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基亞生物科技股份有限公司
MEDIGEN BIOTECHNOLOGY CORP.

2022 Annual Report

Printed on May 12, 2023

The Annual Report is available at: <http://www.medigen.com.tw>
<http://mops.twse.com.tw>

Notice to readers

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

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Branch offices and plants: None

III. Stock transfer agent:

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IV. Auditors of the annual financial report for the most recent fiscal year

Name: Man-Yu Juan Lu, CPA

Ya-Hui Lin, CPA

Name of the accounting firm: PwC Taiwan

Website: www.pwc.com.tw

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V. The name of any exchanges where the Company's securities are traded offshore, and the method of accessing the information: None

VI. Company website: <http://www.medigen.com.tw>

Medigen Biotechnology Corp.

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Chapter 1 Letter to Shareholders

Dear Shareholders,

Thank you for taking the time to attend the 2023 annual meeting of shareholders of Medigen Biotechnology Corp. I would like to express my gratitude and welcome you to the annual meeting on behalf of the management team and all employees of the Company.

I. 2022 Operating Results

(I) 2022 Operating Plan Implementation Results and Profitability Performance

The consolidated revenue for 2022 amounted to NT\$1,055,947 thousand. The net loss after tax was NT\$675,874 thousand and the loss per share was NT\$4.86. The Company's paid-in capital as of the end of 2022 was NT\$1,394,463 thousand and the shareholder equity amounted to NT\$2,194,027 thousand.

(II) Budget Execution, Financial Revenues and Expenditures

Unit: NTD thousands

Item	2022 actual amount	2022 estimated amount	Difference
Operating revenue	1,055,947	12,627,454	(11,571,507)
Net operating profit	(1,666,976)	2,098,630	(3,765,606)
Net profit (loss) after tax	(675,874)	178,231	(854,105)

The actual operating revenue and net operating profit for 2022 were significantly different from the estimates for 2022 mainly because the purchase orders for the COVID-19 vaccines produced by the Company's subsidiary, Medigen Vaccine Biologics Corporation (6547), were lower than expected. The Company targets to maintained a stable financial status and strive to achieve estimate amount.

(III) Research and Development

1. New drug PI-88

The Company has licensed its PI-88 to "Cellxpert Biotechnology Co., Ltd." (Cellxpert Biotech). The Company expects to receive royalties, milestone fee,

and shared profits under conditions of the agreement between both parties.

2. New drug OBP-301

Chugai Pharma co., Ltd. has returned all rights it may have with respect to OBP-301 jointly developed by the Company and Oncolys to Oncolys from October 15, 2022. The phase II clinical trial for esophageal cancer conducted in Japan has recruited the last subject in December 2022. We expect to apply for a rolling review from the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan in accordance with Japan's prior authorization system for designated products with the goal of applying for a new drug approval in Japan in 2024. In terms of strategy, the team will continue to implement GMP manufacturing and engage in sales activities with pharmaceutical companies. Also, seeking opportunities of licensing and possibility of increasing the groups of patients for using OBP-301 with pharmaceutical companies is a significant task in the future.

3. Immune cell therapy

The Company has obtained the approvals from the Ministry of Health and Welfare for two types cell therapy technologies in accordance with the "Regulations Governing the Administration or Use of Specific Medical Technology-based Testing or Laboratory Medical Instruments" ("Regulations"). The two type cell therapy technologies are the NK (Magicell-NK) cell and Gamma Delta T (GDT) cell therapy. The company has received an approval for GDT cell therapy technology collaborating with Shin Kong Hospital from Ministry of Health and Welfare in February 2023. In addition, for NK (Magicell-NK) cell therapy technology, the Company has received two additional approvals from Ministry of Health and Welfare in 2022. Patients can now seek treatments in Hualien Tzu-Chi Hospital, Chi Mei Hospital Liouying, Changhua Christian Hospital, Shin Kong Hospital, En Chu Kong Hospital, Wanfang Hospital, and Taichung Tzu-Chi Hospital.

According to the provisions of Regulations, the approved treatments must be conducted at the approved medical institutions in Taiwan and limited to the indications specified in the abovementioned regulations. For the purpose to expand market and international businesses, the Company actively commences

clinical trials. The Company has obtained the approval from the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare for conducting the autologous natural killer cell therapy in August 2021 for using the NK cells as an adjuvant therapy after the colon cancer patients undergo surgery. The clinical trial has recruited the first patient in March 2022. We expect to obtain the result showing prevention of cancer recurrence and increasing overall survival.

II. 2023 Operating Plan

(I) Operating Strategy

The Company is mainly engaged in new drug discovery and clinical trials. We began to focus on the field of cell therapy from 2019. In terms of our strategy, we focus on Regulations governed by Department of Medical Affairs and clinical trials based on the regulations governed by Department of Medical Affairs and Taiwan Food and Drug Administration (TFDA). In addition, the company expects to expand overseas markets and increase revenue through international cooperation. As of the end of 2022, the Company has obtained the approval from the Ministry of Health and Welfare for two types of cell therapy technologies in accordance with the Regulations, including the NK (Magicell-NK) cell and Gamma Delta T (GDT) cell therapies. The NK (Magicell-NK) cell therapy is available in 7 medical institutions in Taiwan and the GDT cell therapy is provided by one medical institution. The Company has one clinical trial conducted in accordance with the regulations of Taiwan Food and Drug Administration (TFDA), and the phase I clinical trial is currently underway. In the future, the Company expects to initiate clinical research on allogeneic immune cell therapy and developments on automatic equipment at an appropriate time. We will also continue to expand the indications for cell therapies as well as applicable patient groups and markets to continuously make short, medium, and long-term contributions to revenue.

(II) Expected sales and its basis

As of the end of 2023, the Company has formed partnerships with 11 medical institutions in Taiwan and filed applications for the approval of the NK (Magicell-NK) cell and Gamma Delta T (GDT) cell therapies in accordance with the Regulations. Nevertheless, revenues have remained lower than expected due to the COVID-19 pandemic and other factors in the past three years. In the future, the Company will focus more on close communication with partner medical institutions to enhance market expansion.

The revenue from the COVID-19 vaccine developed by the subsidiary Medigen Vaccine Biologics Corporation and the COVID-19 Testing Kit developed by the subsidiary TBG Biotechnology Corp. dropped in 2022 as the COVID-19 pandemic subsided. In 2023, the two subsidiaries will return to the development of existing product pipeline and business. The own brands and OEM businesses of the subsidiary Winston Medical Supply Co., Ltd. maintained steady revenue and high margins. They are expected to maintain the ROI level for shareholders.

(III) Important production and sales policies

The Company will continue focusing on the business development of NK and GDT cell therapies. We will increase the number of partner medical institutions and enhance services in accordance with the provisions of the Regulations. We will also leverage international partnerships and contracted services to increase revenue. The Company will invest in the development of automatic equipment to reduce costs and increase market penetration.

III. Future strategies

The Company shall dedicate itself to immune cell therapy development with a strategic focus on projects with independent technology, unmet needs, high safety and high potential. Therefore, natural killer cells and gamma delta T (GDT) cells will be the main subjects for market expansion and R&D. We will also leverage the Company's capacity for R&D, resource integration, and international cooperation built up over the years to support subsidiaries accelerate product launch, improve operations, and maximize value creation for shareholders.

IV. Effect of competitive factors, legal factors, and operating environment

Business activities involving immune cell therapy remains constrained by political and legal factors such as the "Regulations Governing the Administration or Use of Specific Medical Technology-based Testing or Laboratory Medical Instruments" as well as domestic and foreign legislation on regenerative medicine, and medical technology regulations. In 2022, the impact of the COVID-19 pandemic disrupted the admission of patients to medical institutions, which caused the revenue to fall below expectations. In terms of subsidiaries, as the COVID-19 pandemic subsided, the vaccine and testing businesses will be restored to their pre-pandemic levels with continuous growth and development. Winston Medical Supply Co., Ltd. is expected to maintain steady revenue and high margins. In response to mounting challenges such as regulatory constraints, competitors, and the general economy environment, all managers and employees of the Company and its subsidiaries will continue to work hard on innovation and shareholder interests in their business areas in a professional manner. We shall actively support research and development, clinical trials, and market expansion with the aim of achieving success.

Chairman: Shi-Chung Chang

June 26, 2023

Chapter 2 Company Profile

I. Date of Establishment

December 31, 1999

II. Company History

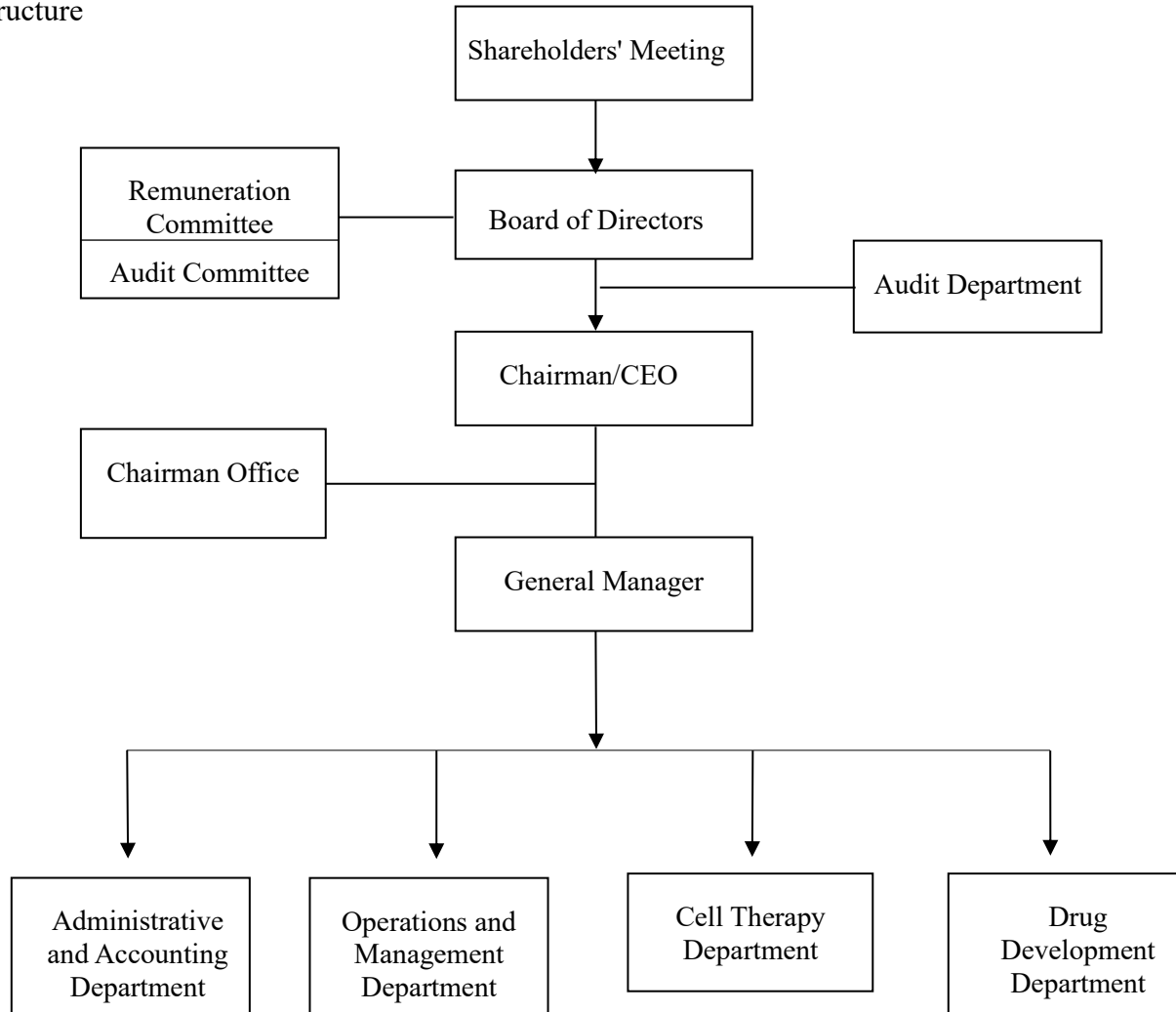
Date	Milestone
March 2008	The Company enters strategic alliance with Oncolys BioPharma to jointly develop oncolytic virotherapy drug under the code name "OBP-301".
April 2011	Medigen's PI-88 for hepatocellular carcinoma received approval from the Department of Health for phase III human clinical trials.
October 2012	Founded the subsidiary Medigen Vaccinology Corp. (MVC) (renamed Medigen Vaccine Biologics Corporation).
November 2012	Medigen signed a strategic alliance agreement and a stock transfer agreement with the subsidiary Shanghai Haoyuan Biotech Co., Ltd.
January 2014	Issued new stocks totaling NT\$20,000 thousand and received 67.92% of the shares of Winston Medical Supply Co., Ltd. The Company's paid-in capital was increased to NT\$1,386,743 thousand.
November 2016	The new drug OBP-301 developed by the Company in collaboration with Oncolys in Japan was licensed to Jiangsu Hengrui Medicine.
February 2017	Completed final analysis of the phase III clinical trials for PI-88.
July 2017	ExProbe™ SE HLA ABCDRDQ (ExProbe™) typing kit independently developed by the subsidiary TBG Biotechnology Corp. received EU certification and the registration certification from the Food and Drug Administration of Taiwan.
October 2017	The subsidiary company TBG Biotechnology (Xiamen) Inc. received the approval from the China Food and Drug Administration (CFDA) for the registration of five high-resolution Human Leukocyte Antigen (HLA) genotyping kits.
April 2019	The new drug OBP-301 developed by the Company in collaboration with Oncolys in Japan was licensed to Chugai Pharmaceutical Co., Ltd. of Japan.
August 2019	The Company established Beijing Medigen Cell Technology Corp. through a joint venture to expand the cell therapy market in China.
December 2019	The Company signed the PI-88 licensing agreement with Medigen Cell Technology Corp. (renamed Cellxpert Biotechnology Co., Ltd.)
February 2020	The Company's autologous Natural Killer (NK) cell treatment plan jointly submitted with E-Da Cancer Hospital was approval from the Ministry of Health and Welfare (MOHW) according to the "Regulations Governing the Application of Specific Medical Examination Technique and Medical Device". Under this special regulation, the Company's cell processing facility is certified.
June 2020	The subsidiary TBG Biotechnology Corp. obtained the Emergency Use Authorization (EUA) from USFDA for the COVID-19 Testing Kit.

