After Tax + (Interest Expense × (1 - Tax Rate))] / Average Total Assets.

(2) Return on Equity (ROE) = Net Income After Tax / Average Total Equity.

(3) Net Profit Margin = Net Income After Tax / Net Sales.

(4) Earnings Per Share (EPS) = (Net Income Attributable to Owners of the Parent Company - Preferred Stock Dividends) / Weighted Average Number of Shares Outstanding.

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Last Five Years / (Capital Expenditures + Inventory Increase + Cash Dividends for the Last Five Years).

(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant, and Equipment + Long-term Investments + Other Non-Current Assets + Working Capital).

6. Leverage

(1) Operating Leverage = (Net Operating Income - Variable Operating Costs and Expenses) / Operating Profit.

(2) Financial Leverage = Operating Profit / (Operating Profit - Interest Expense).

6.3 Audit Committee Review Report for the Most Recent Annual Financial Report:

Please refer to Attachment 2.

6.4 Financial Statements of the Company Audited by Certified Public Accountants for the Most Recent Year:

Please refer to Attachment 3.

6.5 Individual Financial Statements of the Company Audited by Certified Public Accountants for the Most Recent Year:

Please refer to Attachment 4.

6.6 If the Company and Its Affiliates Have Experienced Financial Difficulties in the Most Recent Year and Up to the Date of this Annual Report, the Impact on the Company's Financial Condition Should Be Listed: None.

Review and Analysis of Financial Status and Performance, and Risk Matters

7.1 Financial Status

Unit: NTD thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current Assets	1,098,010	1,923,781	(825,771)	(42.92)%
Real Estate, Plant, and Equipment	1,779,575	1,886,916	(107,341)	(5.69)%
Intangible Assets	42,902	49,844	(6,942)	(13.93)%
Other Assets	849,914	592,457	257,457	43.46%
Total Assets	3,770,401	4,452,998	(682,597)	(15.33)%
Current Liabilities	753,423	634,733	118,690	18.70%
Non-Current Liabilities	569,786	712,690	(142,904)	(20.05)%
Total Liabilities	1,323,209	1,347,423	(24,214)	(1.80)%
Capital (Note)	2,057,884	2,053,253	4,631	0.23%
Capital Surplus	1,074,289	1,468,143	(393,854)	(26.83)%
Retained Earnings	(682,641)	(406,832)	(275,809)	67.79%
Other Equity	(2,340)	(8,989)	6,649	(73.97)%
Total Equity	2,447,192	3,105,575	(658,383)	(21.20)%

- Major Reasons for Variations of 20% or More and Amounts Exceeding NTD10 Million:
 - Decrease in Current Assets:
Mainly due to capital expenditures on GMP plant 2 filling line and the cell therapy pilot plant, repayment of bank loans, and the continued loss in 2023, leading to cash outflows and a reduction in current assets.
 - Increase in Other Assets:
Mainly due to the continuous construction of the GMP plant 2 filling line in 2023, resulting in an increase in equipment prepayments.
 - Decrease in Non-Current Liabilities:
Mainly due to the repayment of long-term loans in 2023.
 - Decrease in Capital Surplus:
Mainly due to the offsetting of losses from 2022.
 - Decrease in Retained Earnings:
Mainly due to continued loss in 2023.
- Future Response Plans for Major Impacts:
The above variations do not have a significant adverse impact to Mycenax.

Source: Financial Report Audited and Certified by Accountants

Note: Includes advance receipts for ordinary share and share capital awaiting retirement

7.2 Financial Performance

7.2.1 Major Reasons for Significant Changes in Operating Revenue, Operating Profit, and Pre-Tax Profit in the Last Two Years and Their Impact

Unit: NTD thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Operating Revenue	652,620	732,276	(79,656)	(10.88)%
Operating Costs	1,027,811	845,948	181,863	21.50%
Gross Profit	(375,191)	(113,672)	(261,519)	230.06%
Operating Expenses	226,911	331,323	(104,412)	(31.51)%
Operating Profit/Loss	(602,102)	(444,995)	(157,107)	35.31%
Non-Operating Income and Expenses	(81,879)	(17,846)	(64,033)	358.81%
Loss before Tax	(683,981)	(462,841)	(221,140)	47.78%
Income Tax Benefit (Expense)	1,134	9,210	(8,076)	(87.69)%
Net Loss	(682,847)	(453,631)	(229,216)	50.53%
Total Comprehensive Loss	(682,672)	(457,548)	(225,124)	49.20%

Major Reasons for Variations of 20% or More and Amounts Exceeding NTD10 Million:

1. Increase in Operating Costs and Decrease in Gross Profit:

The main reason is that the GMP plant 2 was completed in mid-2022, so the depreciation recorded in 2022 only contains several months, while the full year's depreciation was recorded in 2023, resulting in higher operating cost. Additionally, there was no milestone payment from LusiNEX with a 100% gross margin in 2023, leading to an overall decrease in gross profit.

2. Decrease in Operating Expenses:

Mainly due to the reduction in R&D expenses. As some R&D projects moved towards commercialization in 2023, the demand for manpower and materials for these projects decreased.

3. Increase in Net Non-Operating Income and Expenses (Net Expenses):

Mainly due to the loss from fire event in March 2023.

4. Decrease in Operating Profit/Loss, Pre-Tax Profit, Net Profit After Tax, and Total Comprehensive Loss:

Mainly due to the decrease in gross profit and the increase in net non-operating expenses in 2023, resulting in a decrease in operating profit/loss, pre-tax profit, net profit after tax, and total comprehensive loss.

7.2.2 Expected Sales Volume and Basis, Possible Impact on Future Financial and Business Performance, and Response Plans

Mycenax focuses on the CDMO business for biopharmaceuticals and will continue to develop new products and markets, aiming to turn profitable as soon as possible. Currently, the financial status of Mycenax and its subsidiaries is sound, and the losses do not have a significant adverse impact on financial and business operations.

7.3 Cash Flow

7.3.1 Analysis of Recent Annual Cash Flow Changes

Unit: NTD thousand				
Year	2023	2022	Increase (Decrease)	% of Increase (Decrease)
Operating Activities	(131,178)	(150,185)	19,007	(12.65)
Investing Activities	(443,148)	(745,243)	302,095	(40.54)
Financing Activities	(229,732)	1,931,866	(2,161,598)	(111.89)
Reason for Change: (Changes of 50% or more from the previous period, and the change amount reaches more than 5% of the paid-in capital)				
• Financing Activities: Mainly due to the private placement of NTD1625 million and increase in short-term and long-term loans by NTD320 million in 2022. On the other hand, in 2023 Mycenax subsequently repay short-term and long-term loans.				

(1) Countermeasure for Liquidity Deficiency: No cash shortfall situation.

(2) Cash Flow Liquidity Analysis for the Next Year

- Operating Activities: Cash flow from operating activities is to meet the needs of CDMO operations and R&D expenditures.
- Investing and Financing Activities: Based on operating needs.

7.4 Impact of Major Capital Expenditure on Financial and Business Operations

In 2023, Mycenax invested funds to establish the filling line for the GMP plant 2 and optimize the production equipment of the GMP plant 1, which positively benefited Mycenax's financial and business operations. The amount paid for the purchase of real estate, plants, and equipment in 2023 was NTD 295,631 thousand.

7.5 Investment Policy, Main Reasons for Profit or Loss, Improvement Plan in 2023, and Investment Plan for 2024

7.5.1 Investment Policy in Recent Year:

Mycenax's investment policy is to proceed long-term strategic investment and will adjust the investment strategy in line with Mycenax's operations and development.

7.5.2 Main Reasons for Investment Profit or Loss and Improvement Plan:

Mycenax's investee, KriSan Biotech Co., Ltd., is currently in an expansion phase, resulting in losses. Once operations stabilize, it is expected to contribute non-operating income to Mycenax.

7.5.3 Investment Plan for the Next Year:

If there are investment opportunities that can enhance Mycenax's operating performance in the coming year, management will carefully evaluate the investment plans, and the investments will be executed after approval by the Audit Committee and the Board of Directors.

7.6 Risk Factors

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Countermeasures

(1)Interest Rate Changes:

Mycenax's capital expenditures and working capital is financed through capital markets and bank loans. Therefore, an increase in interest rates will impact Mycenax. Mycenax closely monitors the interest rates trends in financial market and strictly controls the portfolio of floating and fixed interest rate deposits and loans. By maintaining good relationships with banks and referring to market average interest rates during loan negotiations, Mycenax strives to secure the most favorable loan rates to mitigate potential risks arising from interest rate fluctuations.

(2)Exchange Rate Changes:

The major foreign currency for Mycenax's operating activities is the US dollar. The net exchange gain was NTD 13,291 thousand and NTD 3,347 thousand in 2022 and 2023, accounting for 1.82% and 0.51% of the operating revenue, respectively. Exchange rate fluctuations have no significant impact on Mycenax's operating activities. Mycenax continuously monitors the trends of US dollar exchange rate, and by maintaining good interactions with banks, Mycenax aims to receive timely foreign exchange information and more favorable exchange rate quotes.

(3)Inflation:

Due to the nature of the industry, inflation does not have a significant impact on Mycenax's operations. Mycenax closely monitors inflation conditions and negotiates with different suppliers to reduce the impact of inflation on Mycenax.

7.6.2 Policies, Main Reasons for Profit or Loss, and Future Countermeasures for Engaging in High-Risk, High-Leverage Investments, Loans to Others, Endorsements and Guarantees, and Derivative Transactions

To control transaction risks, Mycenax has established procedures such as the "Procedures for Acquisition or Disposal of Assets," "Procedures for Lending Funds to Others," and "Procedures for Endorsements and Guarantees." In the most recent year and up to the date of the annual report, Mycenax has focused on our core business and has not engaged in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, or derivative financial product transactions.

7.6.3 Future R&D Plans

Combining past drug process development experiences and future medical development trend evaluations, Mycenax will focus on expanding and enhancing the manufacturing of new types of drugs in 2024. The priority will be on the following three platform development projects to provide diverse and rapid drug development services.

(1)Cell and Gene Therapy Product Development Plan:

In response to future trends in cell therapy products, Mycenax will continue to optimize processes, scale-up tests, and gene editing techniques for allogeneic cell and gene therapy products. Additionally, Mycenax will continue to expand its technological capabilities in processing different cell sources to enhance its international competitiveness and service capacity in the emerging field of cell therapy.

Two major development directions for 2024:

• Application of Viral and Non-Viral Gene Editing Techniques in CAR-NK/CAR-γδT Products:

Mycenax aims to continuously optimize the efficiency and sustainability of viral vector CAR gene transduction while maintaining good cell expansion performance. Considering the convenience and low production cost advantages of non-viral vector systems, Mycenax's focus will be on developing non-viral vector gene transduction systems in primary cells, targeting emerging technologies such as transposon systems or CRISPR combined with electroporation for evaluation and testing. Additionally, the existing peripheral blood-derived CAR-NK technology platform will be extended to establish umbilical cord blood-derived CAR-NK process technology.

• Exosome Production Platform:

Mycenax's focus will be on developing downstream purification processes that can be connected to GMP mass production, continuously optimizing to improve exosome yield and purity, and developing a set of analytical methods for the process and final products.

(2)Process Intensification Technology Development Plan:

Process intensification is a future trend in drug manufacturing processes. Mycenax's process development capabilities have been recognized by major international companies, becoming a long-term partner in process intensification technology development. Mycenax's goal is to develop a more compact, streamlined, economical, and efficient green process technology platform, establishing a competitive niche for Mycenax in the future CDMO market.

(3)Antibody-Drug Conjugate (ADC) Technology Platform Development Plan:

Mycenax will continue to focus on the development and establishment of site-specific conjugation techniques. In collaboration with KriSan Biotech, Mycenax will invest in linker design and seek to introduce new technology platforms externally to expand the depth of the conjugation platform, meeting future service demands for antibody-drug conjugates.

7.6.4 Expected R&D Expenditures

Over the past decade, the pharmaceutical industry has experienced significant growth with innovative drug designs emerging. To meet customers' demands, Mycenax will continue to invest in R&D resources for various biopharmaceutical development technology platforms and mass production capabilities. This will help customers bring drugs to market more quickly and cost-effectively. Mycenax plans to allocate R&D expenses at a particular level in the future.

7.6.5 Impact of Important Domestic and International Policy and Legal Changes on the Company's Financial and Business Operations and Countermeasures

Mycenax adheres to relevant domestic and international laws and regulations in executing various business activities and continuously monitors important policy and legal changes domestically and internationally. In the most recent year and up to the date of the annual report, Mycenax has not experienced significant impacts on its financial and business operations due to important policy and legal changes.

7.6.6 Impact of Technological Changes (Including Information Security Risks) and Industry Changes on the Company's Financial and Business Operations and Countermeasures

The government has actively promoted the biotechnology industry in recent years, with the biotech pharmaceutical industry characterized by high technical thresholds, long R&D cycles, high professional technical requirements, and high added value. The industry has a relatively high entry barrier, making rapid changes unlikely. Mycenax possesses highly professional development and manufacturing capabilities, allowing Mycenax to closely monitor and appropriately respond to technological and industry changes as needed.

Mycenax has established comprehensive network and computer-related information security protection measures, and continuously reviews and evaluates our information security regulations and procedures to ensure appropriateness and effectiveness.

In the most recent year and up to the date of this annual report, Mycenax has not experienced significant impacts on our financial and business operations due to technological changes (including information security risks) and industry changes.

7.6.7 Impact of Changes in Corporate Image on Corporate Crisis Management and Countermeasures

Mycenax has always maintained a good corporate image, adhering to the principles of integrity and responsibility, realizing customer value, stable growth, and sustainable operation. It continuously strengthens internal management, performs well in the capital market, and complies with legal regulations, to attract more talented individuals to join Mycenax, enhancing the strength of the management team. As of the date of this annual report, there have been no incidents that negatively impacted Mycenax's corporate image.

7.6.8 Expected Benefits and Possible Risks of Mergers and Acquisitions and Countermeasures

As of the date of this annual report, Mycenax has not engaged in any merger or acquisition activities.

7.6.9 Expected Benefits and Possible Risks of Plant Expansion and Countermeasures

To increase production capacity, enhance order-taking capabilities, meet customer demands, and expand the market share of CDMO, Mycenax has established the GMP plant 2, which was completed in 2022Q1 and commenced production in 2023Q3. It is expected to contribute revenue in 2024. Mycenax will continue to actively explore domestic and international orders to mitigate the operational risks associated with plant expansion.

7.6.10 Risks Associated with Concentrated Purchases or Sales and Countermeasures

(1)Purchases

Mycenax's main purchase items are sourced from both domestic and international suppliers. Due to the nature of the industry, relevant raw materials must comply with various strict regulations. To ensure stable production quality, Mycenax maintains long-term supply relationships with upstream suppliers. Mycenax actively seeks alternative suppliers for the same raw materials to reduce the risks associated with concentrated purchases.

(2)Sales

As a CDMO company for biopharmaceuticals, Mycenax's operating revenue varies based on the progress of projects from customers. Mycenax will continue to deepen its presence in the Asian market and expand into the European and American markets. By continuously acquiring new projects and customers, Mycenax aims to mitigate the risks associated with concentrated sales.

7.6.11 Impact and Risks of Major Share Transfers or Changes by Directors or Major Shareholders Holding Over 10%, and Countermeasures:

Not applicable.

7.6.12 Impact and Risks of Changes in Management Control and Countermeasures:

In the most recent year and up to the date of this annual report, there have been no significant changes in Mycenax's management control.

7.6.13 Litigation or Non-Litigation Events

(1)For the company, any litigation, non-litigation, or administrative disputes that have been finally adjudicated or are currently pending in the past two years up to the date of this annual report, where the outcome may significantly affect shareholder rights or the price of securities, the facts of the dispute, the amount involved, the start date of litigation, the main parties involved, and the current status should be disclosed: Not applicable.

(2) For the company's directors, general manager, de facto responsible persons, major shareholders holding more than 10%, and subsidiary companies, any litigation, non-litigation, or administrative disputes that have been finally adjudicated or are currently pending in the past two years up to the date of this annual report, where the outcome may significantly affect shareholder rights or the price of securities:

Litigation Involving Director Center Laboratories, Inc. (hereinafter referred to as "CenterLab")

Start Date of Litigation: July 1, 2016, initiated by CenterLab.

Amount Involved: NTD 20 million for confirming the existence of the commissioned development contract.

Case Details:

- In 2010, CenterLab invested NTD 20 million to commission TSH Biopharm Co., Ltd. Limited (hereinafter referred to as "TTY") to develop the generic drug Risperidone PLGA. Both parties signed a commissioned development contract, stipulating that the rights to the product belonged to CenterLab, while agreeing that TTY could share the rights in the U.S. market.
- After signing the contract, CenterLab made payments according to TTY's research and development progress.
- In May 2016, TTY publicly claimed that Risperidone PLGA was its own product and repeatedly denied the validity of the commissioned development contract.
- To protect the interests of CenterLab and its investors, CenterLab filed a lawsuit on July 1, 2016, requesting the court to confirm the validity of the commissioned development contract.

