Stock Code: 4726

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

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

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Statement of Declaration

For the year 2023 (form 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-subsidiary 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-subsidiary 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

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 is 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:

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 evidence, 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.

<u>Other Matter</u>

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.

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

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 Amount		December 31, 2023 %	December 31, 2022 Amount		December 31, 2022 %
	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 Amount	%	December 31, 2022 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)
8310	Other Comprehensive Income Components of other comprehensive income that will not be reclassified to profit or loss	6(18)				
8311	Remeasurement of defined benefit obligation		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)
8360	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			

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

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

Mycenax Biotech Inc.

STATEMENTS OF CHANGES IN EQUITYYEARS ENDED DECEMBER 31, 2023 AND 2022

(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, 2023 AND 2022

Item	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
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
CASH FLOWS FROM INVESTING ACTIVITIES		
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)
CASH FLOWS FROM FINANCING ACTIVITIES		
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 provied 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 lont-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
At amortized cost		
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
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 investories 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	Shareholding percentage 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 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 consolideated 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)
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, 2012, 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 storck 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’ meettings 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 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

	2023			2022		
Employee Share Warrants	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 peroid’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 Decembery 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
Major Regional Markets			
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
Major Regional Markets			
Domestic Sales	276,634	1,533	278,167
Asia	324,207	1,376	325,583
America	6,820	250	7,070
Europe	7,196	114,260	121,456
Total 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:

	2023			2022		
Function / Nature	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) Finanial 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 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)
	(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
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 consoidated 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 consoidated company plans its needs for working capital, research and development expenses, and dividend payments in future periods, with a view to safeguarding the consoidated 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 consoidated company may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders, or repurchasing its shares.

The consoidated company monitors its capital by regularly reviewing its debt ratio. The consoidated 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 consoidated 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 consoidated 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			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income - non-current:				
- Domestic unlisted (OTC) stocks	$ 268	$ －	$ －	$ 268

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

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						
Financial assets						
Monetary items						
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
Financial liabilities						
Monetary items						
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)
Acquistion 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	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	$	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 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 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
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	$ 652,620	$ 732,276

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	$ 345,567	53	$ 379,175	52

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, 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%	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%