Date	Milestone
July 2020	The new drug under development, OBP-301, completed phase I clinical trials for treating liver cancer in Taiwan and Korea.
August 2020	The Company's autologous Natural Killer (NK) cell treatment plan with Hualien Tzu-Chi Hospital received the approval letter from the MOHW for the application for the cell preparation site in accordance with the Special Regulations.
September 2020	The subsidiary TBG Biotechnology Corp. obtained the Emergency Use Authorization (EUA) from USFDA for the COVID-19 Antibody Testing Kit.
	The Company's autologous Natural Killer (NK) cell treatment plan with Chi Mei Hospital Liouying received the approval letter from the MOHW for the application for the cell preparation site in accordance with the Special Regulations.
March 2021	The Company received the approval letter from the MOHW for the autologous NK cell therapy project with Jen-Ai Hospital Dali.
April 2021	The Company received the approval letter from the MOHW for the autologous NK cell therapy project with Changhua Christian Hospital.
	The Company received the approval letter from the MOHW for the autologous NK cell therapy project with Shin Kong Hospital.
May 2021	The MOHW approves the Company's autologous NK cell therapy project with En Chu Kong Hospital.
June 2021	The MOHW approves the Company's autologous NK cell therapy project with Central Clinic & Hospital.
July 2021	The MOHW approves the Company's autologous NK cell therapy project with Taipei Medical University Hospital.
August 2021	The Company obtained the approval from the Taiwan Food and Drug Administration (TFDA) of the MOHW for the autologous natural killer cell therapy (Magicell-NK) phase I clinical trial.
April 2022	The MOHW approves the Company's autologous NK cell therapy project with Taipei Municipal Wanfang Hospital.
September 2022	The MOHW approves the Company's autologous NK cell therapy project with Taichung Tzu-Chi Hospital.
February 2023	The Ministry of Health and Welfare approves the collaborative autologous Gamma-Delta T cell therapy project by the Company and Shin Kong Hospital.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Business Functions of Major Departments

Department	Business Functions
Chairman Office	<ol style="list-style-type: none"> 1. Formulation of corporate operation strategy and budget outline. 2. Coordination between departments 3. Feasibility and performance evaluation of corporate regulations and supervision of implementation results. 4. Execution of the resolutions of the Board of Directors and performance evaluation.
Operations and Management Department	<ol style="list-style-type: none"> 1. Formulation of the business plan. 2. Business development and project management. 3. Licensing, co-development, and academia-industry cooperation, and project management. 4. Market research and analysis. 5. Contract review and management of legal affairs. 6. Litigation and non-litigation management 7. Intellectual property rights management. 8. Corporate image management.
Drug Development Department	<ol style="list-style-type: none"> 1. Design and execution of clinical trials. 2. Monitoring of clinical trials in accordance with GCP and trial protocols. 3. Design and implementation of special regulations for cell therapy projects. 4. Assistance for the monitoring of the implementation of the Regulations Governing the Administration or Use of Specific Medical Technology-based Testing or Laboratory Medical Instruments in accordance with the terms therein. 5. Actively seek and participate in the development and cooperation of new drugs. 6. Production process development for new drugs. 7. Project management.
Cell Therapy Department	<ol style="list-style-type: none"> 1. Management and maintenance of the GTP Lab. 2. Research and development of cell therapy products. 3. Manufacturing of cell therapy products. 4. Research and development of related antibodies for cell therapy
Administrative and Accounting Department	<ol style="list-style-type: none"> 1. Formulation of short and medium-term funding and allocation plans. 2. Formulation and execution of the accounting system and accounting affairs. 3. Budget execution and control and preparation and analysis of management reports. 4. Monthly payment, difference analysis, and performance evaluation. 5. Formulation and execution of the human resource management system. 6. Establishment and maintenance of the Company's network system and supply of IT services. 7. Asset inventory and maintenance. 8. Procurement of products, materials/ingredients, and general consumables. 9. General administration and stock affairs. 10. Subsidiary and investment management.
Audit Department	<ol style="list-style-type: none"> 1. Performance evaluation of corporate regulations compliance. 2. Formulation and execution of audit plans. 3. Implementation of project audits.

II. Information regarding Directors, Supervisors, General Manager, Vice Presidents, Division Directors, and Heads of Departments

(I) Directors and Supervisors Information

April 28, 2023

Title	Nationality or place of registration	Name	Gender/age	Date first elected	Elected Date	Term	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks (Note 2)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Chairman	ROC	Shi-Chung Chang	Male/66-70	2003.6.9	2021.8.2	3 years	1,802,064	1.29%	1,802,064	1.29%	537,757	0.39%	0	0.00%	Director, Tzu Chi University College of Medicine Director, Department of Urological Surgery, Tzu Chi Hospital Attending Physician, National Taiwan University Hospital General Manager, Medigen Biotechnology Corp.	Director, U-GEN (previously known as TBG Inc.) Chairman, TBG Biotechnology Corp. Chairman, Winston Medical Supply Co., Ltd. Director, TBG Diagnostics Ltd. Chairman, Medigen Biotechnology Corp. (Beijing) Director, Medigen Biotechnology Corp. (Xiamen) Director, TBG Biotechnology (Xiamen) Inc. Chairman, UMO International Co., Ltd. Chairman, Shiny Lily Co., Ltd. Director, MVC BioPharma Ltd. Director, TDL Holding Co.	Representative of corporate director	Tse-Ling Chang Tzu-Liang Huang	Relative within second degree of kinship	None

Title	Nationality or place of registration	Name	Gender/age	Date first elected	Elected Date	Term	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks (Note 2)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Director	ROC	Everspring Industry Co., Ltd.	Female/ 61-65	2000.8.23	2021.8.2	3 years	14,093,380	10.11%	14,093,380	10.11%	0	0.00%	0	0.00%	None	None	None	None	None	None
	ROC	Representative: Tse-Ling Chang					0	0.00%	0	0.00%	6,363,572	4.56%	0	0.00%	Chairman, Everspring Industry Co., Ltd. Chairman, WorldTrend Co., Ltd.	Chairman and President, Everspring Industry Co., Ltd. Representative of Corporate Director and Chairman, WorldTrend Co., Ltd. Chairman and President, Everspring Industry (S) Pte Ltd Representative of Corporate Director, Uniinn Technology Co., Ltd. Representative of Corporate Director and President, Everspring Tech USA Inc. Representative of Corporate Director, Tung Sheng Development Co., Ltd. Representative of Corporate Director and Chairman, Hua Chen Apartment Building Management and Maintenance Co., Ltd. Director, Tung Fu Construction Co., Ltd.	Chairman	Shi-Chung Chang	Relative within second degree of kinship	

Title	Nationality or place of registration	Name	Gender/age	Date first elected	Elected Date	Term	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks (Note 2)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Director	ROC	Ta Ching Construction Co., Ltd.	Female/ 66-70	2001.8.13	2021.8.2	3 years	4,371,763	3.14%	4,371,763	3.14%	0	0.00%	0	0.00%	None	None	None	None	None	None
	ROC	Representative: Min-Lee Chuang					0	0.00%	394,360	0.28%	34,992	0.03%	0	0.00%	Vice President/Director, Ta Ching Construction Co., Ltd. Director, Ta Ching Bills Finance Corporation	Vice President, Ta Ching Construction Co., Ltd. Vice Chairman, Good Finance Securities Co., Ltd.	None	None	None	None
Director	ROC	WorldTrend Co., Ltd.	Male/ 66-70	2001.8.13	2021.8.2	3 years	2,427,760	1.74%	2,427,760	1.74%	0	0.00%	0	0.00%	None	None	None	None	None	None

Title	Nationality or place of registration	Name	Gender/age	Date first elected	Elected Date	Term	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks (Note 2)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Relationship	Name	Title	
	ROC	Representative: Tzu-Liang Huang					0	0.00%	6,363,572	4.56%	0	0.00%	0	0.00%	Chairman, Hsu Chai Wealth Management Chairperson, Tung Chuang Investment Holding Co., Ltd.	Chairperson, Tung Chuang Investment Holding Co., Ltd. Chairman, Meta Biotechnology Company Limited Director, Everspring Industry Co., Ltd. Chairman, Everspring Cultural and Educational Foundation Representative of Director and Chairman, Uniinn Technology Co., Ltd. Representative of Corporate Director, WorldTrend Co., Ltd. Director, Tung Fu Construction Co., Ltd. Director, Tung Neng Construction Co., Ltd. Representative of Corporate Director, Hua Chen Apartment Building Management and Maintenance Co., Ltd. Representative of Corporate Director, Taiwan Lung Meng Advanced Composite Materials Co., Ltd.	Relative within second degree of kinship	Shi-Chung Chang	Chairman	

Title	Nationality or place of registration	Name	Gender/age	Date first elected	Elected Date	Term	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks (Note 2)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	ROC	Por-Hsiung Lai	Male/71-75	2015.6.22	2021.8.2	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Vice CEO, Institute for Biotechnology and Medicine Industry Chairman, A-SPINE Asia Co., Ltd. Director and General Manager, President Life Sciences Co., Ltd. Co-Founder, Kirin Engineering Company, Limited (Japan) Department Manager, Sequemat Inc., Amgen Inc., and Centocor Inc. in the United States	Chairman, Crux Health Technology Co., Ltd. Chairman, Shih Hui Industries Co., Ltd. Chairman, Tephoron Co., Ltd. Independent Director, CH Biotech R&D Co., Ltd. Chairman, I Hsing Technology Co., Ltd.	None	None	None	None
Independent Director	ROC	Shui-Ming Chuang	Male/71-75	2018.6.6	2021.8.2	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Prosecutor, Taipei District Prosecutors Office and Kaohsiung District Prosecutors Office Judge, Taiwan Taipei District Court, Banqiao District Court	Attorney, Pan Law Firm	None	None	None	None

Title	Nationality or place of registration	Name	Gender/age	Date first elected	Elected Date	Term	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Concurrent duties in the Company and in other companies	Any supervisor, director or supervisor who is a spouse or relative within the second degree of kinship			Remarks (Note 2)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	ROC	Pei-Wei Chen	Male/51-55	2021.8.2	2021.8.2	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Deputy Manager, Deloitte & Touche CPA, Solomon & Co., CPAs Lecturer, Department of Accounting, Chungyu Institute of Technology Lecturer, National Taipei College of Business CPA, Wei Chuang CPA Firm	CPA, Weide CPAs Independent Director, Nanoplus Limited (Cayman) Taiwan Branch Chun Chuang Wealth Management Consulting Co., Ltd.	None	None	None	None

Note 1: As of April 28, 2023, the Company has issued 139,446,255 shares.

Note 2: The reason, reasonableness, necessity, and future remedial measures, as well as other related information shall be explained when the same person, spouses, or first-degree relatives serve as chairperson and general manager or its equivalent rank (top manager) (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

The Company's Chairperson and CEO are currently the same person and the arrangement is made to improve operating efficiency and decision-making. The Company actively trains suitable internal candidates to strengthen the independence of the Board of Directors. The Chairman of the Board of Directors fully communicates the Company's operations and plans with the Directors on a regular basis to implement corporate governance. The Company has implemented the following measures:

- (1) The Company currently has three Independent Directors and one additional Independent Director will be elected in the shareholders' meeting this year. They have finance and accounting, legal expertise, and industry background, and are familiar with the industry. They can thus effectively perform their supervisory functions.
- (2) Only one of the board members serves concurrently as an employee.
- (3) Each year, the Company arranges professional courses for Directors organized by external organizations to enhance the effectiveness of board operations.
- (4) The Independent Directors and functional committee members are able to fully discuss and provide recommendations as reference for the Board of Directors to implement corporate governance.

Table 1: Major shareholders of corporate shareholders

April 28, 2023

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholders (Note 2)
Everspring Industry Co., Ltd.	Tse-Ling Chang 15.16%, Tzu-Liang Huang 7.39%, Yung-Hua Kao 6.28%, Chiu-Lan Li 1.29%, Li-Ching Li 0.75%, Bang-De Liu 0.45%, Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan) 0.43%, Tong Chuang Investment Holding Co., Ltd. 0.33%, Yong-Cing Shih 0.31%, Rong-Long Liu 0.30%,
Ta Ching Construction Co., Ltd.	Shou Yu Investment Co., Ltd. 2.94%, Chia Ching Industry Co., Ltd. 4.12%, He Ching Investment Co., Ltd. 4.71%, Chien Ching Investment Co., Ltd. 29.41%, Kao Ching Investment Co., Ltd. 29.41%, Lung Ching Investment Co., Ltd. 29.41%
WorldTrend Co., Ltd.	Everspring Industry Co., Ltd. 100%

Note 1: For directors and supervisors who are the representatives of corporate shareholders, the names of the corporate shareholders shall be disclosed.

Note 2: Fill in the names of main shareholders of the corporate shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio. If the major shareholder is a juristic person, his/her name should be filled in Table 2 below.

Note 3: Where a corporate shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor (reference information may be found in the announcements of the Judicial Yuan) and the funding or donation ratio. Where the donor is deceased, specify "deceased".

Table 2: Major shareholders in Table 1 who are corporate shareholders and their major shareholders

April 28, 2023

Name of juristic person (Note 1)	Major shareholders of the juristic person (Note 2)
Tong Chuang Investment Holding Co., Ltd.	Tzu-Liang Huang 41.98%, Tse-Ling Chang 12.24%, Bo-Jyun Huang 16.84%, Jheng-Yuan Huang 16.25%, Jin Joen Int'l Investment Corp 12.69%
Shou Yu Investment Co., Ltd.	Lung-Wen Chuang 17.08%, A-Liang Chuang Huang 49.40%, Jung-Fang Chuang 10.35%, Jung-Yin Chuang 4.08%, Jui-Ting Chuang 1.79%, Jui-Mei Chuang 3.94%, Pei-Chu Ho 1%, Kuei-Hsing Kuo 1.714%, Min-Lee Chuang 0.51%, Chien-Hung Lin 10.13%, Ming-Yuan Chuang 0.006%
Chia Ching Industry Co., Ltd.	Lung-Chang Chuang 34.403%, Shu-Hua Chuang Chen 45.13%, Po-Jen Chuang 2.78%, Po-Chiang Chuang 2.78%, Min-Lee Chuang 14.61%, Chien-Hung Lin 0.29%, Ming-Yuan Chuang 0.007%
He Ching Investment Co., Ltd.	Chin-Hsia Hou 10.06%, Hsueh-Ing Liu 83.02%, Po-Hui Chuang 0.56%, Tzu-Hui Chuang 0.56%, Jung-Chih Chuang 1.82%, Jung-Chun Chuang 2.81%, Kai-Ting Chuang 0.99%
Chien Ching Investment Co., Ltd.	Shou Yu Investment Co., Ltd. 60.20%, Chia Ching Industry Co., Ltd. 31.80%, He Ching Investment Co., Ltd. 8%
Kao Ching Investment Co., Ltd.	CPI Asia Mirror A Limited 42.53%, Shou Yu Investment Co., Ltd. 12.64%, Chia Ching Industry Co., Ltd. 34.48%, He Ching Investment Co., Ltd. 3.45%, Ta Ching Construction Co., Ltd. 6.9%
Lung Ching Investment Co., Ltd.	Golf Investment Group Co., Ltd. (BVI) 44.45%, Shou Yu Investment Co., Ltd. 13.33%, He Ching Investment Co., Ltd. 38.89%, Ta Ching Construction Co., Ltd. 3.33%

Note 1: If the major shareholders in Table 1 are corporate shareholders, the names of the corporate shareholders shall be disclosed.

Note 2: Fill in the names of main shareholders of the juristic person (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio.

Note 3: Where a corporate shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor (reference information may be found in the announcements of the Judicial Yuan) and the funding or donation ratio. Where the donor is deceased, specify "deceased".