Status as of the Date of the Annual Report:

- On March 1, 2018, the Taipei District Court ruled in favor of CenterLab in the first instance, confirming the contractual relationship of the commissioned development agreement between CenterLab and TTY. The ruling affirmed CenterLab's rights to the Risperidone PLGA product and its right to require TTY to continue fulfilling the contract.
- TTY filed an appeal on March 22, 2018, and the Taiwan High Court ruled in favor of CenterLab in the second instance on March 11, 2020.
- TTY filed a third-instance appeal on April 10, 2020.
- On May 24, 2021, the Supreme Court remanded the case to the Taiwan High Court for retrial. On November 15, 2022, the High Court in the first retrial ruled that the contractual relationship did not exist. CenterLab filed an appeal on December 16, 2022, and the case is currently under appellate review.

The aforementioned proceedings only concern the clarification of legal responsibilities between CenterLab and TTY and do not involve Mycenax's financial or business matters. Therefore, the outcome is not expected to have a significant impact on Mycenax's shareholder interest or the price of its securities.

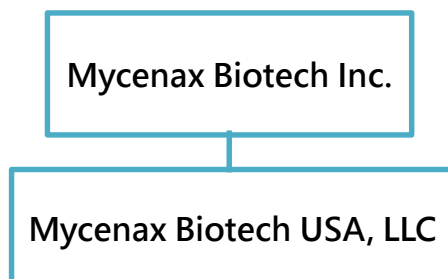
7.6.14 Other Significant Risks and Countermeasures: None.

7.7 Other Significant Matters: None.

Special Disclosure

8.1 Information on Affiliated Companies

8.1.1 Organization Chart of Affiliated Companies



8.1.2 Basic Information on Affiliated Companies

Company Name	Date of Establishment	Address	Main Business Activities
Mycenax Biotech USA, LLC	2022/10/27	8 THE GREEN, STE B Dover, Delaware, USA	Assist in providing US marketing support services

8.1.3 Information on Identical Shareholders Presumed to Have a Controlling and Subsidiary Relationship under Article 369-3 of the Company Act: None.

8.1.4 Industries Covered by the Business Operations of the Entire Group of Affiliated Companies: Please refer to section 8.1.2.

8.1.5 Information on Directors, Supervisors, and Presidents of Affiliated Companies

Company Name	Title	Name	Shareholding
Mycenax Biotech USA, LLC	Manager	Pei-Jiun Chen	0

8.1.6 Operation Overview of Affiliated Companies

Unit: USD thousand								
Company	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Net Income	EPS
Mycenax Biotech USA, LLC	100	186	31	155	550	62	49	-

8.1.7 Consolidated Financial Statements of Affiliated Companies

Mycenax has included the financial data of its U.S. subsidiary in the consolidated financial statements starting from the first quarter of 2023. For 2022 and 2021Q1, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the entities that are required to be included in the consolidated financial statements of affiliates are the same as the entities required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

8.1.8 Relevant Information of the Affiliated Companies Report:

Not Applicable.

8.2 Recent Year and as of the Date of this Annual Report: Status of Private Placement of Securities

Item	Private Placement in 2022 Issue date (Stock Delivery Date): October 31, 2022			
Type of Private Placement Securities	Common shares			
Date and Amount Approved by Shareholders' Meeting	Total Number of Shares Approved for Private Placement by the Shareholders' Meeting on May 30, 2022, and the Board of Directors on July 27, 2022: 50,000,000 shares			
Basis and Reasonableness of Price Determination	The subscription price per share for this private placement of ordinary shares is based on no less than 80% of the reference price. The pricing of this private placement of ordinary shares complies with the "Directions for Public Companies Conducting Private Placements of Securities" and does not have a significantly adverse impact on shareholders' interest. Therefore, the price determination is deemed reasonable.			
Method of Selecting Specific Persons	The specific persons for this private placement of securities are selected in accordance with Article 43-6 of the Securities and Exchange Act, the Ministry of Finance Securities and Futures Commission's Order No. (91) Tai Cai Zheng (1) No. 0910003455 dated June 13, 2002, and the targets specified in Article 4, Item 2 of the "Directions for Public Companies Conducting Private Placements of Securities."			
Necessity for Private Placement	Considering the difficulty in finance market conditions for fundraising, the timeliness, convenience, and issuance costs, and the transfer restrictions on privately placed ordinary shares, which can better ensure long-term cooperation between Mycenax and its investment partners, Mycenax opted not to conduct a public offering but instead to handle the capital increase and issuance of new shares through a private placement.			
Number of Shares	8,000,000 Shares		42,000,000 Shares	
Date of Payment Completion	Date of Payment Completion: 2022//8/5 (Payment to be completed within 15 days from the pricing date of July 27, 2022, with full payment received on August 5, 2022)		Date of Payment Completion: 2022/10/11 (Payment to be completed within 15 days from the date of approval by the authority on 2022/9/29, i.e., by 2022/10/13, with full payment received on 2022/10/11)	
Subscriber Information	Subscribers	Qualification Criteria	Subscription Quantity	Relationship with Mycenax
	Center Laboratories, Inc.	Item 3	8,000,000 shares	Corporate directors and major shareholders with more than 10% of shoreholding
	JCR Pharmaceuticals Co., Ltd.	Item 2	42,000,000 shares	Strategic Investors
Actual Subscription Price	NTD 32.5 per share			

Difference Between Actual Subscription Price and Reference Price	The actual subscription price is 83.91% of the reference price of NTD 38.73.	
Impact of Private Placement on Shareholders' Equity	The use of funds from the private placement aims to enhance Mycenax's competitiveness, improve operational efficiency, and strengthen the financial structure, which also has a positive impact on shareholders' interest.	
Utilization of Funds from Private Placement and Project Execution Progress	Use of Funds	Execution Status as of the First Quarter of 2024
	Replenishment of Working Capital	NTD 475,000 thousand
	Long-term Development Strategy	NTD 673,891 thousand
Effectiveness of Private Placement	Funds will be utilized according to the planned usage and will gradually demonstrate benefits.	

8.3 Status of Subsidiaries Holding or Disposing of the Company's Stock in the Recent Year and as of the Date of this Annual Report: None.

8.4 Other Necessary Supplementary Explanations: None.

8.5 Significant Matters Affecting Shareholder Interest or Securities Prices as Defined in Article 36, Paragraph 3, Item 2 of the Securities and Exchange Act in the Recent Year and as of the Date of this Annual Report: None.

Attachment 1

Statement of Internal Control

Mycenax Biotech Inc.
Statement of Internal Control

Date: March 13, 2024

Mycenax Biotech Inc. (The Company) states the following with regard to its internal control system during fiscal year 2023, based on the findings of its self-assessment:

- I The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
- II An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
- III The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
- IV The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2023, its internal control system (including the supervision and management of subsidiaries), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
- VI This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII This Statement has been passed by the Board of Directors Meeting of the Company held on March 13, 2024, where 0 of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Mycenax Biotech Inc.

Chairman and President: Pei-Jiun Chen

Attachment 2

Audit Committee's Review Report

Mycenax Biotech Inc.
Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Deficit Compensation for the year of 2023. Jin-Di Wu and Wei-Liang Tai, Certified Public Accountants of Full-Go & Co., have audited the Financial Statements.

The 2023 Business Report, Financial Statements, and Deficit Compensation have been reviewed and determined to be correct and accurate by the Audit Committee of Mycenax Biotech Inc. I, as the Chair of the Audit Committee, hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

Mycenax Biotech Inc. 2024 Annual Shareholders' Meeting

Convener of the Audit Committee:

Kuo-Pin Kao

March 13, 2024

Attachment 3

Consolidated Financial Statements

with Independent Auditors' Report

For the years ended December 31,2023

Mycenax Biotech Inc. and Subsidiaries
Consolidated Financial Statements
with Independent Auditors' Report
For the years ended December 31,
2022 and 2023

Address : 7F, No.66, Shengyi 2nd Road, Zhubei City, Hsinchu Science Park,
Hsinchu County, Taiwan, R.O.C.

Tel: (03) 6670880

Statement of Declaration

For the year 2023 (from January 1 to December 31, 2023), the Company's entities that are required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Consolidated Business Report of Affiliated Enterprises, Consolidated Financial Statements of Affiliated Enterprises, and Affiliation Reports" are the same as those required to be included in the parent-subsidary consolidated financial statements under the International Financial Reporting Standards 10. Moreover, the related information required to be disclosed for the consolidated financial statements of affiliated enterprises has been fully disclosed in the aforementioned parent-subsidary consolidated financial statements. Consequently, a separate set of consolidated financial statements of affiliated enterprises is not prepared.

Hereby declare,

Company: Mycenax Biotech Inc.

Representative: Chen Peijun

Republic of China March 13, 2024



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Mycenax Biotech Inc. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibility under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:



Fullfill

富鋒聯合會計師事務所

台北市忠孝東路一段 35 號 8 樓

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FAX : (02)2351-1818

<http://www.full-go.com/zh-tw>

Revenue Recognition

Please refer to Note 4.13 for accounting policy related to revenue recognition and Note 6.15 for disclosure information about revenue recognition of the Consolidated 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 consolidated 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 4.17 for accounting policy related to deferred income tax assets recognition and Note 6.19 for disclosure information of the consolidated 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 consolidated financial statements of 2023, 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 consolidated 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 4.5% 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 0.2% of net loss before tax.

We have audited the 2023 and 2022 financial statements of Mycenax Biotech Inc. and have issued an unqualified opinion, together with a report on the audits, for the convenience of readers.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Consolidated Financial Statements

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



Fullfill

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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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 consolidated financial statements for the year ended December 31, 2023 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, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

Mycenax Biotech Inc.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

Account Co.	Assets	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$ 519,268	14	\$ 1,323,365	30
1136	Financial assets at amortized cost	4, 6(3) ,8	149,618	4	17,316	—
1140	Contract assets	4, 6(15)	7,842	—	11,951	—
1170	Accounts receivable, net	4, 6(4)	41,395	1	58,731	1
1180	Accounts receivable, net-related parties	7	9,294	—	10,637	—
1200	Other receivables		4,688	—	3,087	—
130X	Inventories	4, 6(5)	112,326	3	246,721	6
1410	Prepayments		83,247	2	103,219	2
1482	Costs to fulfil contracts	6(15)	134,697	4	146,436	4
1470	Other current assets	8	35,635	1	2,318	—
11XX	Total current assets		1,098,010	29	1,923,781	43
15XX	Non-current assets					
1517	Financial assets at fair value through other comprehensive income	4, 6(2)	268	—	268	—
1550	Investments accounted for using the equity method	4, 6(6)	190,542	5	199,245	5
1600	Property, plant and equipment, net	4, 6(7), 8	1,779,575	42	1,886,916	42
1755	Right-of-use assets	4, 6(8)	67,768	2	91,302	2
1780	Intangible assets	4, 6(9)	42,902	1	49,844	1
1840	Deferred income tax assets	4, 6(19)	95,491	2	89,715	2
1915	Prepayments for business facilities	6(7)	484,758	5	201,127	5
1920	Refundable deposits		8,012	—	7,958	—
1975	Net defined benefit assets	4, 6(12)	3,075	—	2,842	—
15XX	Total non-current assets		2,672,391	57	2,529,217	57
1XXX	Total assets		\$ 3,770,401	100	\$ 4,452,998	100

(Continued)

Mycenax Biotech Inc.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Account Co.	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term loans	6(10), 8	\$ —	—	\$ 100,000	2
2130	Contract liability	6(15), 7	187,283	5	142,275	3
2170	Accounts payable	7	44,053	1	52,521	1
2200	Other payables	6(11), 7, 12	361,318	10	195,378	5
2280	Lease liabilities	4, 6(8)	30,571	1	37,282	1
2320	Long-term liabilities, current portion	6(10)	125,920	3	105,880	2
2399	Other current liabilities		4,278	—	1,397	—
21XX	Total current liabilities		753,423	20	634,733	14
25XX	Non-current liabilities					
2541	Long-term borrowings	6(10), 8	530,400	14	656,320	15
2580	Non-current lease liabilities	4, 6(8)	39,386	1	56,370	1
25XX	Total non-current liabilities		569,786	15	712,690	22
2XXX	Total liabilities		1,323,209	35	1,347,423	39
31XX	Equity	6(13)				
3110	Common stock		2,058,862	55	2,053,060	46
3140	Advance receipts for ordinary share		1,022	—	193	—
3170	Share capital awaiting retirement		(2,000)	—	—	—
3200	Capital surplus		1,074,289	28	1,468,143	33
3350	Accumulated deficit		(682,641)	(18)	(406,832)	(9)
3400	Other equity interest		(2,340)	—	(8,989)	—
3XXX	Total equity		2,447,192	70	3,105,575	70
3X2X	Total liabilities and equity		3,770,401	100	4,452,998	100

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

Mycenax Biotech Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share)

Account Co.	Item	Notes	For the Year Ended December 31			
			2023		2022	
			Amount	%	Amount	%
4000	Operating Revenue	4, 6(15), 7	\$ 652,620	100	\$ 732,276	100
5000	Operating Costs		1,027,811	158	845,948	116
5900	Gross Profit (Loss)		(375,191)	(58)	(113,672)	(16)
	Operating Expenses	6(16), 7				
6100	Sales and marketing expenses		60,268	9	43,507	6
6200	General and administrative expenses		91,691	14	112,657	15
6300	Research and development expenses		75,813	12	144,001	20
6450	Expected credit impairment loss (gain)		(1,131)	—	31,158	4
6000	Total operating expenses		226,911	35	331,323	45
6900	Operating Profit (Loss)		(602,102)	(93)	(444,995)	(61)
7000	Non-operating Income and Expenses					
7050	Finance costs	4, 6(17)	(27,245)	(4)	(19,194)	(3)
7020	Other losses	6(17), 10	(73,995)	(11)	(20,569)	(3)
7100	Interest income		17,660	3	3,795	1
7190	Other income	6(17), 7	7,057	1	5,586	1
7230	Net foreign exchange gain (loss)		3,347	—	13,291	2
7070	Share of profit of associates and joint ventures accounted for using equity method	6(6)	(8,703)	(1)	(755)	—
7000	Total non-operating income and expenses		(81,879)	(2)	(17,846)	(2)
7900	Loss before income tax		(683,981)	(63)	(462,841)	(63)
7950	Income tax benefit(or expense)	4, 6(19)	1,134	1	9,210	1
8200	Net Loss		(682,847)	(12)	(453,631)	(62)
	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		258	—	453	—
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		—	—	(7,516)	(1)
8349	Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	4, 6(19)	(52)	—	3,146	—
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		206	—	(3,917)	(1)
	Other Comprehensive Income Components of other comprehensive income that may be reclassified to profit or loss	6(18)				
8361	Exchange differences on translation of foreign financial statements		(39)			
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	4, 6(19)	8			

Account Co.	Item	Notes	For the Year Ended December 31			
			2023		2022	
			Amount	%	Amount	%
8360	Total components of other comprehensive income that may be reclassified to profit or loss		(31)			
8500	Total Comprehensive Loss		<u>\$ (682,672)</u>	<u>(105)</u>	<u>\$ (457,548)</u>	<u>(63)</u>
	EARNINGS PER SHARE					
9750	Basic earnings per share	6(20)	<u>\$ (3.32)</u>		<u>\$ (2.74)</u>	
9850	Diluted earnings per share	6(20)	<u>\$ (3.32)</u>		<u>\$ (2.74)</u>	

(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	Share capital awaiting retirement	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	Exchange differences on translation	Unearned compensation	
Balance on January 1,2022	\$ 1,533,337	\$ —	\$ —	\$ 527,600	\$ 36,111	\$ —	\$ 13,237	\$ (254,336)	\$ 50,716	\$ —	\$ —	\$ 1,906,665
Issuance of shares	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)	—	—	—	—	—	—	—	(89,956)	(4,279)	—	—	(457,548)
Compensation costs of employee stock options	—	—	—	—	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
Capital reserves for cover accumulated deficits	—	—	—	(406,832)	—	—	—	406,832	—	—	—	—
Employee stock option exercised	7,402	829	—	13,854	(5,493)	—	—	—	—	—	—	16,592
Employee stock options expired	—	—	—	—	(17,752)	—	17,752	—	—	—	—	—

Item	Share Capital			Capital Reserves				Accumulated deficit	Other equity interest			Total equity
	Common stock	Advance Receipts for Common Stock	Share capital awaiting retirement	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	Exchange differences on translation	Unearned compensation	
Adjustment for lapsing of new shares and cancellation of capital reduction by restricting employee rights	(1,600)	—	(2,000)	—	—	(3,723)	—	—	—	—	7,323	—
Income (Loss) for 2023	—	—	—	—	—	—	—	(682,847)	—	—	—	(682,847)
Other comprehensive income (loss)	—	—	—	—	—	—	—	206	—	(31)	—	175
Total comprehensive income (loss)	—	—	—	—	—	—	—	(682,641)	—	(31)	—	(682,672)
Compensation costs of employee share based payment	—	—	—	—	8,340	—	—	—	—	—	(643)	7,697
Balance on December 31,2023	\$ 2,058,862	\$ 1,022	\$ (2,000)	\$ 1,024,137	\$ 20,471	\$ (2,837)	\$ 32,518	\$ (682,641)	\$ —	\$ (31)	\$ (2,309)	\$ 2,447,192