Directors and Supervisors Information (II)

I. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

Name	Criteria	Professional qualifications and experiences (Note 1)	Compliance with the independence criteria (Note 2)	Number of public companies the person concurrently serves as an independent director
Shi-Chung Chang, Chairman		For information on the professional qualifications and experiences of directors and supervisors, please refer to "Directors and Supervisors Information" on P14~19 in the Annual Report. No Director meets any of the conditions stated in Article 30 of the Company Act. (Note 1)	N/A	0
Director Representative of Everspring Industry Co., Ltd.: Tse-Ling Chang	0			
Director Ta Ching Construction Co., Ltd. Representative: Min-Lee Chuang	0			
Director WorldTrend Co., Ltd. Representative: Tzu- Liang Huang	0			
Independent director Por-Hsiung Lai			All Independent Directors meet the criteria specified below: 1. They meet the related regulations set forth in Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2). 2. They (or with shares held in the name of others), their spouses, or underage children do not hold shares of the Company. 3. They did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years.	1
Independent director Shui-Ming Chuang	0			
Independent director Pei-Wei Chen	0			

Note 1: A person who is under any of the following circumstances shall not act as a managerial officer of a company. If he has been appointed as such, he shall be dismissed ipso facto:

1. Having committed an offense as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;

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

Note 2: 1. A government agency, a juristic person, or its representative as prescribed in Article 27 of the Company Act.

2. No independent director of the Company may concurrently serve as an independent director of more than three other public companies.
3. During the two years before being elected or during the term of office, an independent director of the Company may not have been or be any of the following:
 - (1) An employee of the Company or any of its affiliates.
 - (2) A director or supervisor of the Company or any of its affiliates.
 - (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
 - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managerial personnel under subparagraph (1) or any of the persons in subparagraphs (2) and (3).
 - (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27 of the Company Act.
 - (6) If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
 - (7) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
 - (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
 - (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Company's Remuneration Committee.

II. Diversity and independence of the Board of Directors:

The Company has specified in the "Corporate Governance Best Practice Principles" and the "Rules for Election of Directors" that the board members are selected on the basis of merit and have diverse and

complementary abilities across industry sectors, including basic composition (e.g., age, gender, and nationality), their individual industry experience and relevant skills (e.g., biotechnology, medicine, finance and accounting, marketing, and law) as well as business judgment, operational management, leadership, and crisis management. In order for the Board of Directors to accomplish the preferred governance goals of the Company, Article 20 of the Company's Corporate Governance Code stipulates that the Board of Directors shall generally be equipped with the following capabilities:

1. Operational judgment, 2. Ability to perform accounting and financial analysis, 3. Management ability, 4. Crisis handling capabilities,
5. Industrial knowledge, 6. International market perspective, 7. Leadership skills, 8. Decision-making skills.

The Company's goal is to ensure that it has no less than three Independent Directors, the Independent Directors account for no less than one-third of all the board members, Directors concurrently serving as company personnel should not exceed one-third of the total number of the board members, and the Company has at least two female Directors. The Company's Board of Directors has seven Directors (including three Independent Directors), who account for 42.86% of all board members. 1 Director serves as an employee and accounts for 14.29% of the board; 2 female Directors account for 28.57% of the board. The Independent Directors are not related to other Director and no more than half of the Directors are related to each other as spouses or relatives within second degree of kinship, which is in line with the Company's diversity objectives and independence criteria. The Company's Board of Directors is composed of experts from the industry, academia, biotechnology, healthcare, and finance and accounting. They have the necessary expertise or experience in operational decision making, business, law, finance, accounting, international perspectives, leadership, or expertise in other businesses of the Company.

In 2024, the diversity of the Board of Directors will be based on the goal of maintaining at least three female Directors and Independent Directors shall serve no more than three consecutive terms after the election of Directors.

The policy on diversification of board members and implementation are shown in the table below:

Title	Chairman	General Director			Independent director		
Name	Shi-Chung Chang	Tse-Ling Chang	Tzu-Liang Huang	Min-Lee Chuang	Por-Hsiung Lai	Shui-Ming Chuang	Pei-Wei Chen
Gender	Male	Female	Male	Female	Male	Male	Male
Nationality	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China
Age	66-70	61-65	66-70	66-70	71-75	71-75	51-55
Concurrently an employee of the Company	V						
Professional knowledge and skills							
Business	V	V	V	V	V	V	V
Biotechnology and medicine	V	V	V		V		
Finance/accounting							V
Law						V	
Marketing	V	V	V	V	V		
Information security		V	V				
Capability and experience							

Title	Chairman	General Director			Independent director		
Name	Shi-Chung Chang	Tse-Ling Chang	Tzu-Liang Huang	Min-Lee Chuang	Por-Hsiung Lai	Shui-Ming Chuang	Pei-Wei Chen
Leadership skills	V	V	V	V	V	V	V
Decision-making ability	V	V	V	V	V	V	V
International market perspective	V	V	V	V	V		
Knowledge of the industry	V	V	V		V		
Financial management skills	V	V	V	V			V
Operation management	V	V	V	V	V	V	V
Business development	V	V	V				
Risk management/crisis management	V	V	V	V	V	V	V
Environmental sustainability	V	V	V	V	V	V	V
Social engagement	V	V	V	V	V	V	V

(II) Information of the General Manager, Vice Presidents, Division Directors, and Supervisors from each department and branch organizations

April 28, 2023

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
General Manager	ROC	Shun-Lang Chang	Male	2016.07.01	310,070	0.22%	0	0.00%	0	0.00%	Adjunct Associate Professor, Taipei Medical University Michigan State University, US (PhD in Molecular Immunology) Consultant, Medigen Biotechnology Corp.	Director, Cellxpert Biotechnology Co., Ltd. Director, Medigen Biotechnology Corp. (Beijing)	None	None	None	None
Assistant Vice President, Operations and Management Department	ROC	Ya-Ling Chiang	Female	2019.06.04	8,688	0.01%	0	0.00%	0	0.00%	Master of Law, University of Southern California Master, Department of Agricultural Chemistry, National Taiwan University Master, Graduate Institute of Technology, Innovation and Intellectual Property Management, National Chengchi University	Director, Winston Medical Supply Co., Ltd. (representative of juristic person) Director, TBG Biotechnology Corp. (representative of juristic person)	None	None	None	None
Assistant Vice President, Cell Therapy Department	ROC	Chieh-Liang Lin	Male	2019.06.04	75,000	0.05%	0	0.00%	0	0.00%	PhD, Institute of Life Science, National Defense Medical Center Deputy Manager, Genetex International Corporation	None	None	None	None	

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
											Researcher, Department of Biochemistry and Molecular Biology, College of Medicine, National Taiwan University Deputy Manager, Level Biotechnology Inc.					
Assistant Vice President, Drug Development Department	ROC	Chin-Yen Chen	Female	2019.06.04	42,000	0.03%	0	0.00%	0	0.00%	Bachelor Degree, School of Nursing, Taipei Medical University Glaxo Wellcome Taiwan Limited Research Nurse Nurse, Shin Kong Wu Ho-Su Memorial Hospital	None	None	None	None	None
Finance Manager, Administrative and Accounting Department	ROC	Feng-Hua Chen	Female	2021.01.01	1,586	0.00%	0	0.00%	0	0.00%	Bachelor Degree, Department of Banking and Finance, Tamkang University Deputy Manager, Sinopac Securities Corporation Audit Manager, Medigen Biotechnology Corp.	Supervisor, UMO International Co., Ltd. (representative of juristic person) Director, TBG Biotechnology Corp. (representative of juristic person)	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shares held		Shares held by spouse and minor children		Shares held in the name of other persons		Work experience and educational background	Positions currently held in other companies	Managerial personnel who is a spouse or relative within the second degree of kinship.			Remarks (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Accounting Manager, Administrative and Accounting Department	ROC	I-Ju Chen	Female	2021.01.01	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree, Department of Accounting, Tamkang University Deputy Accounting Manager, Medigen Biotechnology Corp.	Supervisor, TBG Biotechnology Corp. (representative of juristic person)	None	None	None	None

Note 1: The reason, reasonableness, necessity, and future remedial measures, as well as other related information shall be explained when the same person, spouses, or first-degree relatives serve as chairperson and general manager or its equivalent rank (top manager) (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

III. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, the General Manager, and Vice President

1. Remuneration paid to directors and independent directors

Unit: NTD thousands; Thousand shares

Title	Name	Directors' remuneration								Total remuneration (A+B+C+D) as a percentage of net income after tax		Remuneration received as the Company's employee								Total remuneration (A+B+C+D+E+F+G) as a percentage of net income after tax		Remuneration received from investees other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salary, bonus and allowance, etc. (E)		Severance pay and pension (F) (Note 2)		Employees' remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial report	
Chairman	Shi-Chung Chang	0	5,633	0	0	0	0	0	0	0	5,633 (0.83)	7,410	7,410	0	0	0	0	0	0	7,410 (1.10)	13,043 (1.93)	0
Director	Everspring Industry Co., Ltd. Representative: Tse-Ling Chang	0	0	0	0	0	0	132	132	132 (0.02)	132 (0.02)	0	0	0	0	0	0	0	0	132 (0.02)	132 (0.02)	0
Director	Ta Ching Construction Co., Ltd. Representative: Min-Lee Chuang	0	0	0	0	0	0	138	138	138 (0.02)	138 (0.02)	0	0	0	0	0	0	0	0	138 (0.02)	138 (0.02)	0
Director	WorldTrend Co., Ltd. Representative: Tzu-Liang Huang	0	0	0	0	0	0	138	138	138 (0.02)	138 (0.02)	0	0	0	0	0	0	0	0	138 (0.02)	138 (0.02)	0
Independent director	Por-Hsiung Lai	0	0	0	0	0	0	298	298	298 (0.04)	298 (0.04)	0	0	0	0	0	0	0	0	298 (0.04)	298 (0.04)	0

Independent director	Shui-Ming Chuang	0	0	0	0	0	0	298	298	298 (0.04)	298 (0.04)	0	0	0	0	0	0	0	0	298 (0.04)	298 (0.04)	0
Independent director	Pei-Wei Chen	0	0	0	0	0	0	298	298	298 (0.04)	298 (0.04)	0	0	0	0	0	0	0	0	298 (0.04)	298 (0.04)	0

1. Independent directors' remuneration policies, system, standard and structure, and the relation to the individual's responsibilities, risk, time spent by the individual, etc.:

The remuneration paid by the Company to Independent Directors includes fees for business execution and remuneration. The fees for business execution refer to related expenses such as transportation expenses paid for business execution. The remuneration is processed in accordance with Article 29 of the Company's Articles of Incorporation, which states that in the event the Company makes a profit during the fiscal year, it shall set aside no higher than 2% of the profit as directors' remuneration. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any. However, the Company still has cumulative losses and has not yet distributed earnings. The Company's policies, system, standard and structure for the remuneration of the Independent Directors are the same as those for general Directors. The Company did not have profits in the most recent year. Therefore, the remuneration distributable to Independent Directors in accordance with the Articles of Incorporation was 0. The remuneration paid to Independent Directors only included the transportation expenses for business execution. Therefore, the amount of remuneration paid by the Company is not directly related to the responsibilities, risks, and time spent by the Independent Directors.

2. Except as disclosed above, remuneration received by directors in the latest year for services (e.g., acting as a non-employee consultant of the parent company/any company in the financial statements/investee) provided by the Directors: NT\$0

Note 1: The net profit after tax in the 2022 individual financial report was. NT\$(675,874) thousand.

Note 2: The retirement benefit disclosed in this table is the contribution amount and the actual amount paid is 0.

Note 3: The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

Range of remuneration for Directors

Remuneration range for each director in this Company	Name of Director			
	Total amount of the 4 preceding remunerations (A+B+C+D)		Total amount of the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than NT\$1,000,000	Shi-Chung Chang, Tse-Ling Chang, Min-Lee Chuang, Tzu-Liang Huang, Por-Hsiung Lai, Shui-Ming Chuang, Pei-Wei Chen	Tse-Ling Chang, Min-Lee Chuang, Tzu-Liang Huang, Por-Hsiung Lai, Shui-Ming Chuang, Pei-Wei Chen	Tse-Ling Chang, Min-Lee Chuang, Tzu-Liang Huang, Por-Hsiung Lai, Shui-Ming Chuang, Pei-Wei Chen	Tse-Ling Chang, Min-Lee Chuang, Tzu-Liang Huang, Por-Hsiung Lai, Shui-Ming Chuang, Pei-Wei Chen
NT\$1,000,000 (inclusive) to NT\$2,000,000	None	None	None	None
NT\$2,000,000 (inclusive) to NT\$3,500,000	None	None	None	None
NT\$3,500,000 (inclusive) to NT\$5,000,000	None	None	None	None
NT\$5,000,000 (inclusive) to NT\$10,000,000	None	Shi-Chung Chang	Shi-Chung Chang	None
NT\$10,000,000 (inclusive) to NT\$15,000,000	None	None	None	Shi-Chung Chang
NT\$15,000,000 (inclusive) to NT\$30,000,000	None	None	None	None
NT\$30,000,000 (inclusive) to NT\$50,000,000	None	None	None	None
NT\$50,000,000 (inclusive) to NT\$100,000,000	None	None	None	None
Higher than NT\$100,000,000	None	None	None	None
Total	7 persons	7 persons	7 persons	7 persons

2. General Manager and Vice President Remunerations

Unit: NTD thousands; Thousand shares

Title	Name	Salary(A)		Severance pay and pension(B)(Note 2)		Bonuses and Allowances(C)		Employee remuneration(D)				Ratio of total compensation (A+B+C+D) and to net profit after tax (%)				Remuneration received from investees other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	The Company	All companies in the financial report	
								Cash Amount	Stocks Amount	Cash Amount	Stocks Amount					
General Manager	Shun-Lang Chang	3,273	3,273	108	108	6,429	6,429	0	0	0	0	9,810	(1.45)	9,810	(1.45)	1,058

Note 1: The net profit after tax in the 2022 individual financial report was. NT\$(675,874) thousand.

Note 2: The retirement benefit disclosed in this table is the contribution amount and the actual amount paid is 0.

Note 3: The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

Range of remuneration for the General Manager and Vice Presidents:

Remuneration range for General Manager and Vice Presidents	Name of President and Vice Presidents	
	Total amount of the 4 preceding remunerations (A+B+C+D)	
	The Company	All companies in the financial report
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive) to NT\$2,000,000	None	None
NT\$2,000,000 (inclusive) to NT\$3,500,000	None	None
NT\$3,500,000 (inclusive) to NT\$5,000,000	None	None
NT\$5,000,000 (inclusive) to NT\$10,000,000	Shun-Lang Chang	Shun-Lang Chang
NT\$10,000,000 (inclusive) to NT\$15,000,000	None	None
NT\$15,000,000 (inclusive) to NT\$30,000,000	None	None

NT\$30,000,000 (inclusive) to NT\$50,000,000	None	None
NT\$50,000,000 (inclusive) to NT\$100,000,000	None	None
Higher than NT\$100,000,000	None	None
Total	1 person	1 person

Individual remuneration paid to each of the Company's top five management personnel

Title	Name	Salary(A)		Severance pay and pension(B) (Note 2)		Bonuses and allowances, etc. Special allowances (C)(Note 3)		Employee remuneration(D)				Total remuneration (A+B+C+D) as a percentage of net income after tax (%)				Remuneration received from investees other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	The Company	All companies in the financial report	
								Cash Amount	Stocks Amount	Cash Amount	Stocks Amount					
CEO	Shi-Chung Chang	5,125	10,758	0	0	2,285	2,285	0	0	0	0	7,410	(1.10)	13,043	(1.93)	0
General Manager	Shun-Lang Chang	3,273	3,273	108	108	6,429	6,429	0	0	0	0	9,810	(1.45)	9,810	(1.45)	1,058
Associate Vice President	Ya-Ling Chiang	2,520	2,520	108	108	410	410	0	0	0	0	3,038	(0.45)	3,038	(0.45)	793
Associate Vice President	Chieh-Liang Lin	2,280	2,280	108	108	289	289	0	0	0	0	2,677	(0.40)	2,677	(0.40)	0
Associate Vice President	Chin-Yen Chen	2,160	2,160	108	108	269	269	0	0	0	0	2,537	(0.38)	2,537	(0.38)	0

Note 1: The net profit after tax in the 2022 individual financial report was. NT\$(675,874) thousand.

Note 2: The retirement benefit disclosed in this table is the contribution amount and the actual amount paid is 0.

Note 3: The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

4. Names of managerial personnel provided with employee's compensation and state of distribution:

The Company has not yet made a profit and has not yet distributed remuneration to employees.

Unit: NTD thousands

	Title	Name	Stock amount	Cash amount	Total	Total as a percentage of net income after tax (%)
Managerial Personnel	Chairman (CEO)	Shi-Chung Chang	0	0	0	0
	General Manager	Shun-Lang Chang				
	Associate Vice President	Ya-Ling Chiang				
	Associate Vice President	Chieh-Liang Lin				
	Associate Vice President	Chin-Yen Chen				
	Finance Manager	Feng-Hua Chen				
	Accounting Manager	I-Ju Chen				

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, supervisors, general managers, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of total remuneration paid to directors, supervisors, general managers, and vice presidents over the past two years by the Company and all companies listed in the consolidated report as a percentage of net profit after tax is provided below:

Title \ Item	Total remuneration as a percentage of net income after tax			
	2021		2022	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Director	(16.50)	(26.76)	(1.28)	(2.11)
Supervisors (Note)	(0.47)	(0.47)	N/A	N/A
General Manager and Vice Presidents	(19.73)	(19.73)	(1.45)	(1.45)

Note: The Company set up the Audit Committee to replace the function of supervisors after the general shareholders' meeting on August 2, 2021. The information of the supervisors before the election is disclosed.

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) Remuneration policies, standards, and packages

A. Payments to Directors

The remuneration paid by the Company to Directors includes compensation, fees for business execution, and remuneration. The remuneration is determined based on the degree of their participation and contributions to business operations of the Company as well as prevailing rates in the industry at home and abroad in accordance with Article 27-1 of the Articles of Incorporation of the Company. The fees for business execution refer to related expenses for the execution of business by the Directors and Supervisors such as transportation expenses. The earnings are processed in accordance with Article 29 of the Company's Articles of Incorporation, which states that in the event the Company makes a profit during the fiscal year, it shall set aside no higher than 2% of the profit as directors' remuneration. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any. Therefore, the remuneration for Directors determined in accordance with the Articles of Incorporation was NT\$0. The Company evaluates the remuneration for Directors at regular intervals in accordance with the "Board of Directors Performance Evaluation Guidelines". The performance evaluation and the reasonableness of the remuneration is reviewed by the Remuneration Committee and the Board of Directors.

B. Payments to the managerial personnel such as CEO, General Manager, and Assistant Vice Presidents

The remuneration is processed in accordance with Article 29 of the Company's Articles of Incorporation, which states that in the event the Company makes a profit during the fiscal year, it shall set aside no less than 2% of the profit as employees' remuneration. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any. Therefore, the remuneration for employees determined in accordance with the Articles of Incorporation was NT\$0. The remuneration for the management in 2022 includes the salary, bonuses, vehicles, monetized allocation/distribution for severance pay and pension, and recognized salary payments based on IFRS 2. The management and the Remuneration Committee of the Company shall regularly review the remuneration paid and make suitable adjustments.

(2) The procedure for determining remuneration:

A. To regularly evaluate the salary and remuneration of Directors and managers, the Company uses the evaluation results based on the Company's "Board of Directors Performance

Evaluation Guidelines" and the "Director and Manager Salary Management Regulations" as the basis and submits the proposal to the Remuneration Committee and the Board of Directors for approval. To fully demonstrate the attainment of the business performance indicators, the performance evaluation standards for Directors are based on the results of the relevant annual business performance indicators such as involvement in operations, internal control, and governance results. The performance evaluation of managers includes the performance targets for professionalism, work attitude, task execution, work effectiveness and teamwork.

- B. All results of the Company's 2022 internal self-evaluation of the Board of Directors, individual Directors, and functional committees exceeded standards. Despite the continued outbreak of the COVID-19 pandemic in 2022, managers met the expectations and requirements in the results of the performance evaluation.
- C. The performance evaluation and the reasonableness of salary and remuneration for Directors and managers are reviewed by the Remuneration Committee and the Board of Directors each year. In addition to the personal performance achievement rate and contributions to the Company, the Company reviews the remuneration system in accordance with overall business performance, future risks of the industry, and development trends, as well as actual business operations and related laws. The Company also evaluates the current corporate governance trends for providing reasonable remuneration to maintain a balance between sustainable management and risk management. The actual amounts distributed as remuneration for Directors and managers in 2022 were reviewed by the Remuneration Committee and submitted to the Board of Directors for approval.

(3) Linkage to operating performance and future risk exposure:

The remuneration for the Company's Directors and managerial personnel is processed in accordance with the Company's "Articles of Incorporation". In addition to considering the Company's overall operating performance, future business risks of the industry, and development trends, the Company also takes into account the individual's performance achievement rate and contribution to the Company's performance to provide reasonable compensation. Related performance evaluation and the reasonableness of salary and remuneration shall be submitted by the Remuneration Committee to the Board of Directors for approval. To minimize the possibility of future operational risks, the Company shall review the remuneration system in a timely manner, based on the actual operating conditions and relevant laws and regulations, so as to balance the Company's sustainability and risk control. In summary, the policies and procedures for policy setting by the Company for remuneration

to Directors, Supervisors, General Manager, and Vice Presidents, are directly related to the operating performance.

IV. The State of Implementation of Corporate Governance:

(I) The state of operations of the Board of Directors:

From the most recent year (2022) to the publication date of the annual report, the Board of Directors has held 10 (A) board meetings, and the Directors' attendance rates are as follows:

Title	Name	Attendance in person B	Attendance by proxy	Attendance in person rate (%) (%) [B/A]	Remarks
Chairman	Shi-Chung Chang	10	0	100.00%	
Director	Everspring Industry Co., Ltd. Representative: Tse-Ling Chang	9	1	90.00%	
Director	WorldTrend Co., Ltd. Representative: Tzu-Liang Huang	10	0	100.00%	
Director	Ta Ching Construction Co., Ltd. Representative: Min-Lee Chuang	9	1	90.00%	
Independent director	Shui-Ming Chuang	10	0	100.00%	
Independent director	Por-Hsiung Lai	10	0	100.00%	
Independent director	Pei-Wei Chen	10	0	100.00%	

Other matters that should be recorded:

I. The date of the board meeting, the term, contents of the proposals, opinions of all independent directors, and the Company's handling of opinions of independent directors shall be recorded under the following circumstances in the operations of the board of directors meeting:

- (I) Items specified in Article 14-3 of the Securities and Exchange Act.
- (II) Other board resolutions apart from the aforementioned matters with respect to objections or qualified opinions expressed by independent directors on record or in writing:

Date	Agenda	Opinions of all Independent Directors	Response of the Company to the opinions of the Independent Directors
2022/03/17	<ul style="list-style-type: none"> • The Company's assessment of the independence and competence of certified public accountants. • The amendment to Company's "Regulations 	Approved	Passed as proposed

	<p>Governing the Acquisition and Disposal of Assets".</p> <ul style="list-style-type: none"> · The amendment of the Company's "Articles of Incorporation". 		
2022/04/21	<ul style="list-style-type: none"> · Purchase of 100% share of TLD Holding 	Approved	Passed as proposed
2022/05/10	<ul style="list-style-type: none"> · The proposed amendment of Company's "Corporate Social Responsibility Best Practice Principles" and renaming to "Sustainable Development Best Practice Principles". · Establishment of the Company's "Human Rights Policy". · The amendment of the Company's "Corporate Governance Best-Practice Principles". 	Approved	Passed as proposed
2022/06/06	<ul style="list-style-type: none"> · The proposed cash capital increase of the subsidiary Medigen Vaccine Biologics Corporation for 2022. · Distribution of remuneration for the representative of Directors assigned by Medigen to investees in 2021. 	Approved	Passed as proposed
2022/08/09	<ul style="list-style-type: none"> · The proposal for the Company's appointment of the "Corporate Governance Officer". · The proposal for the sales of shares in Medigen Vaccine Biologics Corporation for the replenishment of operating capital. 	Approved	Passed as proposed
2022/11/07	<ul style="list-style-type: none"> · The 2023 Internal Audit Plan. 	Approved	Passed as proposed
2022/11/30	<ul style="list-style-type: none"> · The Company increased its investment in the investee U-Gen Biotechnology Inc. (Cayman Islands) and its subsidiaries. 	Approved	Passed as proposed
2023/01/16	<ul style="list-style-type: none"> · Proposal for the establishment of the Director and Manager Salary Management Regulations. · 2023 salary adjustment proposal for Directors and managers. 	Approved	Passed as proposed
2023/03/28	<ul style="list-style-type: none"> · The Company's assessment of the independence and competence of certified public accountants. · Establishment of the Company's "general principles for the policy of advance approval for non-assurance services". · Amendment of certain articles of the Company's "Rules of Procedure for the Board of Directors' Meetings". · Amendment of certain articles of the Company's "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading". 	Approved	Passed as proposed

	<ul style="list-style-type: none"> · Discussion of the by-election of one Independent Director and the list of candidates. · Proposal for the release the prohibition on Directors from participation in competitive business. 		
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From the most recent year (2022) to the publication date of the annual report, the Board of Directors has held 10 board meetings, during which there were no objections or qualified opinions from the Independent Directors.

II. For recusal of directors due to conflict of interests, the name of the directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated:

Name of Director	Agenda	Reasons for recusal	Participation in voting	Resolutions of the case
Shi-Chung Chang	Distribution of remuneration for the representative of Directors assigned by Medigen to investees	The Director is an interested party	The Director explained the conflict of interest to the Board of Directors and recused himself from voting in accordance with the law.	The Director Shi-Chung Chang recused himself from discussions and voting on the distribution of his remuneration. Other Directors in attendance were consulted for their opinions and the proposal was passed unanimously by all other Directors.
Shi-Chung Chang Tse-Ling Chang Tzu-Liang Huang Min-Lee Chuang Por-Hsiung Lai Shui-Ming Chuang Pei-Wei Chen	Discussion of the 2023 salary adjustment proposal for Directors and managers.	The Director is an interested party	The Director explained the conflict of interest to the Board of Directors and recused himself from voting in accordance with the law.	All Directors recused themselves from discussions and voting on the distribution of their remuneration. Other Directors in attendance were consulted for their opinions and the proposal was passed unanimously by all other Directors.

III. TWSE/TPEX listed companies shall disclose the cycle and period, scope, method, and content of self (or peer) evaluation and fill in the implementation status of the evaluation of the Board of Directors, as shown in the table below:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Once every year	2021/10/01~2022/09/30	Board of directors	Self-evaluation of the board	The self-evaluation of the Board of Directors in 2022 included 25 items in five main areas (including the level of participation in the Company's operations, improving the quality of board decision-making, board composition and structure, appointment of directors and their continuing studies, and internal controls) in the form of a questionnaire. The average score was 95.3 points and the performance was excellent. The performance evaluation results were reported to the Board of Directors on 2023/3/28.
		Board of directors Members	Self-evaluation of the board members	The self-evaluation of the members of the Board of Directors in 2022 included 25 items in six main areas (including the familiarity of goals and missions of the Company, understanding of director's responsibilities, level of participation in the Company's operations, internal relationship management and communication, and professionalism and continued development, and internal controls) in the form of a questionnaire. The average score was 92.3 points and the performance was excellent. The performance evaluation results were reported to the Board of Directors on 2023/3/28.
		Remuneration Committee	Self-evaluation of the Remuneration Committee	The self-evaluation of the members of the Remuneration Committee in 2022 included 25 items in five main areas (including the level of participation in the Company's operations, understanding of the roles and responsibilities of the remuneration committee, improvement of the quality of remuneration committee decisions, composition of the remuneration committee and the selection of its members, and internal controls) in the form of a questionnaire. The average score was 97 points and the performance was excellent. The performance evaluation results were reported to the Board of Directors on 2023/3/28.
		Audit Committee	Self-evaluation of the Audit Committee	The self-evaluation of the members of the Audit Committee in 2022 included 25 items in five main areas (including the level of participation in the

				Company's operations, understanding of the roles and responsibilities of the audit committee, improvement of the quality of audit committee decisions, composition of the audit committee and the selection of its members, and internal controls) in the form of a questionnaire. The average score was 97 points and the performance was excellent. The performance evaluation results were reported to the Board of Directors on 2023/3/28
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IV. Programs this year and in the most recent year for strengthening the functionality of the Board (for example, setting up an auditing committee, improving transparency, etc.) and assessment of execution.

(I) Enhancing the functions of the Board of Directors

1. The operations of the Company's Board of Directors are processed in accordance with the "Articles of Incorporation" and the "Rules of Procedure for Board of Directors Meetings". The Company also announces the attendance in meetings of the Board of Directors and discloses major resolutions of the Board of Directors on the Company's website and annual report.
2. The Company implements the performance evaluation of the Board of Directors each year in accordance with the "Regulations Governing Board Performance Evaluation". The targets of the evaluation include the overall operations of the Board of Directors and the performance of individual members of the Board of Directors. The results of the 2022 self-evaluation of the Board of Directors were good and the results were disclosed in the annual report and the Company's website.
3. Members of the Company's Board of Directors have attended continuing education courses on corporate governance organized by institutions specified in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

Please refer to the State of Implementation of Corporate Governance under [Note 2]: Status of Directors' continuing education in 2022.

4. The current attendance of the Company's Independent Directors in board meetings is good. They use their industry, legal, and financial accounting expertise to provide the Board of Directors with sound advice on the implementation of the Company's internal control system, business and financial issues.
5. The Company purchases liability insurance coverage for all Directors each year and reports the amount, coverage and premium rates of its liability insurance coverage to the Board of Directors each year. The information for the most recent period was reported to the Board of Directors on November 7, 2022.

(II) Increasing the transparency of information disclosure

The Company's financial statements are regularly audited and certified by PricewaterhouseCoopers, Taiwan. All information disclosures required by laws and regulations are correctly and promptly completed, and we assign designated personnel to take charge of the collection and disclosure of the Company's information. We also established a spokesperson system to ensure the prompt and adequate disclosure of material

information. The website set up by the Company provides links to the Market Observation Post System for shareholders and stakeholders to access the Company's financial and business information.