(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

Item	For the Year Ended December 31	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss before tax	\$ (683,981)	\$ (462,841)
Adjustments for:		
Adjustments to reconcile profit(loss)		
Depreciation	303,438	254,909
Amortization	11,343	27,644
Expected credit impairment losses(income)	(1,131)	31,158
Compensation costs of employee stock options	7,697	9,807
Interest expense	27,245	19,194
Interest income	(17,660)	(3,795)
Dividend income	(4)	(4)
Shares of profit from associates under equity method	8,703	755
Gain on lease modification	(26)	(1,131)
Loss (Gain) on disposals of property, plant and equipment	—	20,106
Disaster loss	73,962	
Write-down (reversal) of inventories	35,944	16,090
Changes in operating assets and liabilities		
Contract assets	4,109	(11,951)
Accounts receivable, net	18,467	32,501
Accounts receivable, net-related parties	1,343	(2,762)
Other receivables	(1,895)	8,968
Inventories	58,127	(89,509)
Prepayments	16,686	(17,170)
Other current assets	(2)	6,378
Costs to fulfil contracts	11,739	44,136
Decrease (increase) in net defined benefit asset	25	180
Accounts payable	(8,468)	(2,154)
Other payables	(14,808)	2,282
Current contract liabilities	45,008	(9,841)
Other current liabilities	2,881	176
Cash outflow generated from operations	(101,258)	(126,874)
Interest paid	(23,067)	(23,042)
Income tax paid	(6,853)	(269)
Net cash flows used in operating activities	(131,178)	(150,185)

(Expressed in thousands of New Taiwan dollars)

(Continued)

Item	For the Year Ended December 31	
	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Disposal (Acquisition) of financial assets at amortized cost	(132,302)	(8,816)
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
Acquisition of investment accounted for using the equity method	—	(200,000)
Decrease (Increase) in restricted assets	(31,148)	(1,193)
Acquisition of property, plant and equipment	(295,631)	(626,936)
Disposal of property, plant and equipment	(54)	—
Decrease (Increase) in refundable deposits	(1,971)	(1,137)
Acquisition of intangible assets	17,954	(12,038)
Interest received	4	3,071
Dividend received	(443,148)	4
Net cash flows used in investing activities		(745,243)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of the principal of lease liabilities	(40,444)	(36,985)
Proceeds (Repayments) from short-term borrowings	(100,000)	50,000
Proceeds (Repayments) from long-term borrowings	(105,880)	272,200
Issuance of common stocks	—	1,625,000
Employee stock options exercised	16,592	21,651
Net cash flows from financing activities	(229,732)	1,931,866
Effect of exchange rate changes on cash and cash equivalents	(39)	—
Net increase in cash and cash equivalents	(804,097)	1,036,438
Cash and Cash equivalents at beginning of year	1,323,365	286,927
Cash and cash equivalents at end of year	\$ 519,268	\$ 1,323,365

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

MYCENAX BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(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 consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2024.

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, 2023 has no significant impact on the Company's accounting policies.

(II) Applicable IFRSs accredited by FSC in 2024

New Standards, Interpretations and Amendments	Effective date (Note 1)
Amendments to IAS 1, "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024
Amendments to IFRS 16 "Lease Liability in a Sale and Leasebacks"	January 1, 2024 (Note 2)

Note 1: Unless otherwise stated, the above new releases/amendments/revisions of standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should apply the amendments to IFRS 16 retrospectively for sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date of issuance of this Consolidated Financial Statements, the Consolidated Company assesses that the amendments to the above standards and interpretations will not have a material impact on the financial position and financial performance.

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

New Standards, Interpretations and Amendments	Effective Date of Issuance by the IASB Issuance (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts" and Amendments	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new releases/amendments/revisions of standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: Applicable to annual reporting periods beginning after January 1, 2025. Upon the first application of the amendment, the impact is recognized in retained earnings at the date of first application. When the Consolidated Company uses a non-functional currency as the presentation currency, the impact amount will be adjusted for foreign operator exchange differences under equity items as of the date of initial application.

As of the date of issuance of this consolidated financial report, the Consolidated Company is still evaluating the impact of the amendments to other standards and interpretations on its financial position and financial performance, and the related impact will be disclosed when the evaluation is completed.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance

The consolidated financial report is prepared in accordance with the Securities Financial Report Preparation Standard (hereinafter referred to as IFRSs).

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 consolidated 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. Basis of Preparation for Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control refers to the company's power to

direct the financial and operating policies of an individual to obtain benefits from its related operating activities.

The consolidated income statement has Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The total comprehensive income of subsidiaries is attributed to the Company's shareholders and non-controlling interests, even if this results in non-controlling interests having a deficit balance.

When necessary, adjustments are made to subsidiaries' financial statements to bring their accounting policies into line with those used by the Company.

All significant transactions, balances, income, and expenses between the Company's consolidated entities are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company's shareholders.

When the consolidated company loses control of the subsidiary, the disposition gains and losses are the difference between the following two; (1) The fair value of the consideration received and the remaining investment in the former subsidiary is counted at the fair value on the day when the control was lost, and (2) The assets (including goodwill), liabilities, and non-controlling interests of the former subsidiary are counted based on the book value on the date of loss of control. The consolidated company recognizes all amounts related to the subsidiary in other comprehensive profits and losses, and its accounting treatment is based on the same basis that the consolidated company must follow when directly processing related assets or liabilities.

The former subsidiary's remaining investment is based on the fair value at the date of loss of control as the amount initially recognized for investment in the affiliated Company.

The subsidiaries included in the preparation of the consolidated financial statements are listed as follows:

Name of Investor	Name of Subsidiary	Relationship with the Company	Nature of Business	Percentage of Capital	Description
				2023.12.31	
The Company	Mycenax Biotech USA,LLC	A subsidiary of the Company	Market development	100.00%	Note 1

Note 1: The company was established in October, 2022, and on March 10, 2023, the capital injection was completed.

4. Foreign currency

Individual financial statements of each of the Group's entities are prepared and disclosed using the currency of the primary economic environment in which the entity operates (the "functional currency"). When preparing consolidated financial statements, each consolidated entity's operational results and financial position are converted to NTD (the Company's functional currency and the expressed currency of consolidated statements).

When preparing individual financial statements for each consolidated entity, a 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.

For the preparation of consolidated financial statements, foreign operators' assets and liabilities are converted to NTD at the immediate exchange rate at the end of the reporting period; gains and fees and losses are converted at the average exchange rate for the current period. The difference is recognized as other composite gains or losses and accrued to converting the foreign operating organization's financial statements of equity (and appropriately allocated to non-controlled interests).

5. 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.

6. 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.

7. Investments accounted for using the equity method

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.

A joint venture is a joint arrangement where the Company and other parties share joint control and net assets.

Except for assets classified for sale, the results of the affiliates and joint ventures and assets and liabilities are included in the consolidated financial statements using the equity method. Under the equity method, investment-related companies and joint ventures were originally recognized at a cost in consolidated 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.

Unrealized gains or losses are eliminated in proportion to consolidation when transactions are between consolidated entities and affiliates and joint ventures.

The consolidated company shall cease the use of the equity method from the date when its investment is no longer a joint venture. Its retained interest in the joint venture is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. Also, accounting for all amounts recognized in other composite income and loss related to the affiliate and the joint venture is the basis on which the related assets or liabilities must be disposed of directly by the affiliates joint ventures Same. When investments in associates become investments in joint ventures, or vice versa, the Consolidated Entity would continue to adopt the equity method and not to remeasure the retained interests.

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).

8. 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 consolidated 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.

9. 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.

10. 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.

11. Financial instruments

Financial assets and financial liabilities shall be recognized when the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated company are recognized at the amount of proceeds received net of direct issuance costs.

The acquisition of equity instruments by the consolidated company itself is recognized and deducted in equity. The purchase, sale, issuance, or cancellation of equity instruments by the consolidated 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.

12. 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 consolidated 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.

13. Revenue recognition

(1)Revenue from customer contracts

Revenue is measured at the fair value of the consideration a person is expected to receive as a result of the transfer of goods or services. The consolidated company recognizes revenue when control of goods or services is transferred to customers and performance obligations are satisfied. The consolidated company's major revenue items are summarized below:

A.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 consolidated company recognizes revenue at that point and accounts receivable.

B.Service Revenue

Service revenues are primarily derived from the provision of technical services. 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. Technical services provided during the contract period are recognized at the point in time when the Company satisfies its contractual obligations as upon completion of the contractual obligations.

C.Licensing Revenue

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).

(2)Assets related to contract costs

Costs of fulfill contracts

Expenditures related to customer contracts that result in the generation or enhancement of resources that will be used in the future to satisfy (or continue to satisfy) contractual obligations are recognized as costs of fulfill contracts to the extent that the amounts are recoverable.

14. Lease

On the contract inception date, the consolidated company evaluates whether the contract contains or includes a lease. For contracts with lease and non-lease components, The consolidated 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 consolidated company as 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 consolidated company as 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 consolidated 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.

15. 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

16. Government grants

Government grants are recognized when there is reasonable assurance that the consolidated

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 consolidated 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 consolidated 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.

17. Income tax

Income tax expense is the sum of current income tax payable and deferred 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 consolidated 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 consolidated 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 consolidated 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.

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, 2023 and 2022, the consolidated company recognized net deferred income tax assets were NT\$95,491 thousand and NT\$89,715 thousand respectively.

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

The consolidated 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 consolidated company did not recognize any impairment losses for asset assessments in December 31, 2023, and 2022.

3. Inventory valuation

Since the inventory must be valued at the lower of cost or net realizable value, the consolidated 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 consolidated 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, 2023, and 2022, the carrying amounts of the Company's inventories were NT\$112,326 and NT\$246,721 thousand thousand, respectively.

4. Lease term

When determining the lease term of the leased asset, the consolidated 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 consolidated 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 consolidated company determines the timing of revenue recognition. In making such determination, management has fully considered the revenue recognition criteria, particularly whether the consolidated 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	2023.12.31	2022.12.31
Cash on hand and petty cash	\$ 100	\$ 73
Demand deposits	514,168	247,659
Cash equivalents :		
Time deposits	5,000	1,075,633
Total	\$ 519,268	\$ 1,323,365

(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	2023.12.31	2022.12.31
Time deposits	1.16%	0.91%~4.85%

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

Items	2023.12.31	2022.12.31
Non-current		
Domestic unlisted stocks	\$ 268	\$ 268
Total	\$ 268	\$ 268

(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, 2023, and 2022, the evaluation net gain(loss) of financial assets generated was NT\$0 thousand and (NT\$7,516) thousand, respectively.

(4) After considering the operating strategy, the consolidated company disposed of equity instrument investments measured at fair value through other comprehensive income.

Details of the disposal are as follows:

Items		2023		2022
Fair value of the disposed assets	\$	—	\$	102,070
The gain or loss on disposal transferred to retained earnings	\$	—	\$	46,437

3. Financial assets measured at amortized cost

Items	2023.12.31	2022.12.31
Current :		
Time deposits with an original maturity exceeding three months	\$ 149,618	\$ 17,316

- i. The market interest rate range for time deposits as of the balance sheet date is as follows:

Items	2023.12.31	2022.12.31
Time deposits	1.56%~5.13%	1.35%~1.44%

- ii. Details of the financial assets at amortized cost pledged to others as collateral, please refer to Note 8.

4. Accounts receivable, net

Items	2023.12.31	2022.12.31
<u>At amortized cost</u>		
Accounts receivable	\$ 58,452	\$ 90,774
Less: Loss allowance	(17,057)	(32,043)
NET	\$ 41,395	\$ 58,731

The consolidated 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 consolidated 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 consolidated company's historical credit loss experience, industry and economic outlook, and forward-looking information adjustments. As the consolidated 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 consolidated company also considers the operating condition and debt-paying ability of customers to assess whether additional expected credit losses should be recognized. Furthermore, the consolidated 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	2023.12.31	2022.12.31
Not past due	\$ 40,001	\$ 51,086

Items	2023.12.31	2022.12.31
Past due		
Past due within 30 days	336	—
Past due 31 to 60 days	37	413
Past due 61 to 180 days	1,021	1,767
Past due 181 to 365 days	—	5,465
Past due over 365 days	—	—
Total	\$ 41,395	\$ 58,731

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

Items	2023	2022
Beginning balance	\$ 32,043	\$ 885
Provision	—	31,158
Reversal	(1,131)	—
Written off	(13,855)	—
Ending Balance	\$ 17,057	\$ 32,043

(3) None of the above accounts receivable were pledged as collateral.

5. Inventories

Items	2023.12.31	2022.12.31
Raw Material	\$ 178,696	\$ 274,797
Inventory in transit	—	2,351
Less: Allowance for decline in value of inventories	(66,370)	(30,427)
NET	\$ 112,326	\$ 246,721

(1) For the year ended in 2023 and 2022, the write-down of inventories of NT\$35,943 thousand and NT\$16,090 thousand were included in the operating costs, respectively.

(2) As of December 31, 2023 and 2022, the consolidated company's inventories were not pledged as collateral.

6. Investments accounted for using the equity method

Investments in associates

Items	2023.12.31	2022.12.31
KRISAN BIOTECH CO., LTD.	\$ 190,542	\$ 199,245

(1) The basic information of the consolidated company's associates is as follows:

Items	Shareholding percentage	
	2023.12.31	2022.12.31

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 consolidated company acquired the shares of KRISAN BIOTECH CO., LTD. in December, 2022 as a strategic partner to 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 carrying amounts of the consolidated company's individually insignificant affiliates and their shares of the results of operations are summarized below:

The consolidated company's share of profit	2023	2022
Net income of continuing operations	\$ (8,703)	\$ (755)
Other comprehensive income	—	—
Total Comprehensive income	\$ (8,703)	\$ (755)

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

7. Property, Plant, Equipment and Prepaid Equipment Payments

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

Item	2023.12.31	2022.12.31
Land, buildings, and structures	\$ 709,695	\$ 767,604
Machinery and equipment	857,056	992,074
Office Equipment	20,160	19,585
Leasehold improvements	85,812	104,301
Construction in progress	106,852	3,352
Total	\$ 1,779,575	\$ 1,886,916

	Land, buildings, and structures	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process	Total
Cost:						
Balances as of January 1, 2023	\$ 791,675	\$ 1,540,623	\$ 34,563	\$ 307,772	\$ 3,352	\$ 2,677,985
Addition	141	24,513	4,806	13,529	107,416	150,405
Disposal	—	(12,729)	(3,903)	(11,987)	—	(28,619)
Reclassification	1,040	14,865	750	8,024	(3,916)	20,763
Balances as of December 31, 2023	\$ 792,856	\$ 1,567,272	\$ 36,216	\$ 317,338	\$ 106,852	\$ 2,820,534
	Land, buildings, and structures	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process	Total
Accumulated De[reciation and Impairment:						
Balances as of January 1, 2023	\$ 24,071	\$ 548,549	\$ 14,978	\$ 203,471	\$ —	\$ 791,069
Depreciation	59,090	170,339	4,981	28,719	—	263,129
Disposal	—	(8,672)	(3,903)	(664)	—	(13,239)
Reclassification	—	—	—	—	—	—
Balances as of December 31, 2023	\$ 83,161	\$ 710,216	\$ 16,056	\$ 231,526	\$ —	\$ 1,040,959
	Land, buildings, and structures	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process	Total
Cost:						
Balances as of January 1, 2022	\$ —	\$ 817,879	\$ 19,692	\$ 276,232	\$ 624,348	\$ 1,738,151
Addition	15,175	67,973	5,652	6,715	196,755	292,270
Disposal	—	(11,264)	(2,922)	(1,158)	(20,106)	(35,450)
Reclassification	776,500	666,035	12,141	25,983	(797,645)	683,014
Balances as of December 31, 2022	\$ 791,675	\$ 1,540,623	\$ 34,563	\$ 307,772	\$ 3,352	\$ 2,677,985
	Land, buildings, and structures	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process	Total
Accumulated Depreciation and Impairment:						
Balances as of January 1, 2022	\$ —	\$ 407,355	\$ 14,057	\$ 169,764	\$ —	\$ 591,176
Depreciation	24,071	151,633	4,499	35,034	—	215,237
Disposal	—	(11,264)	(2,922)	(1,158)	—	(15,344)
Reclassification	—	825	(656)	(169)	—	—
Balances as of December 31, 2022	\$ 24,071	\$ 548,549	\$ 14,978	\$ 203,471	\$ —	\$ 791,069

Note: The reclassified item was transferred from prepayment for equipment (listed under "non-current assets").

- A. The capitalized interest amounted of the consolidated company for the year 2023 and 2022 were NT\$0 thousand and NT\$8,304 thousand, respectively.
- B. The consolidated 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 on September 30, 2022.
- C. Please refer to Note 8 for the information of property, plant, and equipment pledged by the consolidated company as collateral for a loan.