V. Others: From the most recent year to the publication date of the annual report, all Independent Directors have attended every board meeting and voted on the agenda items. The attendance of the Independent Directors are as follows:

Independent director	2022							2023		
	3/17	4/21	5/10	6/6	8/9	11/7	11/30	1/16	3/28	3/30
Por-Hsiung Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shui-Ming Chuang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pei-Wei Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note 1: The symbol: ✓ means actual attendance.

(II) The state of operations of the Audit Committee or the state of participation in board meetings by the Supervisors:

1. The state of operations of the Audit Committee:

(1) Key review items of the Audit Committee in 2022:

- Review the Financial Report.
- Review the internal control system and related policies and procedures
- Review the effectiveness of the internal control system.
- Review the regulatory compliance status.
- Review the asset transactions or derivatives trading of a material nature.
- Review the derivative financial instruments and cash investments.
- Review the public offering or issuance of securities.
- Review whether there are potential conflicts of interest involving managers and Directors in related-party transactions.
- Review the appointment or discharge of CPAs or their compensation.
- Review the qualifications, independence, and competence of CPAs.
- Review the appointment or discharge of a financial, accounting, or internal audit officer.
- The state of operations of the Audit Committee.
- Self-evaluation questionnaire on the performance of the Audit Committee.

(2) The Audit Committee convened a total of 8 meetings (A) in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attendance in person rate Times	Attendance in person rate (%)	Remarks
Chair	Pei-Wei Chen	8	100.00%	
Committee Member	Por-Hsiung Lai	8	100.00%	
Committee Member	Shui-Ming Chuang	8	100.00%	

Other matters that should be recorded:

I. The date of the Audit Committee meeting, the term, contents of the proposals, dissenting or qualified opinions given by independent directors or contents of major proposed items, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting.

(I) Items specified in Article 14-5 of the Securities and Exchange Act: Refer to the table below for details.

(II) Any issues apart from the aforementioned matters that are not agreed upon by the Audit Committee but passed by more than two thirds of all directors: Refer to the table below for details.

2. The state of operations of the Supervisors: None.

Date	Agenda	Items specified in Article 14-5 of the Securities and Exchange Act	Issues that are not agreed upon by the Audit Committee but passed by more than two thirds of all Directors
2022/03/17	<ol style="list-style-type: none"> 1. The Company's 2021 "Statement on Internal Control". 2. The Company's 2021 business report and financial statements. 3. The Company's assessment of the independence and competence of certified public accountants 4. The amendment to Company's "Regulations Governing the Acquisition and Disposal of Assets". 5. The amendment of the Company's "Articles of Incorporation". 	V	None
2022/04/21	<ol style="list-style-type: none"> 1. Purchase of 100% share of TLD Holding 	V	None
2022/05/10	<ol style="list-style-type: none"> 1. The proposal for the Company's Consolidated Financial Report for the first quarter of 2022. 2. The proposed amendment of Company's "Corporate Social Responsibility Best Practice Principles" and renaming to "Sustainable Development Best Practice Principles". 3. Establishment of the Company's "Human Rights Policy". 4. The amendment of the Company's "Corporate Governance Best-Practice Principles". 	V	None
2022/08/09	<ol style="list-style-type: none"> 1. The proposal for the Company's Consolidated Financial Report for the second quarter of 2022. 2. The proposal for the sales of shares in Medigen Vaccine Biologics Corporation for the replenishment of operating capital. 	V	None
2022/11/07	<ol style="list-style-type: none"> 1. The proposal for the Company's Consolidated Financial Report for the third quarter of 2022. 2. The 2023 Internal Audit Plan. 	V	None

2022/11/30	1. The proposal for increased investment in the investee U-Gen Biotechnology Inc. (Cayman Islands) and its subsidiaries.	V	None
2023/3/28	1. The Company's 2022 "Statement on Internal Control". 2. The Company's assessment of the independence and competence of certified public accountants 3. Establishment of the Company's "general principles for the policy of advance approval for non-assurance services". 4. Amendment of certain articles of the Company's "Rules of Procedure for the Board of Directors' Meetings". 5. Amendment of certain articles of the Company's "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading".	V	None
2023/3/30	1. The Company's 2022 business report and financial statements (including the individual and consolidated financial statements). 2. The Company's 2022 deficit compensation.	V	None

II. When there are recusals of Independent Directors due to conflicts of interests, names of the Independent Directors, contents of resolutions, reasons of recusal, and voting participation should be stated: None.

III. Independent directors' communication with internal auditors and CPAs (shall include major matters, methods, and results of communication regarding the Company's financial position and business operations).

1. Communication between Independent Directors and chief internal auditors:

Date	Communication Item	Communication Results and Implementation Status
Monthly	Audit operations report	The chief auditor reports the monthly audit items to the Independent Directors and no significant anomalies were found.
2022	Audit operations report (Audit period: October 2021 to January 2022)	2022/03/17 The chief auditor reports the audit items in the period to the Independent Directors and no significant anomalies were found.
	Audit operations report (Audit period: February 2022 to March 2022)	2022/05/10 The chief auditor reports the audit items in the period to the Independent Directors and no significant anomalies were found.
	Audit operations report (Audit period: April 2022 to June 2022)	2022/08/09

		The chief auditor reports the audit items in the period to the Independent Directors and no significant anomalies were found.
	Audit operations report (Audit period: July 2022 to September 2022)	2022/11/7 The chief auditor reports the audit items in the period to the Independent Directors and no significant anomalies were found.
	Audit operations report (Audit period: October 2022 to January 2023)	2023/03/30 The chief auditor reports the audit items in the period to the Independent Directors and no significant anomalies were found.

After the chief auditor submits the audit report and tracking report to the Chairman of the Board of Directors, the results shall be sent to each Independent Director via e-mail every month. The chief auditor shall attend meetings of the Audit Committee and the Board of Directors to present the audit report. The Independent Directors closely monitor the Company's internal audits. Therefore, the Company's Independent Directors maintain good communication with the chief auditor.

2. Communication between Independent Directors and certified public accountants:

Date	Communication Item	Communication Results and Implementation Status
2022	Financial conditions and key audit matters of the financial statements	2022/03/17 The CPAs explained the review of the 2021 financial statements and the 2021 financial statements to the Directors and Supervisors, and explained the risks for the key audit items in the audit report. The CPAs also discussed the materiality, related-party transactions, and material adjustments of entries in the audit and matters after the audit period. The Independent Directors and Supervisors did not have qualified opinions.
	Audit results and other legally required communication items	2022/11/07 The CPAs reported the Company's audit results and other communication matters required by the relevant laws and regulations to the Independent Directors. The finance and accounting manager and chief auditor also attended the meetings, and the Independent Directors were able to ask questions and receive answers in a prompt manner.

The CPAs report the Company's audit results and other communication matters required by the relevant laws and regulations to the Independent Directors. The finance and accounting manager and chief auditor also attend the meetings, and the Independent Directors are able to ask questions and receive answers in a prompt manner. Therefore, the Company's Independent Directors maintain good communication with the CPAs.

(III) The state of implementation of corporate governance and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established its "Corporate Governance Best Practice Principles" pursuant to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and disclosed the principles on the Company's website.	It is consistent with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Company stock equity structure and shareholder equity (I) Does the Company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?	✓		(I) The Company established the spokesperson system in the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" and set up a contact person for stakeholders on the Company's website to respond to investors' recommendations or questions. The Company has appointed "Capital Securities Corporation" to handle shareholder services. If there are litigation matters, the Company shall appoint professional attorneys based on actual requirements.	(I) No material deviation.
(II) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(II) The Company closely monitors the increase or decrease in shareholding or changes in pledged shares for shareholder with over 10% of shares and shareholders who serve as Directors. The Company also enters information on the information reporting website designated by the Securities and Futures Bureau of the FSC each month in accordance with regulations for	(II) No material deviation.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Did the Company establish and enforce risk control and firewall systems with its affiliates?	✓		information disclosure. The Company discloses information regarding the shareholders with over 5% of shares in the financial report each quarter. (III) The Company and affiliates have clearly defined responsibilities for asset and financial management, and process all matters in accordance with related regulations. The Company established the "Procedures for Transactions with Specific Companies, Related Parties, and Companies of the Group" and "Regulations for Monitoring and Control of Subsidiaries" to reduce risks.	(III) No material deviation.
(IV) Did the Company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	✓		(IV) The Company established the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading", which states that the Directors, managers, and employees of the Company are not allowed to disclose the material inside information to others or inquire or collect the Company's undisclosed material inside information from those who possess such information, and material inside information that is not gained in the process of performing their business must not be disclosed to others. All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed	(IV) No material deviation.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			information to any other party to prevent other parties from using such information to engage in insider trading. The procedures were announced on the Company's website. In August 2022, the internal auditors reported the results of the audit on prevention of insider trading to the Board of Directors. It was conducted in accordance with the existing regulations and there were no significant deviations. The Company also organizes training for the Directors and management on the laws and regulations for insider trading and important matters of note for insiders' equity. For new employees, the human resources unit communicates the Company's Professional Code of Ethics, management regulations, and rules when they report for duties. The related regulations are published and disclosed on the Company's website for compliance by employees.	
<p>III. Board compositions and responsibilities</p> <p>(I) Has the board of directors devised and implemented a plan for a more diverse composition of the board with concrete management goals?</p> <p>(II) In addition to remuneration committee and audit committee established according to law, has the Company voluntarily established other functional committees?</p>	<p>✓</p> <p>✓</p>		<p>(I) Please refer to "Directors and Supervisors Information (II) Board Diversity and Independence" on (page 23-25) in the Annual Report.</p> <p>(II) The Company's Board of Directors approved the establishment of the Remuneration Committee on September 28, 2011 and the Company set up the Audit Committee in accordance with regulations during the election of the Directors in 2021. In the future, the Company may set up</p>	<p>(I) No material deviation.</p> <p>(II) The Company shall set up other types of functional committees based on actual operations.</p>

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Did the Company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis, and submit the performance evaluation results to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.	✓		<p>other functional committees based on the Company's business development and regulatory requirements.</p> <p>(III) The Company implements the annual performance evaluation of the Board of Directors each year in accordance with the "Regulations Governing Board Performance Evaluation" which was established on November 6, 2018. The targets of the evaluation include the overall operations of the Board of Directors and the performance of individual members of the Board of Directors:</p> <ol style="list-style-type: none"> 1. The self-evaluation of the members of the Board of Directors included six main areas (including the familiarity of goals and missions of the Company, understanding of director's responsibilities, level of participation in the Company's operations, internal relationship management and communication, and professionalism and continued development, and internal controls) in the form of a questionnaire. The average score was 92.3 points. 2. The overall performance evaluation of the Board of Directors included five main areas (the level of participation in the Company's operations, improving the quality of board decision-making, board composition and structure, appointment of directors and their continuing studies, and internal controls) in the 	(III) No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Did the Company regularly implement assessments on the independence of the certified public accountants?	✓		<p>form of a questionnaire. The average score was 95.3 points. The results of the 2022 self-evaluation of the Board of Directors were good and the results were announced on the Company's website. The results were also delivered to the Remuneration Committee for discussions on January 16, 2023 and provided for reference for determining the remuneration of individual directors. They were reported to the Board of Directors on January 16, 2023.</p> <p>(IV) The Company regularly reviews the independence of CPAs each year to confirm that they are not stakeholders and retain impartiality and independence. The evaluation procedures for the independence of CPAs in 2022 were implemented in accordance with Bulletin No. 10 "Integrity, Objectivity and Independence" of "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China". It was passed by the Board of Directors on March 17, 2022. The 2023 evaluation procedures were based on the Audit Quality Indicators (AQIs) report and the independence statement issued by the CPA firm. The CPAs were evaluated based on their professionalism, independence, quality control, supervision, and innovation capabilities. The appointment of the CPAs for 2023 was approved by the Board of Directors on March 28, 2023. The CPAs Man-Yu Juan Lu and Ya-Hui Lin meet the Company's independence</p>	(IV) No material deviation

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			evaluation criteria. The details are provided in [Note 1].	
IV. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer to be in charge of corporate governance affairs (include but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings and shareholders meetings, etc.)?	✓		<p>The Company established the "Corporate Governance Best Practice Principles" and disclosed them on the Company's website. The Company also continuously revises related corporate governance regulations in accordance with the latest amendments. The Company has appointed the Chief Corporate Governance Officer whose main duties are to assist the Directors in compliance with laws, provide Directors with information required for business execution, and handle matters related to board meetings and shareholders' meetings. The Company has implemented good corporate governance matters.</p> <p>The implementation status in 2022 was as follows:</p> <p>1. The Company inquired the Directors before convening board meetings, prepared agendas for meetings, and notified Directors to attend the meetings 7 days in advance. The Chief Corporate Governance Officer also provided information about the agenda items and reminded Directors about agenda items that require the recusal of Directors. The minutes of the Board of Directors' meeting was completed within 20 days after the meeting.</p>	No material deviation.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>2.The Chief Corporate Governance Officer processed matters related to shareholders' meetings in accordance with laws and prepared the meet handbooks, annual report, and agenda items before the deadline. The Company also amended the Articles of Incorporation and registered the changes.</p> <p>3.Assisted in matters related to the proceedings of Board of Directors' meetings and shareholders' meetings as well as legal compliance of resolutions.</p> <p>(1) Confirmed that the board meetings and shareholders meetings are convened in compliance with related regulations.</p> <p>(2) Checked the release of the material information related to the important resolutions made by the Board of Directors and ensure the legality and accuracy of such information to maintain investors' equal access to information.</p> <p>4.Provided Directors and Independent Directors with information for performing their duties and arranging continuing education.</p> <p>(1) Arranged meetings of Independent Directors, chief internal auditors, and certified public accountants to discuss audit and financial matters.</p> <p>(2) Arrange continuing education for Directors based on the academic records and experience of Directors and the characteristics of the Company's industry.</p>	