(2) Prepayments for business facilities:

	2023	2022
Beginning balance	\$ 201,127	\$ 633,067
Addition	306,824	259,073
Reclassification	(23,193)	(691,013)
Ending Balance	\$ 484,758	\$ 201,127

8. Lease Agreements

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

Items	2023.12.31	2022.12.31
Land	\$ 13,149	\$ 14,131
Buildings	54,619	77,171
Total	\$ 67,768	\$ 91,302

Addition of Right-of-use assets	2023	2022
Land	\$ —	\$ 2,883
Buildings	16,775	37,248
Total	\$ 16,775	\$ 40,131

Depreciation expense	2023	2022
Land	\$ 982	\$ 5,625
Buildings	39,327	34,047
Total	\$ 40,309	\$ 39,672

(2) Leasing liabilities:

Items	2023.12.31	2022.12.31
Carrying amount of lease liabilities		
Current	\$ 30,571	\$ 37,282
Non-current	\$ 39,386	\$ 56,370

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

Items	2023.12.31	2022.12.31
Land	2%	1.977%~2%
Buildings	1.809%~1.977%	1.809%~1.977%

(3) Other Lease Information:

Items	2023	2022
Short-term lease expenses	\$ 2,201	\$ 3,313
Total cash outflow for leases	\$ (40,444)	\$ (36,985)

The consolidated 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 consolidated 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 consolidated company has no purchase options to acquire the leased land and buildings at the end of the lease terms.

9. Intangible assets

Items	2023.12.31	2022.12.31
Software	\$ 18,983	\$ 25,221
Goodwill	23,919	23,919
Professional expertise	—	704
Customer relations	—	—
Total	\$ 42,902	\$ 49,844

	Balance as of January 1, 2023	Addition	Disposal	Reclassification	Balance as of December 31, 2023
Cost:					
Software	\$ 47,569	\$ 1,971	\$ (10,707)	\$ 2,430	\$ 41,263
Goodwill	23,919	—	—	—	23,919
Profession expertise	37,125	—	—	—	37,125
Customer relations	14,008	—	—	—	14,008
Total	\$ 122,621	\$ 1,971	\$ (10,707)	\$ 2,430	\$ 116,315
	Balance as of January 1, 2023	Amortization expense	Disposal	Reclassification	Balance as of December 31, 2023
Accumulated amortization and impairment					
Software	\$ 22,348	\$ 10,639	\$ (10,707)	\$ —	\$ 22,280
Goodwill	—	—	—	—	—
Profession expertise	36,421	704	—	—	37,125
Customer relations	14,008	—	—	—	14,008
Total	\$ 72,777	\$ 11,343	\$ (10,707)	\$ —	\$ 73,413
	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
Profession 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	—	—	—	—	—
Profession expertise	27,138	9,283	—	—	36,421
Customer relations	13,229	779	—	—	14,008
Total	\$ 55,361	\$ 27,644	\$ (10,228)	\$ —	\$ 72,777

In February 2019, the consolidated 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 consolidated 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 consolidated company did not recognize any impairment loss on goodwill in both the 2023 and 2022 fiscal years.

10. Borrowings

(1) Short term borrowings

Items	2023.12.31	2022.12.31
Bank loan		
Credit loan	\$ —	\$ —
Syndicated loan	—	100,000
Total	\$ —	\$ 100,000
Range of interest rate	—	2.6374%

(2) Long-term borrowings

Items	2023.12.31	2022.12.31
Bank loan		
Syndicated loan	\$ 656,320	\$ 762,200
Less: Long-term borrowings – current portion	(125,920)	(105,880)
Total	530,400	656,320
Range of interest rate	2.8753%	2.6374%

In August 2021, the consolidated 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 consolidated company as collateral for long-term borrowings, please refer to Note 8.

(4) For detail of the consolidated company's interest rate, foreign currency, and liquidity risks, please refer to Note 6(22).

11. Other payables

Items	2023.12.31	2022.12.31
Salaries and bonuses	\$ 87,164	\$ 89,783
Construction and equipment payable	178,457	16,860
Leave payable	6,595	6,252
Commission expenses	11,122	8,174
License transfer price payable	40,000	39,024
Estimated loss payable	12,867	—
Others	25,113	35,285
Total	\$ 361,318	\$ 195,378

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 consolidated company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The subsidiary Mycenax Biotech USA, has a defined contribution pension plan and is required by law to make monthly contributions to the local government for pensions, medical care, and other social security benefits.

The consolidated company recognized the total amount of NT\$13,589 thousand and NT\$14,249 thousand respectively in the statements of comprehensive income in 2023 and 2022.

(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 consolidated 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 consolidated 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:

	2023.12.31	2022.12.31
Present value of defined benefit obligation	\$ 93	\$ 247
Fair value of the planned assets	(3,168)	(3,089)
Net defined benefit liability (asset)	\$ (3,075)	\$ (2,842)

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

	Present value of defined benefit obligation	Fair value of the planned assets	Net defined benefit liability (asset)
Balance as of January 1, 2023	\$ 247	\$ (3,089)	\$ (2,842)
Service cost for the period	81	—	81
Interest expense (income)	4	(46)	(42)
Recognized in gain or loss	85	(46)	39
Remeasurements			
Return on planned assets	—	(19)	(19)
(Return on planned assets)			
Actuarial (profit) loss -changes in demographic assumption	(1)	—	(1)
Actuarial (profit) loss -changes in financial assumptions	3	—	3
Actuarial (profit) loss - experience adjustments	(241)	—	(241)
Recognized in other comprehensive income	(239)	(19)	(258)
Paid directly by the Company	—	(14)	(14)
Balance as of December 31, 2023	\$ 93	\$ (3,168)	\$ (3,075)
	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)

	Present value of defined benefit obligation	Fair value of the planned assets	Net defined benefit liability (asset)
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)

Actuarial assumptions on pensions are summarized as follows:

Items	2023	2022
Discount rate	1.35%	1.50%
Rate of future salary increase	3.00%	3.00%
Turnover rate	2.12%	2.75%

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 consolidated 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, 2023	December 31, 2022
Discount rate		
Increase of 0.25%	\$ (4)	(17)
Reduction by 0.25%	\$ 4	18
Expected rate of payroll increase		
Increase of 0.25%	\$ 4	18
Reduction by 0.25%	\$ (4)	(16)
Turnover rate		
Expected turnover rate of 110%	\$ (1)	(9)
Expected turnover rate of 90%	\$ 1	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, 2023	December 31, 2022
Expected contribution within 1 year	\$ 18	\$ 28
Average maturity of defined benefit obligations	17	28

13. Equity

(1) Common Stock

	December 31, 2023	December 31, 2022
Authorized Shares (in thousands)	500,000	500,000
Authorized Capital	\$ 5,000,000	\$ 5,000,000
Issued Capital	\$ 2,058,862	\$ 2,057,615
Issued shares (in thousands)	2023	2022
Beginning balance	205,306	153,334
Cash capital increase	\$ —	\$ 50,000
Employee stock option exercised	740	972
Employee restricted stock issued	—	1,000
Restricted Stock Units forfeited upon employee departure pending cancellation	(200)	—
Restricted Stock Unit Cancellation for Capital Reduction	(160)	—
Ending balance	\$ 205,686	\$ 205,306

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 consolidated 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.

From January 1, 2023 to December 31, 2023, 360 thousand shares of restricted stock units were allotted to employees because some of the employees left the Company during the vesting period, which did not meet the vesting conditions stipulated in the terms of the issuance, and the Company had to return these shares. 160 thousand shares had already completed registration changes, and 200 thousand shares were expected to be written off and reduced in the Board of Directors' meeting held on March 13, 2024. However, as of December 31, 2023, registration changes have not yet been completed.

(2) Advance Receipts for Common Stock

As of December 31, 2023, the Company issued 36 thousand shares of common stock through the exercise of employee stock options, with total proceeds of NT\$1,022 thousand received.

(3) Capital Surplus

Items	2023.12.31	2022.12.31
Additional paid-in capital	\$ 1,024,137	\$ 1,417,115
Employee stock options	20,471	35,376
Employee stock options expired	32,518	14,766
Restricted stock to employees	(2,837)	886
Total	\$ 1,074,289	\$ 1,468,143

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. See Note 6(16) for the Employee and Director Compensation Distribution Policy.

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 June 20, 2023 and May 30, 2022, the shareholders' meetings of the Company approved the proposal to offset the losses for year 2022 and 2021, 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, 2023, the Company had accumulated losses and had no distributable earnings.

(5) Other equity

- The changes in unrealized gains and losses on financial assets at fair value through other comprehensive income are as follows:

	2023		2022	
	Exchange differences on translation	Unearned compensation	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation
Beginning balance	\$ —	\$ (8,989)	\$ 50,716	\$ —
Disposal of equity instruments measured at fair value through other comprehensive income	—	—	(46,437)	—
Unrealized gain or loss on FVTOCI financial assets	—	—	(4,279)	—
Exchange differences on translation	(31)	—	—	—
Issuance of employee restricted stock	—	—	—	(10,886)
Adjustment for lapsing of new shares and cancellation of capital reduction by restricting employee rights	—	7,323	—	—
Compensation cost of share-based payment	—	(643)	—	1,897
Ending balance	\$ (31)	\$ (2,309)	\$ —	\$ (8,989)

14. Share-based payment

- For the years ended December 31, 2023, the consolidated company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vested 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	—	Vest at once
Employee stock options	2022.07.19	2,828	5 years	NOTE 1
Restricted stocks to employee	2022.07.05	1,000	1.7 years ~2.7 years	NOTE 2
Employee stock options	2023.05.10	172	5 years	NOTE 1

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

Employee Share Warrants	2023		2022	
	No. of options (units)	Weighted - average exercise price (in NTD)	No. of options (units)	Weighted average exercise price (in NTD)
Options outstanding at January 1	5,747	\$ 31.66	4,256	\$ 27.24
Options granted	172	39.15	2,828	37.55
Options exercised	(767)	21.63	(981)	22.07
Options forfeiture	(824)	35.19	(356)	31.05
Options lapsed on expiry	(802)	44.78	—	—
Options outstanding at December 31	3,526	30.40	5,747	31.66
Options exercisable at December 31	502	20.80	1,203	37.96
Weighted average fair value per share of current period's stock options	11.89		12.49	

B. Restricted stocks to employees

(Unit: Thousand shares)

	2023	2022
Stock outstanding at January 1	\$ 1,000	\$ —
Stocks granted	—	1,000
Stocks lapse of resignation	(360)	—
Stock outstanding at December 31	\$ 640	\$ 1,000

(3) For the years ended December 31, 2023, 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 options (in NTD)
20.8	1,339	3.18	20.8	502	20.8
36.1	2,055	3.55	36.1	—	—
39.15	132	4.36	39.1	—	—

(4) 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 Agreement	Grant given	Stock price	Exercise Price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per share (in NTD)
Employee stock option	2020.03.05	21.9	21.9	38.10%	4.95 years	0.00%	0.47%	7.3593
Employee stock option	2022.07.19	37.55	37.55	41.599%	3.5 to 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
Employee stock option	2023.05.10	39.15	39.15	37.543%	3.5 to 4.5 years	0.00%	1.039%~1.065%	11.89

(5) The compensation costs of employee stock options recognized by the consolidated company for the years 2023 and 2022 were NT\$7,697 thousand and NT\$9,807 thousand, respectively.

15. Revenue from contracts with customers

(1) Details of revenue:

2023			
	Sale of technical service	Other	Total
<u>Major Regional Markets</u>			
Domestic Sales	156,048	85	156,133
Asia	492,741	1,028	493,769
America	2,718	—	2,718
Total revenue	651,507	1,113	652,620
2022			
	Sale of technical service	Other	Total
<u>Major Regional Markets</u>			
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 revenue	614,857	117,419	732,276

(2) Contract balances

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

Items	2023.12.31	2022.12.31
Accounts receivable (including related parties)	\$ 67,746	\$ 101,411
Less: Loss allowance	(17,057)	(32,043)
Total	\$ 50,689	\$ 69,368

Items	2023.12.31	2022.12.31
Contract assets-		
Fulfil contracts receivable	\$ 7,842	\$ 11,951

Items	2023.12.31	2022.12.31
Contractual liabilities-		
Technical Services	\$ 187,283	\$ 142,275

The contract liabilities at the beginning of the period were recognized as income for the period as follows:

Items	2023.12.31	2022.12.31
Beginning balance of contract liabilities recognized revenue during the period	\$ 101,245	\$ 119,314

(3) Assets related to the contract costs

Items	2023.12.31	2022.12.31
Costs of fulfill contracts	\$ 194,075	\$ 166,763
Less. Accumulated impairment	(59,378)	(20,327)
Total	\$ 134,697	\$ 146,436

For the years ended in 2023 and 2022, the loss on costs to fulfil contracts impairment in the amounts of NT\$39,051 thousand and NT\$17,712 thousand, respectively.

16. Employee benefit, depreciation, depletion, and amortization expenses:

Function Nature	2023			2022		
	Recognized in Operating Costs	Recognized in Operating Expenses	Total	Recognized in Operating Costs	Recognized in Operating Expenses	Total
Employee Benefit Expenses						
Salary Costs	228,076	98,719	326,795	227,967	108,302	336,269
Labor and Health Insurance Fees	21,821	7,659	29,480	19,238	7,940	27,178
Pension costs	9,988	3,639	13,627	9,943	4,526	14,469
Directors' remuneration	—	1,490	1,490	—	1,891	1,891
Other employee benefit expenses	7,964	2,328	10,292	8,108	3,177	11,285
Subtotal	267,849	113,835	381,684	265,256	125,836	391,092
Depreciation expense	272,546	30,892	303,438	203,228	51,681	254,909
Amortization expense	5,880	5,463	11,343	20,557	7,087	27,644

In accordance with the provisions of the Company's Articles of Incorporation, the Company has distributed 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 2023 and 2022, therefore no earnings distribution was made, and no provision was made for employee and director compensation.

17. Non-operating income and expenses

(1) Other income

Items	2023	2022
Rental income	\$ 607	\$ 877
Dividend income	4	4
Profit from lease modification	26	1,131
Contract termination income	2,456	—
Income from customer defaults	2,813	—
Others	1,151	3,574
Total	\$ 7,057	\$ 5,586

(2) Financial costs

Items	2023	2022
Interest expenses:		
Interest on bank loans	\$ 20,760	\$ 19,048

Items	2023	2022
Interest on lease liabilities	1,723	3,720
Others	976	952
Less: capitalization of interest	—	(8,304)
Subtotals	\$ 23,459	\$ 15,416
Bank loan processing fees	3,786	3,778
Total	\$ 27,245	\$ 19,194

(3) Other Losses

Items	2023	2022
Fire Losses	\$ 73,962	\$ —
Disposal of loss of property, plant and equipment	—	20,106
Others	33	463
Total	\$ 73,995	\$ 20,569

18. Other Comprehensive Income Component

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

(1) Items not reclassified to profit or loss are not reclassified subsequently:

2023	Generate	Other Comprehensive Income	Income Tax Benefits (Expense)	Amount After tax
Remeasurement of defined benefit obligation	\$ 258	\$ 258	\$ (52)	\$ 206
2022	Generate	Other Comprehensive Income	Income Tax Benefits (Expense)	Amount After tax
Remeasurement of defined benefit obligation	\$ 453	\$ 453	\$ (91)	\$ 362
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive	(7,516)	(7,516)	3,237	(4,279)
	<u>(7,063)</u>	<u>(7,063)</u>	<u>3,146</u>	<u>(3,917)</u>

(2) Items that may be reclassified subsequently to profit or loss:

2023	Generate	Reclassification Adjustment	Other Comprehensive Income	Income Tax Benefit (Expense)	Amount After Tax
Exchange differences on translation	\$ (39)	\$ —	\$ (39)	\$ 8	\$ (31)

19. Income tax

(1) Deferred tax assets (liabilities)

		2023			
		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	\$	1,656	\$ 265	\$ —	\$ 1,921
Allowance for diminution in value of inventories		6,085	7,189	—	13,274
Payables for annual leave		1,250	69	—	1,319
Depreciation recognition difference		284	2,974	—	3,258
Loss carryforwards		59,777	(14,876)	—	44,901
Investment credits		9,484	—	—	9,484
Unrealized exchange losses		(122)	2,498	—	2,376
Unrealized loss on investments		—	(309)	—	(309)
Exchange differences on translation of foreign statements		—	—	8	8
Pensions		(569)	5	(52)	(616)
Others		11,870	8,005	—	19,875
Total	\$	89,715	\$ 5,820	\$ (44)	\$ 95,491
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
Loss carryforwards		57,437	2,340	—	59,777
Investment credits		9,484	—	—	9,484
Depreciation recognition difference		—	284	—	284
Foreign exchange losses		817	(939)	—	(122)
Unrealized gain or loss from financial assets		(3,237)	—	3,237	—
Retirement allowance		(514)	36	(91)	(569)
Other		8,138	3,732	—	11,870
Total	\$	77,359	\$ 9,210	\$ 3,146	\$ 89,715

(2) Income tax expense (income)

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

	2023	2022
Current income tax payables	\$ 405	\$ —
Income basic tax	—	—
Foreign withholding tax	4,281	—
Deferred income tax expense (gain)	(5,820)	(9,210)
Underestimation(Overestimation) of prior year's income tax	—	—
Income tax expense (gain) recognized in gain or loss	\$ (1,134)	\$ (9,210)

B. Income tax recognized in other comprehensive income

Item	2023	2022
Current tax expense- income basic tax	\$ —	\$ —
Deferred income tax		
Gains (losses) on re-measurements of defined benefit plans	52	91
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	—	(3,237)
Exchange differences on translation	(8)	—
Income tax gain (expense) related to other comprehensive income components	\$ 44	\$ (3,146)

(3) Deferred tax assets that have not been recognized in the balance sheets

As of December 31, 2023, the amount of unused loss carryforwards and unused investment tax credits had not been utilized.

Loss carryforwards

Unutilized balance of tax credits	Expiry year	Recognition of deferred tax asset
\$ 106,958	2024	
101,215	2025	
154,825	2026	
90,986	2027	
331,649	2028	
218,168	2029	
92,899	2031	
397,662	2032	
584,669	2033	

	\$ 2,079,031		\$ 44,901
Investment credits			
Unutilized balances		Last credit year	Recognized income tax assets
\$ 174,705		Research and development expenditure	
1,122		Expenditures training expenses	
10,000		shareholders' investment tax credit	
\$ 185,827			\$ 9,484

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.

(4)The Company's income tax returns have been examined by the tax authorities through 2021.

20.Loss per share

	2023			2022		
	Loss after tax	Weighted average shares (in thousands)	Loss per share	Loss after tax	Weighted average shares (in thousands)	Loss per share
Basic loss per share	(682,847)	205,528	(3.32)	(682,847)	205,528	(3.32)
Dilutive potential						
Employee stock options	—	(NOTE)		—	(NOTE)	
Diluted loss per share	(682,847)	205,528	(3.32)	(682,847)	205,528	(3.32)

NOTE: In the computation of diluted earnings per share, the potential common stock from employee stock options were not included for the years 2023 and 2022 as the consolidated company were in loss.

21.Capital management

Based on the characteristics of the industries in which the consolidated 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 consolidated company plans its needs for working capital, research and development expenses, and dividend payments in future periods, with a view to safeguarding the consolidated 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 consolidated company may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders, or repurchasing its shares.

The consolidated company monitors its capital by regularly reviewing its debt ratio. The consolidated 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 consolidated company's debt ratios are listed as follows:

Item	2023.12.31	2022.12.31
Total liabilities	\$ 1,323,209	\$ 1,347,423
Total assets	\$ 3,770,401	\$ 4,452,998
Debt ratio	35.09%	30.26%

22. Financial instruments

(1) Information on Fair Value of Financial Instruments

The carrying amounts of the consolidated 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

	2023.12.31			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
- Domestic unlisted (OTC) stocks	\$ 268	\$ —	\$ —	\$ 268
	2022.12.31			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
- Domestic unlisted (OTC) stocks	\$ 268	\$ —	\$ —	\$ 268

B.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).

C.The valuation techniques and inputs used by the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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

Information on the Consolidated Company's foreign-currency financial assets and liabilities with significant influence is as follows:

	2023.12.31			2022.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Foreign currency: functional currency						
<u>Financial assets</u>						
<u>Monetary items</u>						
RMB: NTD	2,222	4.327	9,614	184	4.408	811
USD: NTD	11,282	30.705	346,426	7,263	30.71	223,047
EUR: NTD	619	33.980	21,030	1	32.72	24
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: NTD	418	30.705	12,835	319	30.71	9,796
GBP: NTD	—	39.150	—	10	37.09	371
EUR: NTD	2,479	33.980	84,236	24	32.72	774

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 2023 and 2022 due to changes in exchange rates were NTD\$3,347 thousand and NTD\$13,291 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 consolidated company's financial assets and liabilities that are exposed to interest rate risk at the balance sheet date are listed as follows:

	2023.12.31		2022.12.31	
With cash flow interest rate risk				
-Financial assets	\$	701,978	\$	1,342,652
-Financial liabilities	\$	656,320	\$	862,200

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 consolidated company's 2023 pre-tax net loss will decrease/increase by NTD\$457 thousand, and the pre-tax net loss for 2022 will increase/decrease by NTD\$4,805 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 consolidated 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 consolidated company's internal credit rating, historical transaction records, and current economic conditions. The consolidated 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, 2023 and 2022, the total accounts receivable from the top ten selling customers accounted for 64.28% and 57.88%, respectively, of the consolidated company's total accounts receivable. The consolidated company reviews the recoverable amount of accounts receivable on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been provided for uncollectible accounts receivable. Accordingly, the management of the consolidated company believes that the related credit risk has been significantly reduced. The credit concentration risk of the remaining 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 consolidated company. As the consolidated 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 consolidated 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 consolidated company's operations.

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

2023.12.31

Item	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payables (including related parties)	\$ 44,053	\$ —	\$ —	\$ 44,053
Other payables (including related parties)	361,318	—	—	361,318
Leas liabilities	31,612	31,527	10,091	73,230
Long-term borrowings	125,920	530,400	—	656,320
Total	\$ 562,903	\$ 561,927	\$ 10,091	\$ 1,134,921

2022.12.31

Item	Less than one year	One to five years	More than five 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

23. Cash Flow Information

(1) Non-cash transactions

	2023	2022
Property, Plant, and Equipment (Prepaid Equipment) Increase	\$ (457,229)	\$ (551,343)
Capitalization of Interest	—	8,304
Changes in Payables for Construction and Equipment	161,598	(83,897)
Acquisition of property, plant and equipment (prepayments included) - cash paid	\$ (259,631)	\$ (626,936)

	2023	2022
Increase in Intangible Assets	\$ (1,971)	\$ (11,863)
The increase/decrease in accounts payable	—	(175)
Acquisition of intangible assets(cash paid)	(1,971)	(12,038)

(2)Changes in liabilities from financing activities

			Non-cash changes		
	2023.01.01 balance	Cash Flow	Changes in Lease Terms	Other	2023.12.31 Balance
Lease liabilities	\$ 93,652	\$ (40,444)	\$ 19,441	\$ (2,692)	\$ 69,957

			Non-cash changes		
	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

VII. RELATED PARTY TRANSACTIONS

1. Name and Relationship of Related Parties

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

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

(1) Operating Revenue

Name of Related Party	2023	2022
BioGend Therapeutics Co., Ltd.	\$ 23,757	\$ 22,935
LUMOSA THERAPEUTICS CO., LTD.	30,995	9,638
GLAC BIOTECH CO., LTD.	600	—
JCR Pharmaceuticals Co., Ltd.	129,234	55,479
Total	\$ 184,586	\$ 88,052

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

(2) Testing Fee

Name of related party	2023	2022
KRISAN BIOTECH CO.	\$ 5,980	\$ —

(3) Operating Expenses

Items	Name of Related Party	2023	2022
Other operating expenses	LUMOSA THERAPEUTICS CO., LTD.	\$ 208	\$ 192
Professional service fees	LUMOSA THERAPEUTICS CO., LTD.	21	147
Other operating expenses	Bioengine Technology Development Inc.	208	76
Professional service fees	Center Laboratories, Inc.	75	—
Disbursement fee	Center Laboratories, Inc.	12	11
Total		\$ 524	\$ 426

(4) Other income

Name of Related Party	2023	2022
LUMOSA THERAPEUTICS CO., LTD.	—	1,043
JCR Pharmaceuticals Co., Ltd.	156	—
KRISAN BIOTECH CO.	188	—
	\$ 344	\$ 1,043

3. Receivables and payables with related parties:

(1) Accounts receivable

Name of Related Party	2023.12.31	2022.12.31
BioGend Therapeutics Co., Ltd.	\$ 720	\$ 640
LUMOSA THERAPEUTICS CO., LTD.	3,115	4,931
JCR Pharmaceuticals Co., Ltd.	5,459	5,066
Total	\$ 9,294	\$ 10,637

(2) Contractual liabilities

Name of Related Party	2023.12.31	2022.12.31
BioGend Therapeutics Co., Ltd.	\$ 17,095	\$ 18,334
LUMOSA THERAPEUTICS CO., LTD.	6,128	11,765
GLAC BIOTECH CO., LTD.	—	180
JCR Pharmaceuticals Co., Ltd.	32,805	336
Total	\$ 56,028	\$ 30,615

(3) Accounts payable

Name of Related Party	2023.12.31	2022.12.31
Total	\$ 1,123	\$ —

(4) Other payables

Name of Related Party	2022.12.31	2021.12.31
LUMOSA THERAPEUTICS CO., LTD.	\$ —	\$ 11
Bioengine Technology Development Inc.	33	—
JCR Pharmaceuticals Co., Ltd.	4	—
	\$ 37	\$ 11

4. Information on Compensation of Key Management Personnel

Items	2023	2022
Salaries and other short-term employee benefits	\$ 22,106	\$ 10,163
Retirement benefits	108	202
Share-based payments	832	2,710
Total	\$ 23,046	\$ 13,075

VIII. PLEDGED ASSETS

The following assets of the consolidated 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	2023.12.31	2022.12.31	Content of Secured Debt
Pledged time deposits (Current financial assets at amortized cost)	\$ 1,200	\$ 1,200	Security deposits for leased land
Restricted assets (Other current assets)	33,192	2,044	Reserve accounts
Property, plant, and equipment (including prepayments for business facilities)	1,187,366	1,322,599	Bank loans
Total	\$ 1,221,758	\$ 1,325,843	

IX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of the end of December 31, 2023 and 2022, the consolidated company had signed contracts for the purchase of equipment and construction of plants buildings, with capital expenditures yet to be completed amounting to NT\$226,845 thousand and NT\$409,942 thousand, respectively.

X. LOSS FROM MATERIAL DISASTERS:

On March 6, 2023, the Company suffered a fire, which resulted in damage to equipment and inventory, and incurred repair and maintenance costs. The estimated loss from the fire was \$73,962 thousand (\$40,325 thousand for inventory, \$18,257 thousand for customer supplies, and \$13,380 thousand for property, plant and equipment, respectively), which was recognized as other losses for the period January 1 to December 31, 2023, and is currently under negotiation with the insurance company for settlement of the claim. Since the claim involves the identification of the disaster, as of the date of approval of the Consolidated Financial Statements, it is not yet possible to recognize the amount of the insurance claim, and the related income from the claim will be recognized in the subsequent period when the amount of the insurance claim can be reasonably estimated.

XI. SIGNIFICANT MATTERS AFTER THE PERIOD: None

XII. OTHER

On January 4, 2018, the consolidated 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 consolidated company recognizes the agreed fixed payments as other payables by discounting them based on the expected payment schedule. As of December 31, 2023, there were still payables of NT\$40,000 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	None
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

No.	Items	Description
7.	Purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital	TABLE 2
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 3
2.	Disclosure of control over investment companies	None

3. Mainland China Investment Information: 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 4

5. Business relationships and significant intercompany transactions: TABLE 5

XIV. SEGMENT INFORMATION

The consolidated 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 consolidated company's operating decision-makers are based on the Company's overall evaluation of performance and allocation of resources, and the consolidated company has been identified as a single reportable department.

1. Major products and labor revenues

Items	2023	2022
Sale of technical services	\$ 651,507	\$ 614,857
Other revenue	1,113	117,419
Total	<u>\$ 652,620</u>	<u>\$ 732,276</u>

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	2023		2022	
	Revenue Amount	Revenue Percentage	Revenue Amount	Revenue Percentage
Gedeon Richter Plc,	\$ —	—	\$ 114,260	16
Client AK	129,934	20	112,654	15
Client AP	26,139	4	99,732	14
Client Y	190,194	29	52,529	7
Total	<u>\$ 345,567</u>	<u>53</u>	<u>\$ 379,175</u>	<u>52</u>

Mycenax Biotech Inc. and Subsidiaries

Marketable securities held

December 31, 2023

Table 1:

Relevant information disclosure on the Company's marketable securities holdings on December 31, 2023

(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	1,500	268	0.0002%	268

Mycenax Biotech Inc. and Subsidiaries

Purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

December 31, 2023

Table 2: Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: In Thousands of NTD

Imports (Sales) international trading	Counterparty Name	Relationship	Transactional circumstances				Circumstances and reasons why the trading conditions are different from those of ordinary transactions		Notes and accounts receivable (payable)		Note
			Import (Sales)	Amount	Ratio of total purchases (sales) to total sales (purchases).	Credit period	Unit Price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
Mycenax Biotech Inc.	JCR Pharmaceuticals Co., Ltd.	Investors with significant influence	Sales	129,234	19.80%	Invoice date 60 days	Comparable to general customers		Accounts receivable \$ 5,459	8.06%	—

Mycenax Biotech Inc. and Subsidiaries

Name and location of the investee company

December 31, 2023

Table 3: Name, locations 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.	Mycenax Biotech USA, LLC	8 THE GREEN, STE B Dover, Delaware, USA	Market Development	3,085	—	—	100.00%	4,753	1,545	1,545	—

Mycenax Biotech Inc. and Subsidiaries
INFORMATION ON MAJOR SHAREHOLDERS

December 31, 2023

Table 4

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%

Mycenax Biotech Inc. and Subsidiaries
Business relationship and significant intercompany transactions
December 31, 2023

Table 5: Business Relationships and Significant Transactions Between Parent and Subsidiary:

Unit: In Thousands of NTD

Number	Trading name	Trading Counterparties	Relationship with Traders	Transaction history			
				Account	Amount	Trading Conditions	Percentage of Consolidated Total Revenues or Ratio of total assets
1	Mycenax Biotech Inc.	Mycenax Biotech USA, LLC	1	Labor/Service Income	17,124	In accordance with the terms and conditions of the agreement between the two parties	2.62%

Attachment 4

Parent Company Only Financial Statements

with Independent Auditors' Report

For the years ended December 31, 2023

Stock Code: 4726

Mycenax Biotech Inc.
Parent Company Only Financial Statements
with Independent Auditors' Report
For the years ended December 31,
2022 and 2023

Address : 7F, No.66, Shengyi 2nd Road, Zhubei City, Hsinchu Science Park,
Hsinchu County, Taiwan, R.O.C.

Tel: (03) 6670880

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Mycenax Biotech Inc. (the "Company") which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibility under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2023 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 Parent Company Only 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 parent company only 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 parent company only financial statements of 2023, 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 parent company only 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 4.5% 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 0.2% of net loss before tax.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with the 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 parent company only financial statements for the year ended December 31, 2023 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, 2024

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

Mycenax Biotech Inc.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Account Co.	Assets	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$ 513,829	14	\$ 1,323,365	30
1136	Financial assets at amortized cost	4, 6(3), 8	149,618	4	17,316	—
1140	Contract assets	4, 6(15)	7,842	—	11,951	—
1170	Accounts receivable, net	4, 6(4)	41,395	1	58,731	1
1180	Accounts receivable, net-related parties	7	9,294	—	10,637	—
1200	Other receivables		4,688	—	3,087	—
130X	Inventories	4, 6(5)	112,326	3	246,721	6
1410	Prepayments		83,247	2	103,219	2
1482	Costs to fulfil contracts	6(15)	134,697	4	146,436	4
1470	Other current assets	8	35,359	1	2,318	—
11XX	Total current assets		1,092,295	29	1,923,781	43
15XX	Non-current assets					
1517	Financial assets at fair value through other comprehensive income	4, 6(2)	268	—	268	—
1550	Investments accounted for using the equity method	4, 6(6)	195,295	5	199,245	5
1600	Property, plant and equipment, net	4, 6(7), 8	1,779,575	42	1,886,916	42
1755	Right-of-use assets	4, 6(8)	67,768	2	91,302	2
1780	Intangible assets	4, 6(9)	42,902	1	49,844	1
1840	Deferred income tax assets	4, 6(19)	95,491	2	89,715	2
1915	Prepayments for business facilities	6(7), 8	484,758	5	201,127	5
1920	Refundable deposits		8,012	—	7,958	—
1975	Net defined benefit assets	4, 6(12)	3,075	—	2,842	—
15XX	Total non-current assets		2,677,144	57	2,529,217	57
1XXX	Total assets		\$ 3,769,439	100	\$ 4,452,998	100

(Continued)