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
V. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company has set up a stakeholder area on the Company's website to provide stakeholders with communication channels such as e-mail and telephone. If employees, customers, suppliers, or other stakeholders have any questions or comments, they can communicate directly with the relevant business personnel or use the contact information in the stakeholder area as channels for communication.	No material deviation.
VI. Did the Company engage a professional shareholder services agent to handle shareholders meeting matters?	✓		The Company has appointed "Capital Securities Corporation" to handle matters related to the shareholders' meeting.	No material deviation.
VII. Information disclosure (I) Has the Company set up a website to disclose information regarding the Company's financial operations and corporate governance? (II) Did the Company adopt other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the Company's website, etc.)?	✓ ✓		(I) The Company discloses financial, business, and corporate governance information on the MOPS on a regular or ad hoc basis. We also set up the Company's website (http://www.medigen.com.tw) in Chinese and English to provide an additional channel for the disclosure of financial, business, and corporate governance information in addition to the MOPS. (II) The Company designates personnel to be responsible for the collection and disclosure of corporate information and assigns a spokesperson who is able to understand the Company's finances and operations or coordinate with different departments to provide relevant information. The spokesperson speaks on behalf of the Company to ensure that information that may affect the decisions of shareholders and stakeholders is disclosed in a timely and	(I) No material deviation. (II) No material deviation.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		✓	<p>appropriate manner. The Company convenes regular investors' conferences each year, uploads briefing information in Chinese and English to the MOPS, and places on the Company's website for reference by investors.</p> <p>(III) The Company publishes and reports its financial report within three months after the end of a fiscal year, and publishes and reports its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline. The Company shall publish and report the financial report as early as possible before the specified deadline based on actual operations.</p>	(III) The Company shall publish and report the financial report as early as possible before the specified deadline.
VIII. Is there any other important information to facilitate a better understanding of the state of implementation of corporate governance (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(I) Employees' rights and employee care The Company appropriates welfare fund each month in accordance with laws and arranges activities to promote employees' physical and mental health such as employee dinner parties, annual medical check-ups, travel allowances, subsidies for marriages, funerals, and festivities, group life insurance, and accident insurance. The implementation status is provided in the Annual Report under "V. Labor Relations" (page 143-149)</p> <p>(II) Investor relations The Company convenes the shareholders' meetings each year in accordance with the Company Act and related laws and regulations to provide shareholders with sufficient opportunities</p>	No material deviation.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>to ask questions or submit proposals. We also appointed a spokesperson and an investor relations contact person to process shareholders' proposals, questions, and disputes. The Company also complies with the regulations of the competent authority for processing relevant announcements and providing information that may affect investors' decisions in a timely manner.</p> <p>(III) Respect the rights and interests of stakeholders The Company set up a stakeholder area on the website for shareholders, employees, customers, suppliers, community, media, and other stakeholders to communicate with the Company at any time to protect their legal rights.</p> <p>(IV) Status of directors' continuing education Members of the Company's Board of Directors have professional experience in the industry and business management experience. They have also attended continuing education courses on corporate governance organized by institutions specified in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to [Note 2]: Status of Directors' and Supervisors' continuing education in 2022.</p> <p>(V) Implementation of risk management policies and risk assessment standards: On November 10, 2021, the Board of Directors of the Company approved the establishment of</p>	

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>"Risk Management Policy and Procedures" and the establishment of a risk management organization. The Company assesses risks at least once a year. The Company effectively identifies, measures, and controls all risks of the Company and keeps them within an acceptable range based on the self-evaluation and measurement results of each department and improvement measures.</p> <p>The Company's risk management organization framework and duties are shown in [Note 3].</p> <p>(VI) Status of implementation of customer policies The Company maintains good communication with customers and the Company's professional customer service personnel can satisfy customer demand with promptness and flexibility. Therefore, we have established satisfying and rapid after-sales maintenance services for products and set up comprehensive procedures for processing customer complaints in the internal control system.</p> <p>(VII) Status of purchase of liability insurance for directors and supervisors The Company purchases liability insurance coverage for all Directors and Supervisors from a property insurance company each year and discloses the liability insurance coverage for all Directors and Supervisors on the MOPS. The Company reports the amount, coverage and premium rates of its liability insurance coverage to the Board of Directors each year. The</p>	

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			information for the most recent period was reported to the Board of Directors on November 7, 2022.	

IX. Please describe the improvement status and provide the items and measures that shall be prioritized for improvement with regard to the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year. (Not required as the Company is not an assessed company)

The Company ranked among the top 36% to 50% TPEX-listed companies in the 2022 (9th) Corporate Governance Evaluation. Every year, we review the items that did not pass the evaluation and the feasibility of the current and future strategies. Therefore, we seek to attain a balance between the policy development of the competent authorities and the development of the Company every year. We immediately implement improvement plans for items that can be improved in the current stage, and review the reasons and set targets for items that cannot be improved in the current stage.

Main Recommendations for Improvement	Improvement Plans
Does the Company upload the English version of the meeting notice, meeting agenda, and supplementary information for the shareholders' meeting 30 days before the meeting?	The Company prepares the English version of the meeting notice and meeting agenda and plans to upload them within the prescribed period.
Does the Company upload the English version of the annual report 16 days prior to the annual shareholders' meeting?	The Company has prepared the English version of the annual report and plans to upload it within the prescribed period.
Has the Company established and disclosed on the Company's website the internal rules prohibiting insiders such as Directors or employees from trading securities using information that has not been made public, including (but not limited to) prohibiting directors from trading their shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports? Describe the implementation status.	The Company has revised the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" in accordance with these regulations and the Company shall disclose the implementation status on the Company website.
Are the Company's interim financial reports approved by the Audit Committee and submitted to the Board of Directors for discussion and resolution?	The Company's interim financial reports are approved by the Audit Committee and submitted to the Board of Directors for discussion and resolution.

Evaluation items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
Has the Company formulated policies to protect human rights in accordance with the International Bill of Human Rights and disclosed them on the Company website or in the annual report?			The Company has formulated the Human Rights Policy and the specific management plans will be disclosed on the Company website.	

[Note 1] 2022 CPA Review and Assessment Form

Category 1 Professionalism

AQI Indicator	Main points of evaluation	Evaluation		
		Yes	No	N/A
Audit experience (1-1)	The CPA has the experience and expertise in the relevant industry sector to perform his or her duties.	✓		
Training hours (1-2)	The CPAs and senior auditors receive adequate training each year to continue to acquire professional knowledge and skills.	✓		
Turnover rate (1-3)	The CPA firm maintains sufficient experienced manpower.	✓		
Professional support (1-4)	The CPA firm has sufficient professional employees (e.g., appraisers) to support the audit team.	✓		

Category 2 Quality management

AQI Indicator	Main points of evaluation	Evaluation		
		Yes	No	N/A
Workload of the CPA (2-1)	The CPA does not have an excessively high workload.	✓		
Audit engagement (2-2)	The audit engagement of the members of the audit team is appropriate in all phases of the audit.	✓		
Engagement quality control review (EQCR) review status (2-3)	The CPAs responsible for the EQCR invests sufficient hours in audit case reviews.	✓		
Quality management and support capabilities (2-4)	The CPA firm has sufficient quality control manpower resources to support the audit team.	✓		

Category 3 Independence

AQI Indicator	Main points of evaluation	Evaluation		
		Yes	No	N/A
Non-audit service (3-1)	Non-audit service fees do not have the potential to affect audit independence.	✓		
Familiarity with customers (3-2)	The cumulative number of years of audit of the financial report by the CPA firm does not affect its independence.	✓		

Category 4 Supervision

AQI Indicator	Main points of evaluation	Evaluation		
		Yes	No	N/A
Deficiencies in external inspections and penalties (4-1)	The CPA firm's quality control and audit cases are performed in accordance with relevant laws, regulations, and standards.	✓		
Competent authority issues letters to request improvements (4-2)	Same as above	✓		

Category 5 Capacity for innovation

AQI Indicator	Main points of evaluation	Evaluation		
		Yes	No	N/A
Innovation plans or initiatives (5-1)	The CPA firm's commitment to improving audit quality, including the firm's capacity for innovation and planning, is directly related to the quality of the audit.	✓		

[Note 2] Status of Directors' continuing education in 2022

Director	Training date	Course name	Hours	Organizer
Shi-Chung Chang	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association
Tse-Ling Chang	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association
Tzu-Liang Huang	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association
Min-Lee Chuang	2022/10/27	Financial Consumer and Fair Treatment Principles and Case Studies	3	Independent Director Association Taiwan
	2022/11/07	Latest Trends in Anti-Money Laundering and Counter Terrorism Financing (Including Insider Trading Prevention)	3	Taiwan Securities Association

Por-Hsiung Lai	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association
Shui-Ming Chuang	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association
Pei-Wei Chen	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association

Note: The continuing education for Directors and Supervisors of the Company in 2022 met the requirements specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

[Note 3] The Company's risk management organization framework and duties are shown as follows:

Risk Management Unit	Risk Management Responsibilities
Board of Directors	The Board of Directors of the Company is the highest-ranking unit in the risk management policy and is responsible for approving, reviewing, and monitoring the Company's risk management policy, ensuring the effectiveness of risk management, and assuming ultimate responsibilities for risk management.
Audit Committee	<ol style="list-style-type: none"> 1. It receives regular reports from the Company's Risk Management Team and monitors the implementation of risk management of the Company. 2. It proposes recommendations for improvements for the design of the risk management policy and procedures. 3. It reviews the matters submitted by the Risk Management Team to the Board of Directors for discussions.
Risk Management Team	It is the unit responsible for the execution of risk management. The heads or assigned personnel of departments are responsible for monitoring, measuring, and evaluating the Company's risks during implementation. In terms of its organizational structure, it is governed by the General Manager and reports to the Audit Committee.
Audit Unit	It is governed by the Board of Directors and is responsible for internal control and internal audit. It proposes the annual audit plan each year in accordance with the risk assessment and reports the Company's risk management status to the Audit Committee.

Risk Management Unit	Risk Management Responsibilities
Departments	<p>The heads of departments are responsible for risk management. They are responsible for analyzing and monitoring the relevant risks within their respective units to ensure that the risk management mechanisms and procedures are effectively implemented. Examples:</p> <p>Drug Development Department</p> <ol style="list-style-type: none"> 1. Implement response measures for changes in laws and related regulations of the regulatory units and the ethics governance committee of the trial hospitals and ensures the quality of documents submitted for review. 2. Develop quality control standards for active pharmaceutical ingredients and finished products to ensure that R&D results meet the current regulatory requirements. 3. Design clinical trial protocols in accordance with Good Clinical Practice (GCP) standards and closely monitor the safety of drug use by subjects during trials. 4. Execute clinical trials in accordance with Good Clinical Trial standards, current regulations, and internal SOPs, monitor the trial process and records, and implement audits to ensure that the trials are conducted in accordance with relevant regulations. 5. Establish a quality management system in accordance with the Quality Control Manual, issue SOPs to ensure that all new drug development units implement the necessary risk management measures, compile risk assessment reports, and continuously evaluate the effectiveness of risk control. <p>Administrative and Accounting Department</p> <ol style="list-style-type: none"> 1. Human resource risk management for recruitment and retention of human resources. 2. Risk management for network information security. 3. Risk management for interest rate and exchange rate fluctuations. 4. Risk management for investments and substantial changes in equity ownership. 5. Risk management and response to changes in capital and tax laws and policies.

(IV) If the Company has set up a compensation committee, its composition, responsibilities and operations shall be disclosed:

The Company's Board of Directors approved the establishment of the Remuneration Committee on September 28, 2011 and the Company established the "Remuneration Committee Charter". The scope of duties of the Remuneration Committee includes setting and conducting regular review of the performance evaluation and remuneration policies, system, standard and structure of the directors and managerial personnel, as well as conducting regular evaluation and setting the remuneration of the Directors, Supervisors and managerial personnel. It provides recommendations to the Board of Directors for decision making and convenes at least two regular meetings each year. Its operations are sound.

1. Compensation Committee member profiles

April 28, 2023

Criteria		Professional Qualifications and Experiences	Independence	Number of other public companies in which the member also serves as a member of their remuneration committee
Position	Name			
Independent director	Por-Hsiung Lai (Chair)	The Company's Remuneration Committee consists of all three Independent Directors. Please refer to the "Directors and Supervisors Information" in the Annual Report for the professional qualifications and experience of the members. P14~19	All members of the Remuneration Committee meet the criteria specified below: 1. They meet related regulations in Article 14-6 of the Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" (Note) promulgated by the Financial Supervisory Commission. 2. They (or with shares held in the name of others), their spouses, or underage children do not hold shares of the Company. 3. They did not receive remuneration from providing business, legal, financial, or accounting service to the Company or any of its affiliates in the last two years.	0
Independent director	Shui-Ming Chuang			0
Independent director	Pei-Wei Chen			0

Note: During the two years before the election or during the term of office, they have not had been any of the following:

- (1) An employee of the Company or any of its affiliates.

- (2) A director or supervisor of the Company or any of its affiliates.
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managerial personnel under subparagraph (1) or any of the persons in subparagraphs (2) and (3).
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27 of the Company Act.
- (6) If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (7) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director, supervisor, manager, or a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Company's Remuneration Committee.

2. Operations of the Compensation Committee

- (1) The Company's Remuneration Committee consists of three members.
- (2) The term of office of the current members: August 2, 2021 to August 1, 2024; in the most recent year (2022) and as of the date of publication of the annual report, the Remuneration Committee has held 3 meetings (A); the members' qualifications and attendance are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Por-Hsiung Lai	3	0	100.00%	
Committee Member	Shui-Ming Chuang	3	0	100.00%	
Committee Member	Pei-Wei Chen	3	0	100.00%	

Other matters that should be recorded:

- I. If the board meeting does not adopt or revise the compensation committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the Company handles the compensation committee's opinions shall be disclosed in detail (e.g. if the salary rate adopted by the board committee is superior to that proposed by the compensation committee, the differences and reasons shall be explained): None.
- II. If there are objections or reservations by the members that have been recorded in writing during the Compensation Committee resolution, the Compensation Committee meeting's date, period, motion content, the opinions of all members, and treatment of the member's opinions must be disclosed in detail: None.

Resolutions of the Remuneration Committee:

Date	Agenda	Results of resolutions of the Remuneration Committee	The Company's response to Remuneration Committee opinions
2022/06/06	<ul style="list-style-type: none"> Distribution of remuneration for the representative of Directors assigned by Medigen to investees in 2021 	Approved	Passed as proposed
2023/12/30	<ul style="list-style-type: none"> Amended and reviewed the director and manager performance evaluation and compensation policies, systems, standards, and structures. 2023 salary adjustment proposal for Directors and managers. 	Resolution not yet passed Meeting to be convened	Resolution not yet passed Meeting to be convened
2023/01/16	<ul style="list-style-type: none"> Amended and reviewed the director and manager performance evaluation and compensation policies, systems, standards, and structures. 	Approved	Passed as proposed

	· 2023 salary adjustment proposal for Directors and managers.		
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III. Roles and Responsibilities of the Remuneration Committee:

The members of the Remuneration Committee shall be appointed by resolution of the Board of Directors and shall be composed of three Independent Directors, who shall exercise the due care of a good administrator and report to the Board of Directors. They shall establish and conduct regular reviews of the policies, systems, standards, and structures for performance appraisal and remuneration of the Company's Directors, Supervisors, and managerial personnel. They shall periodically assess the degree to which performance goals for the Directors and managerial personnel of the Company have been achieved, and set their individual remuneration packages based on the results of evaluations conducted in accordance with the performance evaluation standards. In the most recent year and as of the publication date of the Annual Report, they have faithfully performed their duties.

Note:

- (1) Where a member of the Remuneration Committee resigns before the end of the fiscal year, the "Remarks" column shall state the member's resignation date, and his/her rate of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.
- (2) If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members shall be listed accordingly, and the "Remarks" column shall indicate whether the status of a member is outgoing, newly elected, or re-elected, and the date of the election. The actual attendance rate (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

3. Information on members of the Nominating Committee and operations:

Not applicable for the Company as it has not yet established a Nominating Committee.