Mycenax Biotech Inc.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Account Co.	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term loans	6(10), 8	\$ —	—	\$ 100,000	2
2130	Contract liability	6(15), 7	187,283	5	142,275	3
2170	Accounts payable	7	44,053	1	52,521	1
2200	Other payables	6(11), 7, 12	360,356	10	195,378	5
2280	Lease liabilities	4, 6(8)	30,571	1	37,282	1
2320	Long-term liabilities, current portion	6(10)	125,920	3	105,880	2
2399	Other current liabilities		4,278	—	1,397	—
21XX	Total current liabilities		752,461	20	634,733	14
25XX	Non-current liabilities					
2541	Long-term borrowings	6(10), 8	530,400	14	656,320	15
2580	Non-current lease liabilities	4, 6(8)	39,386	1	56,370	1
25XX	Total non-current liabilities		569,786	15	712,690	22
2XXX	Total liabilities		1,322,247	35	1,347,423	39
31XX	Equity	6(13)				
3110	Common stock		2,058,862	55	2,053,060	46
3140	Advance receipts for ordinary share		1,022	—	193	—
3170	Share capital awaiting retirement		(2,000)	—	—	—
3200	Capital surplus		1,074,289	28	1,468,143	33
3350	Accumulated deficit		(682,641)	(18)	(406,832)	(9)
3400	Other equity interest		(2,340)	—	(8,989)	—
3XXX	Total equity		2,447,192	65	3,105,575	70
3X2X	Total liabilities and equity		\$ 3,769,439	100	\$ 4,452,998	100

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

Mycenax Biotech Inc.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share)

Account Co.	Item	Notes	For the Year Ended December 31			
			2023		2022	
			Amount	%	Amount	%
4000	Operating Revenue	4, 6(15), 7	\$ 652,620	100	\$ 732,276	100
5000	Operating Costs		1,027,811	158	845,948	116
5900	Gross Profit (Loss)		(375,191)	(58)	(113,672)	(16)
6000	Operating Expenses	6(16), 7				
6100	Sales and marketing expenses		66,499	10	43,507	6
6200	General and administrative expenses		91,961	14	112,657	15
6300	Research and development expenses		75,813	12	144,001	20
6450	Expected credit impairment loss (gain)		(1,131)	—	31,158	4
	Total operating expenses		233,142	36	331,323	45
6900	Operating Profit (Loss)		(608,333)	(94)	(444,995)	(61)
7000	Non-operating Income and Expenses					
7050	Finance costs	4, 6(17)	(27,245)	(4)	(19,194)	(3)
7020	Other losses	6(17), 10	(73,995)	(11)	(20,569)	(3)
7100	Interest income		17,660	3	3,795	1
7190	Other income	6(17), 7	7,057	1	5,586	1
7230	Net foreign exchange gain (loss)		3,347	—	13,291	2
7070	Share of profit of associates and joint ventures accounted for using equity method	6(6)	(7,158)	(1)	(755)	—
	Total non-operating income and expenses		(80,334)	(12)	(17,846)	(2)
7900	Loss before income tax		(688,667)	(106)	(462,841)	(63)
7950	Income tax benefit(or expense)	4, 6(19)	5,820	1	9,210	1
8200	Net Loss		(682,847)	(105)	(453,631)	(62)
8300	Other Comprehensive Income					
8310	Components of other comprehensive income that will not be reclassified to profit or loss	6(18)				
8311	Remeasurement of defined benefit obligation		258	—	453	—
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		—	—	(7,516)	(1)
8349	Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	4, 6(19)	(52)	—	3,146	—
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		206	—	(3,917)	(1)

Account Co.	Item	Notes	For the Year Ended December 31			
			2023		2022	
			Amount	%	Amount	%
8360	Components of other comprehensive income that may be reclassified to profit or loss	6(18)				
8361	Exchange differences on translation of foreign financial statements		(39)			
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	4, 6(19)	8			
8360	Total components of other comprehensive income that may be reclassified to profit or loss		(31)			
8500	Total Comprehensive Loss		<u>\$ (682,672)</u>	<u>(105)</u>	<u>\$ (457,548)</u>	<u>(63)</u>
	EARNINGS PER SHARE					
9750	Basic earnings per share	6(20)	<u>\$ (3.32)</u>		<u>\$ (2.74)</u>	
9850	Diluted earnings per share	6(20)	<u>\$ (3.32)</u>		<u>\$ (2.74)</u>	

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

Mycenax Biotech Inc.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

Item	Share Capital			Capital Reserves					Other equity interest			Total equity
	Common stock	Advance Receipts for Common Stock	Share capital awaiting retirement	Addition paid-in capital	Employee stock options	Restricted stock to employees	Others	Accumulated deficit	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Exchange differences on translation	Unearned compensation	
Balance on January 1,2022	\$ 1,533,337	\$ —	\$ —	\$ 527,600	\$ 36,111	\$ —	\$ 13,237	\$ (254,336)	\$ 50,716	\$ —	\$ —	\$ 1,906,665
Issuance of shares	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 stock options	—	—	—	—	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
Capital reserves for cover accumulated deficits	—	—	—	(406,832)	—	—	—	406,832	—	—	—	—
Employee stock option exercised	7,402	829	—	13,854	(5,493)	—	—	—	—	—	—	16,592
Employee stock options expired	—	—	—	—	(17,752)	—	17,752	—	—	—	—	—

Item	Share Capital			Capital Reserves				Accumulated deficit	Other equity interest			Total equity
	Common stock	Advance Receipts for Common Stock	Share capital awaiting retirement	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	Exchange differences on translation	Unearned compensation	
Adjustment for lapsing of new shares and cancellation of capital reduction by restricting employee rights	(1,600)	—	(2,000)	—	—	(3,723)	—	—	—	—	7,323	—
Income (Loss) for 2023	—	—	—	—	—	—	—	(682,847)	—	—	—	(682,847)
Other comprehensive income (loss)	—	—	—	—	—	—	—	206	—	(31)	—	175
Total comprehensive income (loss)	—	—	—	—	—	—	—	(682,641)	—	(31)	—	(682,672)
Compensation costs of employee share based payment	—	—	—	—	8,340	—	—	—	—	—	(643)	7,697
Balance on December 31, 2023	\$ 2,058,862	\$ 1,022	\$ (2,000)	\$ 1,024,137	\$ 20,471	\$ (2,837)	\$ 32,518	\$ (682,641)	\$ —	\$ (31)	\$ (2,309)	\$ 2,447,192

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

Mycenax Biotech Inc.

PARENT COMPANY ONLY 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	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss before tax	\$ (688,667)	\$ (462,841)
Adjustments for:		
Adjustments to reconcile profit(loss)		
Depreciation	303,438	254,909
Amortization	11,343	27,644
Expected credit impairment losses(income)	(1,131)	31,158
Compensation costs of employee stock options	7,535	9,807
Interest expense	27,245	19,194
Interest income	(17,660)	(3,795)
Dividend income	(4)	(4)
Shares of profit from associates under equity method	7,158	755
Gain on lease modification	(26)	(1,131)
Loss (Gain) on disposals of property, plant and equipment	—	20,106
Disaster loss	73,962	
Write-down (reversal) of inventories	35,944	16,090
Changes in operating assets and liabilities		
Contract assets	4,109	(11,951)
Accounts receivable, net	18,467	32,501
Accounts receivable, net-related parties	1,343	(2,762)
Other receivables	(1,895)	8,968
Inventories	58,127	(89,509)
Prepayments	16,686	(17,170)
Other current assets	(2)	6,378
Costs to fulfil contracts	11,739	44,136
Decrease (increase) in net defined benefit asset	25	180
Accounts payable	(8,468)	(2,154)
Other payables	(15,770)	2,282
Current contract liabilities	45,008	(9,841)
Other current liabilities	2,881	176
Cash outflow generated from operations	(108,613)	(126,874)
Interest paid	(23,067)	(23,042)
Income tax paid	(1,891)	(269)
Net cash flows used in operating activities	(133,571)	(150,185)

(Continued)

Item	For the Year Ended December 31	
	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Disposal (Acquisition) of financial assets at amortized cost	(132,302)	(8,816)
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
Acquisition of investment accounted for using the equity method	(3,085)	(200,000)
Decrease (Increase) in restricted assets	(31,148)	(1,193)
Acquisition of property, plant and equipment	(295,631)	(626,936)
Decrease (Increase) in refundable deposits	(54)	(1,137)
Acquisition of intangible assets	(1,971)	(12,038)
Interest received	17,954	3,071
Dividend received	4	4
Net cash flows used in investing activities	(446,233)	(745,243)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of the principal of lease liabilities	(40,444)	(36,985)
Proceeds (Repayments) from short-term borrowings	(100,000)	50,000
Proceeds (Repayments) from long-term borrowings	(105,880)	272,200
Issuance of common stocks	—	1,625,000
Employee stock options exercised	16,592	21,651
Net cash flows from financing activities	(229,732)	1,931,866
Net increase in cash and cash equivalents	(809,536)	1,036,438
Cash and Cash equivalents at beginning of year	1,323,365	286,927
Cash and cash equivalents at end of year	\$ 513,829	\$ 1,323,365

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

MYCENAX BIOTECH INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(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 parent company only financial statements were authorized for issue by the Board of Directors on March 13, 2024.

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, 2023 has no significant impact on the Company's accounting policies.

(II) Applicable IFRSs accredited by FSC in 2024

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board(IASB)(Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leasebacks"	January 1, 2024 (Note 2)
Amendments to IAS 1, "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise stated, the new, revised and amended standards and interpretations are effective for annual reporting periods beginning after the respective effective dates.

Note 2: The amendments add seller-lessee additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of standard.

As of the date of issuance of this Financial Statements, the above standards and interpretations have no significant impact to the Company's financial position and financial performance based on the Company's assesment.

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

New Standards, Interpretations and Amendments	Effective Date of Issuance by the IASB Issuance (Note 1)
Amendments to IFRS 10 and IAS 28 “ “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 21 "Lack of exchangeability"	January 1, 2025 (Note 2)

Note 1: 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.

Note 2: Applicable to annual reporting periods beginning after January 1, 2025. Upon the first application of the amendment, the impact is recognized in retained earnings at the date of first application. When the Parent company only Company uses a non-functional currency as the presentation currency, the impact amount will be adjusted for foreign operator exchange differences under equity items as of the date of initial application.

As of the date of issuance of this financial report, the Company is still evaluating the impact of the amendments to other standards and interpretations on its financial position and financial performance, and the related impact will be disclosed when the evaluation is completed.

IV.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance

The parent company only financial report is prepared in accordance with the Securities Financial Report Preparation Standard (hereinafter referred to as IFRSs).

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.

When preparing parent company only financial statements, the Company adopts the equity method for investments in subsidiaries and associates. In order to align profit or loss, other comprehensive income, and equity from the current year in the Parent Company Only Financial Statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method" and related equity items.

3. Foreign currency

The Company prepares and discloses the financial statements in the currency of the main economic environment in which the business operates (as its functional currency). The operating results and financial status of the preparation of parent company only financial statements are converted into New Taiwan dollars (the Company's functional currency and the presentation currency of individual financial statements.)

Those who trade in currencies other than the Company's functional currency (foreign currency) are converted and recognized at the exchange rate on the trading day. 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. Nonmonetary 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.

In preparing this parent company only financial statement, the Company's assets and liabilities of a foreign operation are to be translated into NTD using the closing rate of the reporting period. Income and expense items are translated using the average exchange rates of the current period, of which the exchange differences are to be recognized in other comprehensive income. They are accumulated in translating financial statements of foreign operations under equity (and distributed to non-controlling interests where necessary.)

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

(1) Investments in subsidiaries

Subsidiaries refer to individuals (including special-purpose entities) that the Company has control over.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company's share of subsidiaries' other equity are recognized in proportion to its shareholding ratio.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction. The difference between the carrying amount of the investments and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, and liabilities of subsidiaries recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the acquisition cost is listed as current income.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. The Company accounted for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiary shall be eliminated in the parent company only financial statements. The gains and losses arising from the countercurrent and side current transactions between the Company and its subsidiaries shall be recognized in the parent company only financial statements only to the extent not related to the Company's equity in the subsidiaries.

(2) investments in associates

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 classified as assets for sale, the operating results and assets and liabilities of associates are included in the consolidated financial statements using the equity method. Under the equity method, associate investments are initially recognized at 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 exceeds its equity in the associates, additional losses are recognized only within the scope of the Company's legal obligations, constructive obligations, or payments made on behalf of the associates.

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 share of the net fair value of all identifiable assets and liabilities of all associates on the acquisition date exceeds the acquisition cost, it shall be recognized as an interest immediately after reassessment.

To assess impairment, the Company has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable amounts (value in use or fair value minus the cost of selling) and carrying amounts. The cost of impairment identified is to be deemed as part of the carrying amount of the investment. Any reversal of impairment loss shall be recognized within the scope of subsequent increase in the recoverable amount of the investment.

When the Company loses material control of a associates, it recognizes the investment retained in the formerly associate at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. In addition, the Company shall account for all the amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Company reduces the ownership interest in the associate due to the disposal, but the investment is still an investment in the associate, the gain or loss previously recognized as other comprehensive income shall be reclassified as gain and loss in proportion.

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 interest in the associate, the interest or loss related to the decrease in the ownership interest and previously recognized in other comprehensive income shall be reduced in proportion and reclassified to gain or loss (if the gain or loss must be reclassified to gain 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 parent company only company itself is recognized and deducted in equity. The purchase, sale, issuance, or cancellation of equity instruments by the parent company only 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

(1)Revenue from customer contracts

Revenue is measured at the fair value of the consideration a person is expected to receive as a result of the transfer of goods or services. The company recognizes revenue when control of goods or services is transferred to customers and performance obligations are satisfied. The company's major revenue items are summarized below:

A.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 parent company only company recognizes revenue at that point and accounts receivable.

B.Service Revenue

Service revenues are primarily derived from the provision of technical services. 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. Technical services provided during the contract period are recognized at the point in time when the Company satisfies its contractual obligations as upon completion of the contractual obligations.

C.Licensing Revenue

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).

(2)Assets related to contract costs

Costs of fulfill contracts

Expenditures related to customer contracts that result in the generation or enhancement of resources that will be used in the future to satisfy (or continue to satisfy) contractual obligations are recognized as costs of fulfill contracts to the extent that the amounts are recoverable.

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 parent company only 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 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 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

Income tax expense is the sum of current income tax payable and deferred 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.

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, 2023 and 2022, the company recognized net deferred income tax assets were NT\$95,491 thousand and NT\$89,715 thousand respectively.

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, 2023, and 2022.

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, 2023, and 2022, the carrying amounts of the Company's inventories were NT\$112,326 and NT\$246,721 thousand thousand, respectively.

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	2023.12.31	2022.12.31
Cash on hand and petty cash	\$ 100	\$ 73
Demand deposits	508,729	247,659
Cash equivalents :		
Time deposits	5,000	1,075,633
Total	\$ 513,829	\$ 1,323,365

(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	2023.12.31	2022.12.31
Time deposits	1.16%	0.91%~4.85%

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

Items	2023.12.31	2022.12.31
Non-current		
Domestic unlisted stocks	\$ 268	\$ 268
Domestic listed stocks	—	—
Total	\$ 268	\$ 268

(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, 2023, and 2022, the evaluation net gain(loss) of financial assets generated was NT\$0 thousand and (NT\$7,516) 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	2023	2022
Fair value of the disposed assets	\$ —	\$ 102,070
The gain or loss on disposal transferred to retained earnings	\$ —	\$ 46,437

3. Financial assets measured at amortized cost

Items	2023.12.31	2022.12.31
Current :		
Time deposits with an original maturity exceeding three months	\$ 149,618	\$ 17,316

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

Items	2023.12.31	2022.12.31
Time deposits	1.56%~5.13%	1.35%~1.44%

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

4. Accounts receivable, net

Items	2023.12.31	2022.12.31
<u>At amortized cost</u>		
Accounts receivable	\$ 58,452	\$ 90,774
Less: Loss allowance	(17,057)	(32,043)
NET	\$ 41,395	\$ 58,731

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	2023.12.31	2022.12.31
Not past due	\$ 40,001	\$ 51,086
Past due		
Past due within 30 days	336	—
Past due 31 to 60 days	37	413
Past due 61 to 180 days	1,021	1,767
Past due 181 to 365 days	—	5,465
Past due over 365 days	—	—
Total	\$ 41,395	\$ 58,731

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

Items	2023	2022
Beginning balance	\$ 32,043	\$ 885
Provision	—	31,158
Reversal	(1,131)	—
Written off	(13,855)	—
Ending Balance	\$ 17,057	\$ 32,043

(3) None of the above accounts receivable were pledged as collateral.

5. Inventories

Items	2023.12.31	2022.12.31
Raw Material	\$ 178,696	\$ 274,797
Inventory in transit	—	2,351
Less: Allowance for decline in value of inventories	(66,370)	(30,427)
NET	\$ 112,326	\$ 246,721

(1) For the year ended in 2023 and 2022, the write-down of inventories of NT\$35,943 thousand and NT\$16,090 thousand were included in the operating costs, respectively.

(2) As of December 31, 2023 and 2022, the company's inventories were not pledged as collateral.

6. Investments accounted for using the equity method

Items	2023.12.31	2022.12.31
Investments in subsidiaries	\$ 4,753	\$ —
Investments in associates	190,542	199,245
Total	\$ 195,295	\$ 199,245

(1) Investments in subsidiaries

Investee	2023.12.31		2022.12.31	
	Carrying amount	Shareholding percentage	Carrying amount	Shareholding percentage
Unlisted company				
Mycenax Biotech USA, LLC	\$ 4,753	100%	\$ —	—

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 for the information regarding the Company's subsidiaries.

(2) Investments in associates

Items	2023.12.31	2022.12.31
KRISAN BIOTECH CO., LTD.	\$ 190,542	\$ 199,245

(A) The basic information of the Company's major associates is as follows:

Items	Shareholding percentage	Shareholding percentage
	2023.12.31	2022.12.31
KRISAN BIOTECH CO., LTD.	19.15%	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 shares of KRISAN BIOTECH CO., LTD. in December, 2022 as a strategic partner to 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.

(B) The shares of other comprehensive income and profit and loss of the associates adopting the equity method in 2023 and 2022 shall be recognized based on the financial reports of the associates reviewed and approved by the accountants during the same period.

	2023	2022
The company's share of profit		
Net income of continuing operations	\$ (8,703)	\$ (755)
Other comprehensive income	—	—
Total Comprehensive income	\$ (8,703)	\$ (755)

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

7. Property, Plant, Equipment and Prepaid Equipment Payments

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

Item	2023.12.31	2022.12.31
Land, buildings, and structures	\$ 709,695	\$ 767,604
Machinery and equipment	857,056	992,074
Office Equipment	20,160	19,585
Leasehold improvements	85,812	104,301
Construction in progress	106,852	3,352
Total	\$ 1,779,575	\$ 1,886,916

	Land, buildings, and structures	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process	Total
Cost:						
Balances as of January 1, 2023	\$ 791,675	\$ 1,540,623	\$ 34,563	\$ 307,772	\$ 3,352	\$ 2,677,985
Addition	141	24,513	4,806	13,529	107,416	150,405
Disposal	—	(12,729)	(3,903)	(11,987)	—	(28,619)
Reclassification	1,040	14,865	750	8,024	(3,916)	20,763
Balances as of December 31, 2023	\$ 792,856	\$ 1,567,272	\$ 36,216	\$ 317,338	\$ 106,852	\$ 2,820,534

	Land, buildings, and structures	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process	Total
Accumulated De[reciation and Impairment:						
Balances as of January 1, 2023	\$ 24,071	\$ 548,549	\$ 14,978	\$ 203,471	\$ —	\$ 791,069
Depreciation	59,090	170,339	4,981	28,719	—	263,129
Disposal	—	(8,672)	(3,903)	(664)	—	(13,239)
Reclassification	—	—	—	—	—	—
Balances as of December 31, 2023	\$ 83,161	\$ 710,216	\$ 16,056	\$ 231,526	\$ —	\$ 1,040,959

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

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

Note: The reclassified item was transferred from prepayment for equipment (listed under "non-current assets").

- A. The capitalized interest amounted of the company for the year 2023 and 2022 were NT\$0 thousand and NT\$8,304 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:

	2023	2022
Beginning balance	\$ 201,127	\$ 633,067
Addition	306,824	259,073
Reclassification	(23,193)	(691,013)
Ending Balance	\$ 484,758	\$ 201,127

8. Lease Agreements

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

Items	2023.12.31	2022.12.31
Land	\$ 13,149	\$ 14,131
Buildings	54,619	77,171
Total	\$ 67,768	\$ 91,302

Addition of Right-of-use assets	2023	2022
Land	\$ —	\$ 2,883
Buildings	16,775	37,248
Total	\$ 16,775	\$ 40,131

Depreciation expense	2023	2022
Land	\$ 982	\$ 5,625
Buildings	39,327	34,047
Total	\$ 40,309	\$ 39,672

(2) Leasing liabilities:

Items	2023.12.31	2022.12.31
Carrying amount of lease liabilities		
Current	\$ 30,571	\$ 37,282
Non-current	\$ 39,386	\$ 56,370

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

Items	2023.12.31	2022.12.31
Land	2%	1.977%~2%
Buildings	1.809%~1.977%	1.809%~1.977%

(3) Other Lease Information:

Items	2023	2022
Short-term lease expenses	\$ 2,201	\$ 3,313
Total cash outflow for leases	\$ (40,444)	\$ (36,985)

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 consolidated company has no purchase options to acquire the leased land and buildings at the end of the lease terms.

9. Intangible assets

Items	2023.12.31	2022.12.31
Software	\$ 18,983	\$ 25,221
Goodwill	23,919	23,919
Professional expertise	—	704
Customer relations	—	—
Total	\$ 42,902	\$ 49,844

	Balance as of January 1, 2023	Addition	Disposal	Reclassification	Balance as of December 31, 2023
Cost:					
Software	\$ 47,569	\$ 1,971	\$ (10,707)	\$ 2,430	\$ 41,263
Goodwill	23,919	—	—	—	23,919
Profession expertise	37,125	—	—	—	37,125
Customer relations	14,008	—	—	—	14,008
Total	\$ 122,621	\$ 1,971	\$ (10,707)	\$ 2,430	\$ 116,315
	Balance as of January 1, 2023	Amortization expense	Disposal	Reclassification	Balance as of December 31, 2023
Accumulated amortization and impairment					
Software	\$ 22,348	\$ 10,639	\$ (10,707)	\$ —	\$ 22,280
Goodwill	—	—	—	—	—
Profession expertise	36,421	704	—	—	37,125
Customer relations	14,008	—	—	—	14,008
Total	\$ 72,777	\$ 11,343	\$ (10,707)	\$ —	\$ 73,413
	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
Profession 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	—	—	—	—	—
Profession expertise	27,138	9,283	—	—	36,421
Customer relations	13,229	779	—	—	14,008
Total	\$ 55,361	\$ 27,644	\$ (10,228)	\$ —	\$ 72,777

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 2023 and 2022 fiscal years.

10. Borrowings

(1) Short term borrowings

Items	2023.12.31	2022.12.31
Bank loan		
Credit loan	\$ —	\$ —
Syndicated loan	—	100,000
Total	\$ —	\$ 100,000
Range of interest rate	—	2.6374%

(2) Long-term borrowings

Items	2023.12.31	2022.12.31
Bank loan		
Syndicated loan	\$ 656,320	\$ 762,200
Less: Long-term borrowings – current portion	(125,920)	(105,880)
Total	530,400	656,320
Range of interest rate	2.8753%	2.6374%

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 detail of the company's interest rate, foreign currency, and liquidity risks, please refer to Note 6(22).

11. Other payables

Items	2023.12.31	2022.12.31
Salaries and bonuses	\$ 86,204	\$ 89,783
Construction and equipment payable	178,457	16,860
Leave payable	6,595	6,252
Commission expenses	11,122	8,174
License transfer price payable	40,000	39,024
Estimated loss payable	12,867	—
Others	25,111	35,285
Total	\$ 360,356	\$ 195,378

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\$13,489 thousand and NT\$14,249 thousand respectively in the statements of comprehensive income in 2023 and 2022.

(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:

	2023.12.31	2022.12.31
Present value of defined benefit obligation	\$ 93	\$ 247
Fair value of the planned assets	(3,168)	(3,089)
Net defined benefit liability (asset)	\$ (3,075)	\$ (2,842)

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

	Present value of defined benefit obligation	Fair value of the planned assets	Net defined benefit liability (asset)
Balance as of January 1, 2023	\$ 247	\$ (3,089)	\$ (2,842)
Service cost for the period	81	—	81
Interest expense (income)	4	(46)	(42)
Recognized in gain or loss	85	(46)	39
Remeasurements			
Return on planned assets	—	(19)	(19)
(Return on planned assets)			
Actuarial (profit) loss -changes in demographic assumption	(1)	—	(1)
Actuarial (profit) loss -changes in financial assumptions	3	—	3
Actuarial (profit) loss - experience adjustments	(241)	—	(241)
Recognized in other comprehensive income	(239)	(19)	(258)
Paid directly by the Company	—	(14)	(14)
Balance as of December 31, 2023	\$ 93	\$ (3,168)	\$ (3,075)

	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)

Actuarial assumptions on pensions are summarized as follows:

Items	2023	2022
Discount rate	1.35%	1.50%
Rate of future salary increase	3.00%	3.00%
Turnover rate	2.12%	2.75%

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, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	\$ (4)	\$ (17)
Decrease by 0.25%	\$ 4	\$ 18
Expected salary increase rate		
Increase by 0.25%	\$ 4	\$ 18
Decrease by 0.25%	\$ (4)	\$ (16)
Turnover rate		
Expected turnover rate for 110%	\$ (1)	\$ (9)
Expected turnover rate for 90%	\$ 1	\$ 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, 2023	December 31, 2021
Expected amount of contribution within 1 year	\$ 18	\$ 28
Average duration of defined benefit obligation	17	28

13. Equity

(1) Common Stock

	December 31, 2023	December 31, 2022
Authorized Shares (in thousands)	500,000	500,000
Authorized Capital	\$ 5,000,000	\$ 5,000,000
Issued Capital	\$ 2,058,862	\$ 2,057,615
Issued shares (in thousands)	2023	2022
Beginning balance	205,306	153,334
Cash capital increase	\$ —	\$ 50,000
Employee stock option exercised	740	972
Employee restricted stock issued	—	1,000
Restricted Stock Unit Cancellation for Capital Reduction	(160)	—
Restricted Stock Units forfeited upon employee departure pending cancellation	(200)	—
Ending balance	\$ 205,686	\$ 205,306

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 parent company only 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.

From January 1, 2023 to December 31, 2023, 360 thousand shares of restricted stock units were allotted to employees because some of the employees left the Company during the vesting period, which did not meet the vesting conditions stipulated in the terms of the issuance, and the Company had to return these shares. 160 thousand shares had already completed registration changes, and 200 thousand shares were expected to be written off and reduced in the Board of Directors' meeting held on March 13, 2024. However, as of December 31, 2023, registration changes have not yet been completed.

(2) Advance Receipts for Common Stock

As of December 31, 2023, the Company issued 36 thousand shares of common stock through the exercise of employee stock options, with total proceeds of NT\$1,022 thousand received.

(3) Capital Surplus

Items	2023.12.31	2022.12.31
Additional paid-in capital	\$ 1,024,137	\$ 1,417,115
Employee stock options	20,471	35,376
Employee stock options expired	32,518	14,766
Restricted stock to employees	(2,837)	886
Total	\$ 1,074,289	\$ 1,468,143

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. See Note 6(16) for the Employee and Director Compensation Distribution Policy.

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 June 20, 2023 and May 30, 2022, the shareholders' meetings of the Company approved the proposal to offset the losses for year 2022 and 2021, 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, 2023, the Company had accumulated losses and had no distributable earnings.

(5) Other equity

1. The changes in unrealized gains and losses on financial assets at fair value through other comprehensive income are as follows:

	2023		2022	
	Exchange differences on translation	Unearned compensation	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation
Beginning balance	\$ —	\$ (8,989)	\$ 50,716	\$ —
Disposal of equity instruments measured at fair value through other comprehensive income	—	—	(46,437)	—
Unrealized gain or loss on FVTOCI financial assets	—	—	(4,279)	—
Exchange differences on translation	(31)	—	—	—
Issuance of employee restricted stock	—	—	—	(10,886)
Adjustment for lapsing of new shares and cancellation of capital reduction by restricting employee rights	—	7,323	—	—
Compensation cost of share-based payment	—	(643)	—	1,897
Ending balance	\$ (31)	\$ (2,309)	\$ —	\$ (8,989)

14. Share-based payment

- (1) For the years ended December 31, 2023, the company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vested 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	—	Vest at once
Employee stock options	2022.07.19	2,828	5 years	NOTE 1
Restricted stocks to employee	2022.07.05	1,000	1.7 years ~2.7 years	NOTE 2
Employee stock options	2023.05.10	172	5 years	NOTE 1

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

Employee Share Warrants	2023		2022	
	No. of options (units)	Weighted - average exercise price (in NTD)	No. of options (units)	Weighted average exercise price (in NTD)
Options outstanding at January 1	5,747	\$ 31.66	4,256	\$ 27.24
Options granted	172	39.15	2,828	37.55
Options exercised	(767)	21.63	(981)	22.07
Options forfeiture	(824)	35.19	(356)	31.05
Options lapsed on expiry	(802)	44.78	—	—
Options outstanding at December 31	3,526	30.40	5,747	31.66
Options exercisable at December 31	502	20.80	1,203	37.96
Weighted average fair value per share of current period's stock options	11.89		12.49	

B. Restricted stocks to employees

(Unit: Thousand shares)

	2023	2022
Stock outstanding at January 1	\$ 1,000	\$ —
Stocks granted	—	1,000
Stocks lapse of resignation	(360)	—
Stock outstanding at December 31	\$ 640	\$ 1,000

(3) For the years ended December 31, 2023, 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 options (in NTD)
20.8	1,339	3.18	20.8	502	20.8
36.1	2,055	3.55	36.1	—	—
39.15	132	4.36	39.1	—	—

(4) 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 Agreement	Grant given	Stock price	Exercise Price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per share (in NTD)
Employee stock option	2020.03.05	21.9	21.9	38.10%	4.95 years	0.00%	0.47%	7.3593
Employee stock option	2022.07.19	37.55	37.55	41.599%	3.5 to 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
Employee stock option	2023.05.10	39.15	39.15	37.543%	3.5 to 4.5 years	0.00%	1.039%~1.065%	11.89

(5) The compensation costs of employee stock options recognized by the company for the years 2023 and 2022 were NT\$7,535 thousand and NT\$9,807 thousand, respectively.

15. Revenue from contracts with customers

(1) Details of revenue:

2023			
	Sale of technical service	Other	Total
<u>Major Regional Markets</u>			
Domestic Sales	156,048	85	156,133
Asia	492,741	1,028	493,769
America	2,718	—	2,718
Total revenue	651,507	1,113	652,620
2022			
	Sale of technical service	Other	Total
<u>Major Regional Markets</u>			
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 revenue	614,857	117,419	732,276

(2) Contract balances

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

Items	2023.12.31	2022.12.31
Accounts receivable (including related parties)	\$ 67,746	\$ 101,411
Less: Loss allowance	(17,057)	(32,043)
Total	<u>\$ 50,689</u>	<u>\$ 69,368</u>

Items	2023.12.31	2022.12.31
Contract assets-		
Fulfil contracts receivable	<u>\$ 7,842</u>	<u>\$ 11,951</u>

Items	2023.12.31	2022.12.31
Contractual liabilities-		
Technical Services	<u>\$ 187,283</u>	<u>\$ 142,275</u>

The contract liabilities at the beginning of the period were recognized as income for the period as follows:

Items	2023.12.31	2022.12.31
Beginning balance of contract liabilities recognized revenue during the period	<u>\$ 101,245</u>	<u>\$ 119,314</u>

(3) Assets related to the contract costs

Items	2023.12.31	2022.12.31
Costs of fulfill contracts	\$ 194,075	\$ 166,763
Less. Accumulated impairment	(59,378)	(20,327)
Total	<u>\$ 134,697</u>	<u>\$ 146,436</u>

For the years ended in 2023 and 2022, the loss on costs to fulfil contracts impairment in the amounts of NT\$39,051 thousand and NT\$17,712 thousand, respectively.

16. Employee benefit, depreciation, depletion, and amortization expenses:

Function Nature	2023			2022		
	Recognized in Operating Costs	Recognized in Operating Expenses	Total	Recognized in Operating Costs	Recognized in Operating Expenses	Total
Employee Benefit Expenses						
Salary Costs	228,076	87,454	315,530	227,967	108,302	336,269
Labor and Health Insurance Fees	21,821	7,208	29,029	19,238	7,940	27,178
Pension costs	9,988	3,539	13,527	9,943	4,526	14,469
Directors' remuneration	—	1,490	1,490	—	1,891	1,891
Other employee benefit expenses	7,964	2,328	10,292	8,108	3,177	11,285
Subtotal	267,849	102,019	369,868	265,256	125,836	391,092
Depreciation expense	272,547	30,891	303,438	203,228	51,681	254,909
Amortization expense	5,881	5,462	11,343	20,557	7,087	27,644

In accordance with the provisions of the Company's Articles of Incorporation, the Company has distributed 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 2023 and 2022, 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, 2023 and 2022 were 345 and 387, respectively. Among which the numbers of directors who were not part-time employees were 8 and 9, respectively.
- (2) The average employee benefits expense for 2023 is NT\$1,093 thousand = [(Total employee benefit expenses for 2023 - Total Directors' remuneration) / (Number of employees for 2023 - Number of Directors who are not part-time employees)].

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)].

- (3) The average employee salary expense for 2023 was NT\$936 thousand = [Total salary expenses for 2023 / (Number of employees for 2023 - Number of Directors who are not part-time employees)].

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)].