(V) Sustainable development implementation and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviations:

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company established a governance framework to promote sustainable development and a dedicated department (or have another department be responsible for related efforts) for fulfilling sustainable development, with the board of directors authorizing high-level managers to handle such efforts, and having relevant progress be supervised by the board of directors?	✓		The Company's unit for promoting sustainable development on a concurrent basis is headed by the Chairman's Office and department heads, and they serve as the sustainable development promotion unit. It proposes and implements sustainable development policies and specific promotion plans, and leads employees in promoting sustainable development operations, including awareness campaigns and training programs. It is committed to maintaining a sustainable environment and organizing public welfare activities. It is scheduled to report its implementation and improvements to the Board of Directors on a regular basis (at least once a year) this year. The Board of Directors will formulate sustainable development strategies and goals, review the effectiveness of their implementation, and explain the status of implementation on the Company's website.	No material deviation.
II. Has the Company assessed the environmental, social, and corporate governance risks related to its operations	✓		1. The Company established the "Risk Management Policy and Procedures" which was approved by the Board of Directors on	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
based on the principle of materiality and established related risk management policies or strategies? (Note 2)			<p>November 10, 2021 as the Company's highest guiding principle for risk management. The boundaries of risk assessment are mainly based on the Company. The Company will evaluate the risks each year and formulate risk management policies for each risk. The policies shall cover the management objectives, organizational structure, delegation of authority and responsibility, and risk management procedures, and they shall be implemented to effectively identify, measure, and control the Company's risks, and to limit the risks arising from business activities within an acceptable range.</p> <p>2. The Company will also incorporate major elements of environmental, social, and governance issues in its operations into the duties of different units, conduct evaluations based on materiality principles, and formulate strategies.</p> <p>(1) Environmental: The Company is a biotechnology research and development company and operations are mainly in the laboratory. The Company</p>	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>does not use resources that cause significant burdens on the environment. We remain committed to increasing the efficiency in the use of resources and we recycle waste paper, implement waste sorting, and introduce the digital document signature system to reduce environmental pollution.</p> <p>(2) Social: The Company pays close attention to the protection of trademarks and its corporate image. We work with professional law firms to obtain legal advice, compliance information, and necessary measures. The Company also set up dedicated personnel and email, and provides stakeholders with effective complaint and communication channels.</p> <p>(3) Corporate governance: The Company communicates relevant policies and systems to employees in company meetings, including corporate ethics, Code of Ethical Conduct, Ethical Corporate Management Best Practice Principles, and Corporate Governance Best Practice Principles.</p>	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>III. Environmental Issues</p> <p>(I) Has the Company established an appropriate environmental management system based on the characteristics of the industry to which it belongs?</p>	✓		The Company specializes in the development of biotechnology and environmental management system certification similar to ISO 14001 are not applicable. The Company has assigned dedicated personnel for the maintenance and management of wastewater, waste, and the environment necessary for operations based on the characteristics of the industry, and complies with the requirements of the Science Park.	No material deviation.
<p>(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p>	✓		The Company is a biotechnology research and development company and operations are mainly in the laboratory. The Company does not use resources that cause significant burdens on the environment. We remain committed to promoting energy conservation and environmental protection measures, such as promoting and implementing measures to reduce environmental pollution, recycle waste paper, implement waste sorting, and introduce the digital document signature system.	No material deviation.
<p>(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures for related issues?</p>	✓		As the industry is characterized by low energy consumption and carbon emissions, its operations do not aggravate climate change. Therefore, climate change will not have a significant impact on the Company's current and future research and development, and the potential risks are low.	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Nevertheless, the Company has taken measures to create a sustainable environment, including the introduction of the ERP system, video conferencing, and encouraging employees to bring their own tableware.	
(IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down water consumption, greenhouse gas emissions, and waste production?	✓		<p>The Company specializes in the development of biotechnology and does not engage in manufacturing and production that cause greenhouse gas emissions.</p> <p>(1) Greenhouse gas emissions: The Company's total CO2 emissions in 2021 and 2022 calculated based on Taiwan Power Company's tariff information for each period totaled approximately 483.94 metric tons and 492.85 metric tons, respectively. The per capita emissions totaled 6.45 and 7.25 metric tons per person. The total CO2 emissions in 2022 increased by 1.84%.</p> <p>(2) Water consumption: The Company's water consumption in 2021 and 2022 totaled 2,152.59 metric tons and 1,950.8 metric tons respectively, which was a year-on-year decrease of 201.79 metric tons.</p> <p>(3) Waste: The Company's total annual waste removal</p>	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>volume for 2021 and 2022 was 2,033.5kg and 1,970kg, respectively. The reduction was mainly attributed to the decrease in energy consumption in the Xizhi Laboratory, which has resulted in a reduction in total waste volume.</p> <p>Our quantitative targets for carbon, water consumption, and waste reduction in 2023 were 0.5% to 1%. The implementation measures included using digital approval documents, reuse of used paper, recycling of resources, water conservation, and seasonal adjustment of air conditioning temperature settings for attaining energy conservation and carbon reduction.</p>	
<p>IV. Social Issues</p> <p>(I) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?</p>	✓		<p>The Company established the Human Rights Policy to fulfill corporate social responsibilities and protect the fundamental human rights of all employees, customers and stakeholders, ensure compliance with the UN Universal Declaration of Human Rights, UN Global Compact, Conventions of the International Labour Organization, and other international human rights conventions, prevent any violation of human rights, and ensure that internal and external personnel receive fair</p>	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>and dignified treatment.</p> <p>The Company's implementation measures:</p> <p>Provide a safe and healthy work environment to rigorously protect the safety of employees and effectively reduce risks of occupational accidents. Prohibit discrimination of any kind. The Company does not permit any discrimination on the basis of sex, sexual orientation, race, class, age, marriage, language, ideology, religion, party affiliation, national origin, place of birth, appearance, facial features, physical or mental disabilities, or any other form of discrimination, and ensures equal work opportunities.</p> <p>Ban the use of child labor and illegal foreign workers.</p> <p>Assist employees to maintain physical and mental health and work-life balance:</p> <p>Ban forced labor and do not prohibit employees from taking leave or force them to work overtime.</p> <p>Create an environment that promotes communication and encourage employees to communicate with the Company through labor-management meetings.</p> <p>Provide a diverse range of open communication channels for suppliers, business partners, and other stakeholders to send feedback to the Company or report suspected violations.</p> <p>In response to the COVID-19 epidemic, the Company has provided paid vaccination leave to employees to protect the health of workers.</p>	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		<p>1. Employee welfare: The Company set up the Employee Welfare Committee to plan high-quality welfare measures for employees, such as employee travel subsidies, birthday gift money, marriage allowances, childbirth allowances, and funerary allowances. The Company also provides employees with benefits such as free health examination plans.</p> <p>In terms of the leave system, the Company provides new employees with seven days of special leave in their first year (employees who serve for less than one year shall be given leave proportionally). When an employee needs a longer leave of absence due to childcare, serious injury or illness, and other major changes, they can also apply for leave without pay to help them take care of their personal and family needs.</p> <p>2. Workplace diversity and equality: The Company promotes sustainable and inclusive economic growth by providing equal pay for equal work as well as equal promotion opportunities for male and female employees, and balancing the number of male and female executives. In 2022, female employees accounted for an average of 59.57% of all personnel; female managers/management positions accounted for an average of 47.06% of all managers.</p> <p>3. Business performance reflected in the</p>	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>remuneration for employees: The Company's Articles of Incorporation stipulate that if the Company was profitable during the year, at least 2% of the profit shall be allocated as employee remuneration to share the profits with employees.</p> <p>4. Overall remuneration policy: The Company adjusts employees' salary each year in accordance with the prevailing market rates, economic trends, and employees' personal performance. The average salary adjustment in 2022 was 0.1%.</p>	
(III) Has the Company provided a safe and healthy work environment and provided employees with regular safety and health training?	✓		<p>The Company provides a safe and healthy work environment:</p> <p>1. The Company is located in Nangang Software Park, which has comprehensive fire safety, security, and sanitation systems. The Company participates in the fire safety drills and earthquake disaster prevention drills organized by the management committee of the Software Park each year. In addition to sufficient security guards, access control, and elevator floor access controls, the Company also implements strict access control to ensure workplace safety and security for employees. There were no occupational accidents involving employees of the Company in 2022.</p> <p>2. Workplace sanitation: The Company appoints a professional cleaning company to clean the environment and regularly implements</p>	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>disinfection to maintain the sanitation of the workplace environment.</p> <p>3. Comprehensive fire safety equipment that passes the government's regular fire safety inspections.</p> <p>4. Personal insurance: In addition to providing labor insurance and national health insurance for our employees in accordance with laws, the Company also purchases group insurance for all employees. The contents of the group insurance includes an accident insurance coverage of NT\$2 million to NT\$5 million based on the employees' rank, a regular life insurance policy of NT\$100,000, medical insurance for injuries capped at NT\$20,000, medical insurance for hospitalization of NT\$1,000 per day, and insurance for hospitalization due to cancer of NT\$1,000 per day. The human resources unit purchases travel insurance for employees assigned by the Company to overseas business travel, and adjusts the insurance amount to ensure employees' safety in business travel.</p> <p>5. Health examination & education: The Company pays close attention to the health of employees. The Employee Welfare Committee organized health examinations for all employees in 2022 to take care of their physical health. The Company also provides health examinations to employees' family members.</p>	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			The Company provides health education information to employees from time to time each year.	
(IV) Has the Company set up effective career development and training programs for its employees?	✓		To improve the quality of employees, professional capabilities, and work efficiency, current employees may, based on the requirements for different skills and businesses, apply for approval from their supervisors for participation in different professional training or courses in related academic institutions to enhance their academic qualifications and skills. They include: (1) orientation training, (2) professional advanced training, (3) supervisor training for management skill improvements. We help employees continue to learn and grow through a diverse range of learning methods. In 2022, the Company organized career training in 21 cases and the actual training expenses totaled NT\$155,000. Organize regular annual performance interviews for supervisors and employees to discuss and formulate annual personal development plans. Use regular reviews and feedback to help improve their career development skills.	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(V) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection or customer rights protection and grievance procedure policies implemented?	✓		The Company pays close attention to the protection of trademarks and its corporate image. We work with professional law firms to obtain legal advice, compliance information, and necessary measures. The Company also set up dedicated personnel and email, and provides customers with effective complaint and communication channels to protect customer interests.	No material deviation.
(VI) Has the Company formulated supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such regulations?	✓		The Company established the "Supplier Management Regulations" to assess suppliers before conducting transactions. The Company considers the legitimacy of the supplier and reviews whether there are records of dishonest acts. If the supplier commits dishonest acts, the Company may terminate or rescind the contract at any time. In 2022 as of today, the Company has not discovered any violation of social responsibilities for environmental protection, occupational safety and health, or labor rights by the main suppliers.	No material deviation.

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
V. Does the Company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Has the Company received assurance or certification of the aforementioned reports from a third-party accreditation institution?		✓	The Company has not yet prepared the sustainable development report, but continues to adhere to the sustainable development regulations and gradually realize sustainable development. The Company will prepare a sustainable development report in a timely manner based on actual developments.	The Company will prepare a sustainable development report in a timely manner based on actual developments.
<p>VI. Describe the deviations, if any, between actual practice and the sustainable development regulations, if the Company has formulated such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>The Company established the "Sustainable Development Best-Practice Principles" in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies". We comply with the Company Act and relevant regulations of the Securities and Futures Bureau for corporate governance, and empower sustainable development. There is no material deviation between the operations and the Principles. The Company will continue to make every effort to achieve sustainable development in environmental protection, safety and health, human rights, and corporate governance based on available company resources.</p>				
<p>VII. Other important information to facilitate a better understanding of the Company's implementation of sustainable development:</p> <p>1.Environmental protection: The Company actively launched the digital document signature system and enhanced waste sorting and recycling. We appoint legal operators to dispose of industrial waste and we use green and environmentally friendly products to reduce waste and costs, make the most use of resources, care about the environment, and fulfill social responsibilities of a corporate citizen.</p> <p>2.Social engagement, social contribution, social services, and social welfare:</p> <p>(1) The Company advocated the donation of invoices to support three groups of people (people in vegetative states, elderly people suffering from dementia, and the homeless). We mail invoices donated by employees of the Company to the Genesis Social Welfare Foundation and Huashan Social Welfare Foundation to use real actions to support the society.</p> <p>(2) To support disadvantaged groups, we encourage employees to participate in supply donation activities in the Park and collect books, stationery, clothing, and IT equipment for donation to remote rural areas and provide them with material support.</p> <p>(3) Donation to the Spring Forum of the Precision Medicine Industry Association of Taiwan in March 2022</p> <p>(4) Donation to the Member Assembly and Bio Future Forum of Taiwan Bio Industry Organization in September 2022</p>				

(5) Donation to Hualien Tzu-Chi Hospital in October 2022

(6) Donation to the College of Life Sciences and Medicine, National Tsing Hua University in December 2022

(7) Donation to Taichung Tzu-Chi Hospital in December 2022

(8) Arranged the "medical institution internship" visit for the School of Health Care Administration, Taipei Medical University in January 2023

3.Consumer interests: The Company protects the rights of consumers by providing transparent and effective complaint channels for products and services. We also set up a service telephone number with dedicated personnel and a dedicated e-mail address on the Company's website to protect the rights of consumers.

4.Human rights: In order to fulfill sustainable development and protect the basic human rights of all colleagues, customers, and stakeholders, the Company adheres to the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, and the UN International Labour Organization and other international human rights conventions, respects internationally recognized basic human rights, including freedom of association, caring for the disadvantaged, prohibition of child labor, elimination of all forms of forced labor, elimination of discrimination in employment, etc., and abides by the labor-related regulations local to the Company. The Company values human rights and provides the same work rights to employees regardless of their race, gender, or age.

5.Safety and health: The Company provides employees with a safe work environment and sets up responsibilities of companies to the safety of employees. The Company organizes regular employee health examinations each year. Security companies maintain the security of all office buildings in the work environment for employees to work in a safe and secure environment. In terms of occupational health, the Company appoints a professional cleaning company to clean the environment and regularly implements disinfection to maintain the sanitation of the workplace environment. We also have comprehensive fire safety equipment that pass the government's regular fire safety inspections.

6.Investor relations: The Company has always aimed provide investors with fair, open, timely, and complete information. The Company regularly publishes financial reports, business information, and information on shareholders' meetings on the Company's website and the Market Observation Post System in accordance with the regulations to help investors understand the Company's operations and policies. In addition to enhancing information transparency and protecting the rights and interests of investors, the Company also sets up an investors' section on the website and designates a contact person for investors to provide feedback.

Note 1: If "Yes" is selected in the implementation status, please explain the important policies, strategies, and measures adopted, and the implementation status; If "No" is selected in the implementation status, please explain the deviations and reasons in the "Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons" field and explain related policies, strategies, and measures to be adopted in the future.

Note 2: The materiality principle refers to related environmental, social, and governance issues that may cause material impact on the Company's investors and other stakeholders.

Note 3: Please refer to the best-practice templates of the Corporate Governance Center, Taiwan Stock Exchange Corporation for the methods of disclosure.