- (4) The rate of adjustment in average salary expenses was 5.17% = [(Average salary expense for 2023 - Average salary expense for 2022) / Average salary expense for 2022].
- (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	2023	2022
Rental income	\$ 607	\$ 877
Dividend income	4	4
Profit from lease modification	26	1,131
Contract termination income	2,456	—
Income from customer defaults	2,813	—
Others	1,151	3,574
Total	\$ 7,057	\$ 5,586

(2) Financial costs

Items	2023	2022
Interest expenses:		
Interest on bank loans	\$ 20,760	\$ 19,048
Interest on lease liabilities	1,723	3,720
Others	976	952
Less: capitalization of interest	—	(8,304)
Subtotals	\$ 23,459	\$ 15,416
Bank loan processing fees	3,786	3,778
Total	\$ 27,245	\$ 19,194

(3) Other Losses

Items	2023	2022
Fire Losses	\$ 73,962	\$ —
Disposal of loss of property, plant and equipment	—	20,106
Others	33	463
Total	\$ 73,995	\$ 20,569

18. Other Comprehensive Income Component

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

(1) Items not reclassified to profit or loss are not reclassified subsequently:

2023	Generate	Other Comprehensive Income	Income Tax Benefits (Expense)	Amount After tax
Remeasurement of defined benefit obligation	\$ 258	\$ 258	\$ (52)	\$ 206
2022	Generate	Other Comprehensive Income	Income Tax Benefits (Expense)	Amount After tax
Remeasurement of defined benefit obligation	\$ 453	\$ 453	\$ (91)	\$ 362
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive	(7,516)	(7,516)	3,237	(4,279)
	(7,063)	(7,063)	3,146	(3,917)

(2) Items that may be reclassified subsequently to profit or loss:

2023	Generate	Reclassification Adjustment	Other Comprehensive Income	Income Tax Benefit (Expense)	Amount After Tax
Exchange differences on translation	\$ (39)	\$ —	\$ (39)	\$ 8	\$ (31)

19. Income tax

(1) Deferred tax assets (liabilities)

		2023			
		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	\$	1,656	\$ 265	\$ —	\$ 1,921
Allowance for diminution in value of inventories		6,085	7,189	—	13,274
Payables for annual leave		1,250	69	—	1,319
Loss carryforwards		59,777	(14,876)	—	44,901
Investment credits		9,484	—	—	9,484
Depreciation recognition difference		284	2,974	—	3,258
Unrealized exchange losses		(122)	2,498	—	2,376
Unrealized loss on investments		—	(309)	—	(309)
Exchange differences on translation of foreign statements		—	—	8	8
Pensions		(569)	5	(52)	(616)
Others		11,870	8,005	—	19,875
Total	\$	89,715	\$ 5,820	\$ (44)	\$ 95,491
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
Loss carryforwards		57,437	2,340	—	59,777
Investment credits		9,484	—	—	9,484
Depreciation recognition difference		—	284	—	284
Foreign exchange losses		817	(939)	—	(122)
Unrealized gain or loss from financial assets		(3,237)	—	3,237	—
Retirement allowance		(514)	36	(91)	(569)
Other		8,138	3,732	—	11,870
Total	\$	77,359	\$ 9,210	\$ 3,146	\$ 89,715

(2) Income tax expense (income)

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

	2023	2022
Loss before income tax	\$ (688,667)	\$ (462,841)
Income tax expenses calculated at the statutory rate	(137,733)	(92,568)
Permanent difference:		
Non-deductible expenses for tax purposes	(1)	—
The share of gains and losses recognized by the equity method - domestic	1,741	151
Temporary differences:		
Expected Credit Losses	(159)	6,187
Write-down of inventories	7,189	3,218
Loss on performance of contract costs	7,810	3,542
Retirement allowance	5	36
Foreign exchange losses (gain)	2,498	(939)
Depreciation recognition difference	1,761	1,496
Others	(45)	4,128
Offset between Profits and Losses	116,934	78,291
Current income tax payables	—	—
Income Basic Tax	—	—
Deferred income tax expense (gain)	(5,820)	(9,210)
Underestimation (Overestimation) of prior year's income tax	—	—
Income tax expense recognized in gain or loss	\$ (5,820)	\$ (9,210)

B.Income tax recognized in other comprehensive income

Item	2023	2022
Current tax expense- income basic tax	\$ —	\$ —
Deferred income tax		
Gains (losses) on re-measurements of defined benefit plans	52	91
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	—	(3,237)
Exchange differences on translation	(8)	—
Income tax gain (expense) related to other comprehensive income components	\$ 44	\$ (3,146)

(3) Deferred tax assets that have not been recognized in the balance sheets

As of December 31, 2023, the amount of unused loss carryforwards and unused investment tax credits had not been utilized.

Loss carryforwards

Unutilized balance of tax credits	Expiry year	Recognition of deferred tax asset
\$ 106,958	2024	
101,215	2025	
154,825	2026	
90,986	2027	
331,649	2028	
218,168	2029	
92,899	2031	
397,662	2032	
584,669	2033	
<u>\$ 2,079,031</u>		<u>\$ 44,901</u>

Investment credits

Unutilized balances	Last credit year	Recognized income tax assets
\$ 174,705	Research and development expenditure	
1,122	Expenditures training expenses	
10,000	shareholders' investment tax credit	
<u>\$ 185,827</u>		<u>\$ 9,484</u>

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.

(4) The Company's income tax returns have been examined by the tax authorities through 2021.

20. Loss per share

	2023			2022		
	Loss after tax	Weighted average shares (in thousands)	Loss per share	Loss after tax	Weighted average shares (in thousands)	Loss per share
Basic loss per share	(682,847)	205,528	(3.32)	(453,631)	165,337	(2.74)
Dilutive potential						
Employee stock options	—	(NOTE)		—	(NOTE)	
Diluted loss per share	(682,847)	205,528	(3.32)	(453,631)	165,337	(2.74)

NOTE: In the computation of diluted earnings per share, the potential common stock from employee stock options were not included for the years 2023 and 2022 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	2023.12.31	2022.12.31
Total liabilities	\$ 1,322,247	\$ 1,347,423
Total amount	\$ 3,769,439	\$ 4,452,998
Debt ratio	35.08%	30.26%

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

	2023.12.31			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
- Domestic unlisted (OTC) stocks	\$ 268	\$ —	\$ —	\$ 268
	2022.12.31			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
- Domestic OTC stocks	\$ 268	\$ —	\$ —	\$ 268

B. 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).

C. 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

Information on the Company's foreign-currency financial assets and liabilities with significant influence is as follows:

	2023.12.31			2022.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Foreign currency: functional currency						
<u>Financial assets</u>						
<u>Monetary items</u>						
RMB: NTD	2,222	4.327	9,614	184	4.408	811
USD: NTD	11,105	30.705	340,987	7,263	30.71	223,047
EUR: NTD	619	33.980	21,030	1	32.72	24
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: NTD	386	30.705	11,860	319	30.71	9,796
GBP: NTD	—	39.150	—	10	37.09	371
EUR: NTD	2,479	33.980	84,236	24	32.72	774

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 2023 and 2022 due to changes in exchange rates were NTD\$3,347 thousand and NTD\$13,291 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 company's financial assets and liabilities that are exposed to interest rate risk at the balance sheet date are listed as follows:

	2023.12.31	2022.12.31
With cash flow interest rate risk		
-Financial assets	\$ 696,439	\$ 1,342,652
-Financial liabilities	\$ 656,320	\$ 862,200

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 parent company only company's 2023 pre-tax net loss will decrease/increase by NTD\$401 thousand, and the pre-tax net loss for 2022 will increase/decrease by NTD\$4,805 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 parent company only 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 parent company only company's internal credit rating, historical transaction records, and current economic conditions. The parent company only 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, 2023 and 2022, the total accounts receivable from the top ten selling customers accounted for 64.28% and 57.88%, respectively, of the parent company only company's total accounts receivable. The parent company only company reviews the recoverable amount of accounts receivable on a case-by-case basis at the balance sheet date

to ensure that appropriate impairment losses have been provided for uncollectible accounts receivable. Accordingly, the management of the parent company only company believes that the related credit risk has been significantly reduced. The credit concentration risk of the remaining 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 parent company only company. As the parent company only 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 parent company only 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 parent company only company's operations.

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

2023.12.31				
Item	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payables (including related parties)	\$ 44,053	\$ —	\$ —	\$ 44,053
Other payables (including related parties)	360,356	—	—	360,356
Leas liabilities	31,612	31,527	10,091	73,230
Long-term borrowings	125,920	530,400	—	656,320
Total	\$ 561,941	\$ 561,927	\$ 10,091	\$ 1,133,959

2022.12.31				
Item	Less than one year	One to five years	More than five 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

23. Cash Flow Information

(1) Non-cash transactions

	2023	2022
Property, Plant, and Equipment (Prepaid Equipment) Increase	\$ (457,229)	\$ (551,343)
Capitalization of Interest	—	8,304
Changes in Payables for Construction and Equipment	161,598	(83,897)
Acquisition of property, plant and equipment (prepayments included) - cash paid	\$ (259,631)	\$ (626,936)

	2023	2022
Increase in Intangible Assets	\$ (1,971)	\$ (11,863)
The increase/decrease in accounts payable	—	(175)
Acquisition of intangible assets(cash paid)	\$ (1,971)	\$ (12,038)

(2) Changes in liabilities from financing activities

	2023.01.01 balance	Cash Flow	The Change in Non-Cash Items		2023.12.31 balance
			Changes in Lease Terms	Other	
Lease liabilities	\$ 93,652	\$ (40,444)	\$ 19,441	\$ (2,692)	\$ 69,957

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

VII. RELATED PARTY TRANSACTIONS

1. Name and Relationship of Related Parties

Name of related party	Relationship with Parent company only Company
Center Laboratories, Inc.	The investors with significant influence
JCR Pharmaceuticals Co., Ltd.	The investors with significant influence (acquired significant influence in October 2022)
MYCENAX BIOTECH USA LLC	The Company's subsidiary
BioGend Therapeutics Co.,Ltd.	Related party in substance
LUMOSA THERAPEUTICS CO., LTD	Related party in substance
Bioengine Technology Development Inc	Related party in substance
GLAC BIOTECH CO., LTD.	Related party in substance
KRISAN BIOTECH CO.	Affiliated Company

2. Significant transactions between the parent company only company and related parties are listed as follows:

(1) Operating Revenue

Name of Related Party	2023	2022
BioGend Therapeutics Co., Ltd.	\$ 23,757	\$ 22,935
LUMOSA THERAPEUTICS CO., LTD.	30,995	9,638
GLAC BIOTECH CO., LTD.	600	—
JCR Pharmaceuticals Co., Ltd.	129,234	55,479
Total	\$ 184,586	\$ 88,052

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

(2) Testing Fee

Name of related party	2023	2022
KRISAN BIOTECH CO.	\$ 5,980	\$ —

(3) Operating Expenses

Items	Name of Related Party	2023	2022
Other operating expenses	LUMOSA THERAPEUTICS CO., LTD.	\$ 208	\$ 192
Professional service fees	LUMOSA THERAPEUTICS CO., LTD.	21	147
Other operating expenses	Bioengine Technology Development Inc.	208	76
Professional service fees	Center Laboratories, Inc.	75	—
Professional service fees	MYCENAX BIOTECH USA LLC	17,124	
Disbursement fee	Center Laboratories, Inc.	12	11
Total		\$ 17,648	\$ 426

(4) Other income

Name of Related Party	2023	2022
LUMOSA THERAPEUTICS CO., LTD.	—	1,043
JCR Pharmaceuticals Co., Ltd.	156	—
KRISAN BIOTECH CO.	188	—
	\$ 344	\$ 1,043

3. Receivables and payables with related parties:

(1) Accounts receivable

Name of Related Party	2023.12.31	2022.12.31
BioGend Therapeutics Co., Ltd.	\$ 720	\$ 640
LUMOSA THERAPEUTICS CO., LTD.	3,115	4,931
JCR Pharmaceuticals Co., Ltd.	5,459	5,066
Total	\$ 9,294	\$ 10,637

(2)Contractual liabilities

Name of Related Party	2023.12.31	2022.12.31
BioGend Therapeutics Co., Ltd.	\$ 17,095	\$ 18,334
LUMOSA THERAPEUTICS CO., LTD.	6,128	11,765
GLAC BIOTECH CO., LTD.	—	180
JCR Pharmaceuticals Co., Ltd.	32,805	336
Total	\$ 56,028	\$ 30,615

(3)Accounts payable

Name of Related Party	2023.12.31	2022.12.31
Total	\$ 1,123	\$ —

(4)Other payables

Name of Related Party	2023.12.31	2022.12.31
LUMOSA THERAPEUTICS CO., LTD.	\$ —	\$ 11
Bioengine Technology Development Inc.	33	—
JCR Pharmaceuticals Co., Ltd.	4	—
	\$ 37	\$ 11

4. Information on Compensation of Key Management Personnel

Items	2023	2022
Salaries and other short-term employee benefits	\$ 11,002	\$ 10,163
Retirement benefits	108	202
Share-based payments	832	2,710
Total	\$ 11,942	\$ 13,075

VIII. PLEDGED ASSETS

The following assets of the parent company only 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	2023.12.31	2022.12.31	Content of Secured Debt
Pledged time deposits (Current financial assets at amortized cost)	\$ 1,200	\$ 1,200	Security deposits for leased land
Restricted assets (Other current assets)	33,192	2,044	Reserve accounts
Property, plant, and equipment (including prepayments for business facilities)	1,187,366	1,322,599	Bank loans
Total	\$ 1,221,758	\$ 1,325,843	

IX.SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of the end of December 31, 2023 and 2022, the parent company only company had signed contracts for the purchase of equipment and construction of plants bulidings, with capital expenditures yet to be completed amounting to NT\$226,845 thousand and NT\$409,942 thousand, respectively.

X. LOSS FROM MATERIAL DISASTERS:

On March 6, 2023, the Company suffered a fire, which resulted in damage to equipment and inventory, and incurred repair and maintenance costs. The estimated loss from the fire was \$73,962 thousand (\$40,325 thousand for inventory, \$18,257 thousand for customer supplies, and \$13,380 thousand for property, plant and equipment, respectively), which was recognized as other losses for the period January 1 to December 31, 2023, and is currently under negotiation with the insurance company for settlement of the claim. Since the claim involves the identification of the disaster, as of the date of approval of the Financial Statements, it is not yet possible to recognize the amount of the insurance claim, and the related income from the claim will be recognized in the subsequent period when the amount of the insurance claim can be reasonably estimated.

XI. SIGNIFICANT MATTERS AFTER THE PERIOD: None

XII. OTHER

On January 4, 2018, the parent company only 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, 2023, there were still payables of NT\$40,000 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	None
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

No.	Items	Description
7.	Purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital	TABLE 2
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 3
2.	Disclosure of control over investment companies	None

3. Mainland China Investment Information: 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 4

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 consolidated company's operating decision-makers are based on the Company's overall evaluation of performance and allocation of resources, and the consolidated company has been identified as a single reportable department.

1. Major products and labor revenues

Items	2023	2022
Sale of technical services	\$ 651,507	\$ 614,857
Other revenue	1,113	117,419
Total	<u>\$ 652,620</u>	<u>\$ 732,276</u>

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	2023		2022	
	Revenue Amount	Revenue Percentage	Revenue Amount	Revenue Percentage
Gedeon Richter Plc,	\$ —	—	\$ 114,260	16
Client Y	190,194	29	52,529	7
Client AK	129,934	20	112,654	15
Client AP	26,139	4	99,732	14
Total	<u>\$ 345,567</u>	<u>53</u>	<u>\$ 379,175</u>	<u>52</u>

Mycenax Biotech Inc.
Marketable securities held
December 31, 2023

Table 1:

Relevant information disclosure on the Company's marketable securities holdings on December 31, 2023

(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	1,500	268	0.0002%	268

Mycenax Biotech Inc.

Purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

December 31, 2023

Table 2: Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: In Thousands of NTD

Imports (Sales) international trading	Counterparty Name	Relationship	Transactional circumstances				Circumstances and reasons why the trading conditions are different from those of ordinary transactions		Notes and accounts receivable (payable)		Note
			Import (Sales)	Amount	Ratio of total purchases (sales) to total sales (purchases).	Credit period	Unit Price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
Mycenax Biotech Inc.	JCR Pharmaceuticals Co., Ltd.	Investors with significant influence	Sales	129,234	19.80%	Invoice date 60 days	Comparable to general customers		Accounts receivable \$ 5,459	8.06%	—

Mycenax Biotech Inc.

Name and location of the investee company

December 31, 2023

Table 3: Name, locations 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, 2023			Net Profit (Loss) of Investee	Share of Profit (Loss) of Investee	Note
				December 31, 2023	December 31, 2022	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%	190,542	(24,651)	(8,703)	—
Mycenax Biotech Inc.	Mycenax Biotech USA, LLC	8 THE GREEN, STE B Dover, Delaware, USA	Market Development	3,085	—	—	100.00%	4,753	1,545	1,545	—

Mycenax Biotech Inc.
INFORMATION ON MAJOR SHAREHOLDERS
December 31, 2023

Table 4

Names of major shareholders	Shares	
	No. of shares held	Shareholding percentage
JCR Pharmaceuticals Co., Ltd.	42,000,000	20.39%
Center Laboratories, Inc.	41,974,314	20.38%

MYCENAX