(VI) Implementation of corporate management and deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
<p>I. Establishment of ethical management policies and solutions</p> <p>(I) Has the Company established the ethical corporate management policies approved by the board of directors and specified in its rules and external documents, the ethical corporate management policies and practices as well as the commitment of its board of directors and senior management to implementing the management policies?</p>	✓		<p>(I) The Company established the "Ethical Code of Conduct" and "Ethical Corporate Management Best-Practice Principles" to require the Directors, Supervisors, managerial personnel, and employees to comply with the Company Act, Securities and Exchange Act, TWSE/TPEX listing rules, and related laws and regulations as the basic principles for implementing ethical corporate management. The Board of Directors and the management comply with related laws and regulations and sign statements for compliance with ethical corporate management. The members of the Board of Directors also exercise a high degree of self-discipline. Disclose the implementation status on the Company's website and report to the Board of Directors each year.</p>	(I) No material deviation.
<p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess operating activities with higher risk of unethical conducts on a regular basis, and establish prevention programs accordingly, which shall at least include the preventive measures specified in</p>	✓		<p>(II) The Company established the "Ethical Corporate Management Best Practice Principles" and "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases", which already includes the prevention measures for conducts listed in Article 7,</p>	(II) No material deviation.

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
<p>Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, implemented the policies, and review the policies on a regular basis?</p>	✓		<p>Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". We publish the relevant rules and regulations on the Company's internal site for employees to view at any time, and we also continue to promote ethical corporate management through employee education and training. Auditors perform supervision and audits and report any violation of the Code to the Board of Directors.</p> <p>(III) The Company established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" to require Directors, managerial personnel, and employees to take measures for preventing bribery and acceptance of bribes and making illegal political contributions in business operations. The Company also stipulates that persons with substantial control shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits. It prevents employees from sacrificing the Company's interests for their personal interests. The Company raises awareness of ethics and encourages employees to report to the independent directors, managerial personnel, chief internal auditor, or</p>	(III)No material deviation.

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
			other appropriate individual upon suspicion or discovery of any action in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company shall establish related procedures or mechanisms and make employees understand that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals. The Company also regularly reviews and amends related guidelines and regulations in accordance with laws.	
II. Implementation of ethical corporate management				
(I) Has the Company evaluated the integrity records of parties it does business with and stipulated ethical conduct clauses in business contracts?	✓		(I) Before developing a commercial relationship with another party, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has records of unethical conduct to ensure that it conducts business in a fair and transparent manner and does not request, offer, or take bribes.	(I) No material deviation.
(II) Has the Company set up a dedicated unit under the board of directors to promote ethical corporate management and regularly (at least once every year) report to the board of directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) The Company has set up a unit under the jurisdiction of the Board of Directors to concurrently implement ethical corporate management in order to ensure sound ethical corporate management. The General Manager and the Administrative and Accounting Department are responsible for implementation on a part-time basis. In addition to formulating	(II) No material deviation.

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
			<p>policies and preventive measures, they also consider the recommendations of Directors to implement improvement measures. The implementation status of the year was reported to the Board of Directors on August 9, 2022:</p> <ol style="list-style-type: none"> 1. Education and training: The Company plans training courses for regulations, audits, risk management, and fraud prevention in courses for new employees and other training programs to enhance compliance concepts and implementation and to prevent unethical conduct. 2. Periodic reviews: We implement management evaluations for fraud risks in the Company's operations. The audit unit implements audits and annual evaluations and assessments for improvements for deficiencies to achieve effective control and implementation. It also ensures the operations of overall mechanisms and helps manage and prevent unethical conduct. The Company incorporated ethical management into employee performance evaluations and established a clear system for rewards and penalties. There were no cases of corruption or fraud in 2022. 3. Progress of complaints: 	

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	✓		<p>The internal and external reporting channels and the ethical corporate management implementation team did not receive any report letters in 2022.</p> <p>4. The members of the Board of Directors and the senior executives have signed statements for compliance with ethical corporate management.</p> <p>5. To prevent conflicts of interest, Directors, managerial personnel, and stakeholders must maintain a high degree of self-discipline and voluntarily explain whether their interests potentially conflict with those of the Company. For the motions discussed and resolved by the Board of Directors in the 2022 annual meeting, the Directors voluntarily declared their conflicts of interest in board meetings and recused themselves from voting on all such motions.</p> <p>(III) The Company established the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading", which states that the Directors, Supervisors, managers, and employees of the Company are not allowed to disclose the material inside information to others or inquire or collect the Company's undisclosed material inside information from those who possess such</p>	(III)No material deviation.

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and designated its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a certified public accountant to conduct the audit?	✓		information, and material inside information that is not gained in the process of performing their business must not be disclosed to others. The procedures have been announced on the Company's website and are thoroughly implemented in education and training, management meetings, etc. (IV) The Company has established an effective internal control system, related management regulations, and an accounting system for implementation. We also set up an audit unit to regularly review the compliance items of units of the Company, and compile audit reports to be submitted to the Board of Directors.	(IV) No material deviation.
(V) Has the Company held internal and external educational trainings on operational integrity regularly?	✓		(V) To implement ethical corporate management and strengthen the integrity of employees, we organized ethical training for new employees, and regularly organize external training. The most recent training for all employees on compliance with ethical corporate management regulations was held on November 30, 2022.	(V) No material deviation.
III. Implementation status of the Company's whistleblowing system (I) Has the Company established a specific whistleblowing and reward system, set up convenient	✓		(I) In terms of specific measures for reporting and incentives for employees, shareholders, and	(I) No material deviation.

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?			stakeholders regarding unlawful and unethical conduct, the Company has established the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct", which are announced on the Company's website. The Company also provides a reporting channel and a dedicated hotline on the Company's website. The identity of the whistleblowers and the contents of reports are kept strictly confidential.	
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidential mechanisms?	✓		(II) The Company established the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" which include standards operating procedures, measures to be taken after completing investigations, and confidentiality mechanisms. The Company pay close attention to the confidentiality of reports and reviews reports carefully to ensure that matters are clarified and processed in an appropriate manner.	(II) No material deviation.
(III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	✓		(III) The employees, shareholders, and stakeholders assign dedicated personnel to process illegal and unethical conduct, and strictly maintains the confidentiality of the identity of reporters and contents of reports.	(III) No material deviation.
IV. Enhance information disclosure (I) Did the Company disclose the content and effectiveness of its ethical management principles on the	✓		(I) The Company has set up a corporate website in English and Chinese and continues to	No material deviation

Evaluation items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons
	Yes	No	Summary	
Company's website and the Market Observation Post System?			strengthen the disclosure of relevant information to help the public access more information on the Company. We also disclose the implementation of the ethical corporate management in the annual report for the shareholders' meeting and the prospectuses.	
V. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any discrepancy between the principles and their implementation: No material deviation.				
VI. Other key information useful for explaining the Company's implementation of ethical corporate management: (Such as reviewing and revising its ethical business codes) The Company complies with the Company Act, Securities and Exchange Act, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the basis for ethical corporate management. The Board of Directors exercises the due care of good administrators to ensure that the Company prevents unethical conduct. The audit unit is responsible for formulating and monitoring the implementation of the Ethical Corporate Management Policy and preventive measures, and reviews related regulations for ethical corporate management whenever necessary. It reports any violation of the Best Practice Principles to the Board of Directors.				

(VII) If the Company has established corporate governance best-practice principles and the related regulations, disclose how these are to be searched:

1. Corporate governance best-practice principles and the related regulations:

The Company has established the "Corporate Governance Best Practice Principles" and related regulations required by the competent authority of securities to ensure implementation. It shall implement and amend such regulations as needed based on the Company's business operations.

- (1) Articles of Incorporation
- (2) Regulations Governing the Acquisition and Disposal of Assets
- (3) Rules of Procedure for the Board of Directors' Meetings
- (4) Remuneration Committee Charter
- (5) Procedures for Election of Directors
- (6) Procedures for Endorsements and Guarantees
- (7) Procedures for Lending Funds to Other Parties
- (8) Codes of Ethical Conduct
- (9) Rules Governing the Scope of Powers of Independent Directors
- (10) Corporate Governance Best Practice Principles
- (11) Procedures Governing Applications of Trading Halt and Resumption
- (12) Sustainable Development Best Practice Principles
- (13) Ethical Corporate Management Best Practice Principles
- (14) Operating Procedures for Handling Internal Material Information and Preventing Insider Trading
- (15) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
- (16) Regulations Governing Board Performance Evaluation
- (17) Standard Operating Procedures for Requests Filed by the Board of Directors

2. Query method: Market Observation Post System (MOPS) <http://mops.twse.com.tw> and the Company's website: [http://www.medigen.com.tw/About/Corporate Governance/Corporate Regulations](http://www.medigen.com.tw/About/Corporate%20Governance/Corporate%20Regulations).

(VIII) Other important information to facilitate better understanding of the state of implementation of corporate governance:

1. The Company established the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" as the basis for the Company's processing and disclosure of material information and prevention of insider trading. The Company also reviews the regulations whenever necessary to meet current regulations and practical management requirements. They are published on the Company's internal website for managerial personnel and employees to review at any time. We also inform the Company's insiders from time to time

about the matters of note for processing material internal information and the measures for preventing insider trading.

2. With regard to the employee code of conduct and ethics, the Company specified the following in the "Ethical Corporate Management Best Practice Principles": When engaging in commercial activities, Directors, Supervisors, managerial personnel, and employees of the Company or persons having substantial control shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their Directors, Supervisors, managerial personnel, employees or substantial controllers or other stakeholders.

The Company also requires all employees to abide by the Code of Conduct and pledge to comply with laws and ethical principles to protect the Company's assets, interests, and image. The Company shall analyze business activities with higher risks of unethical conduct within its scope of business and shall strengthen related preventive measures. The prevention programs adopted by the Company shall at least include preventive measures against the following:

- (1) Offering and acceptance of bribes.
- (2) Illegal political donations.
- (3) Improper charitable donations or sponsorship.
- (4) Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
- (5) Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
- (6) Engaging in unfair competitive practices.
- (7) Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

3. Continuing education of Directors and Supervisors: Please refer to the State of Implementation of Corporate Governance under [Note 2]

4. Managerial personnel and chief auditor's participation in corporate governance courses

Name	Training date	Course name	Hours	Organizer
Shi-Chung Chang	2022/11/07	ESG Trends and Impact	3	Taiwan Corporate Governance Association
	2022/11/07	ESG Industry Trends and Opportunities	3	Taiwan Corporate Governance Association
I-Ju Chen	2022/08/29 ~2022/08/30	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges - Career Change Program	12	Accounting Research and Development Foundation
Wan-Hsuan Lin	2022/12/15	Practical Audit Techniques	6	The Institute of Internal Auditors - Chinese Taiwan

Name	Training date	Course name	Hours	Organizer
	2022/12/21	Case Studies of New Positioning of Internal Audit - Where Ethics and Law Meet	6	The Institute of Internal Auditors - Chinese Taiwan
Feng-Hua Chen	2022/08/25	Insider Equity Promotion and Briefing Session for OTC and Emerging Stock Companies	3	Taipei Exchange
	2022/12/14	Challenges and Opportunities on the Path to Sustainable Development and Greenhouse Gas Inventory	3	Securities & Futures Institute
	2022/12/14	Case Studies of Fraud in Financial Statements	3	Securities & Futures Institute
	2022/12/15	How Directors and Supervisors Establish and Implement a Healthy Risk Management System	3	Securities & Futures Institute
	2022/12/16	Lessons on Related-Party Transactions and Unconventional Transactions from Case Studies	3	Taiwan Corporate Governance Association
	2022/12/20	Risk Prevention - Importance of Corporate Risk Management	3	Taiwan Corporate Governance Association

(IX) Status of implementation of internal control system:

1. Internal Control System Statement

Medigen Biotechnology Corp.
Internal Control System Statement

Date: March 28, 2023

The Company's 2022 Statement of Internal Control System, based on self-assessment results, is as follows:

- I. The Company recognizes that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's board of directors and managerial personnel; such policies have been implemented throughout the Company. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.
- V. Based on the aforementioned evaluation results, the Company believes that the design and execution of its December 31, 2022 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the Company can reasonably achieve the aforementioned goals.
- VI. This statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the Company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- VII. This Statement was approved by the board on March 28, 2023 where all 7 Directors in attendance approved the content of this Statement.

Medigen Biotechnology Corp.

Chairman: Shi-Chung Chang signature and seal

General Manager: Shun-Lang Chang signature and seal

2. Internal control system review is conducted by commissioned accountants: No such commission.

(X) Disciplinary actions imposed by law on the Company or its employees, disciplinary actions imposed by the Company on its employees for violation of internal control regulations, and the possible significant impact such disciplinary actions might have on shareholder equity or securities prices, as well as the content of the disciplinary actions and deficiencies and improvements in the most recent year and up to the publication date of this Annual Report: No such occurrences.

(XI) Important resolutions of shareholders meeting and board meeting in the most recent year and up to the date of publication of the annual report.

Important resolutions of shareholders meeting and board meeting in 2022 and up to the date of publication of the annual report

1. Major resolutions made at the shareholders' meeting and their implementation:

Date	Resolutions	Review of the implementation status
2022/6/6	1. Ratification of the 2021 Business Report and Financial Statements.	Passed in the resolution and disclosed on the Market Observation Post System in accordance with regulations.
	2. Ratification of the 2021 deficit compensation	Passed in the resolution.
	3. The amendment to Company's "Regulations Governing the Acquisition and Disposal of Assets".	After the passage in the resolution of the shareholders' meeting, the newly amended "Regulations Governing the Acquisition and Disposal of Assets" was announced and implemented.
	4. Amendment of the Company's "Articles of Incorporation"	After the passage in the resolution of the shareholders' meeting, the newly amended "Articles of Incorporation" received approval for registration from the Ministry of Economic Affairs on July 11, 2022, and was announced and implemented.

There were no motions in the shareholders' meeting. Please refer to the meeting minutes of the shareholders meeting for the explanation of the agenda items.

2. Important resolutions of board meetings:

No.	Meeting Category	Date	Key Resolutions	Resolutions
1	Board of directors	2022/03/17	<ol style="list-style-type: none"> 1. The Company's 2021 "Statement on Internal Control". 2. The Company's 2021 business report and financial statements. 3. The Company's 2020 deficit compensation. 4. Established the capital increase baseline date for the issuance of new shares associated with employee exercising stock option plan. 5. The Company's assessment of the independence and competence of certified public accountants 6. The Company's 2021 Business Plan (Budget). 7. The amendment to Company's "Regulations Governing the Acquisition and Disposal of Assets". 8. The amendment of the Company's "Articles of Incorporation". 9. Matters regarding the Company's plans for convening the Company's 2022 general shareholders meeting on June 6, 2022. 10. The Company's application for financing limit due to business requirements. 	<ol style="list-style-type: none"> 1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance. 4. Passed unanimously by all Directors in attendance. 5. Passed unanimously by all Directors in attendance. 6. Passed unanimously by all Directors in attendance. 7. Passed unanimously by all Directors in attendance. 8. Passed unanimously by all Directors in attendance. 9. Passed unanimously by all Directors in attendance. 10. Passed unanimously by all Directors in attendance.
2	Board of directors	2022/04/21	Purchase of 100% share of TLD Holding	Passed unanimously by all Directors in attendance.
3	Board of directors	2022/05/10	<ol style="list-style-type: none"> 1. The proposed cash capital increase of the subsidiary Medigen Vaccine Biologics Corporation for 2022. 2. The proposed amendment of Company's "Corporate Social Responsibility Best Practice Principles" and renaming to "Sustainable Development Best Practice Principles". 3. Establishment of the Company's "Human Rights Policy". 4. The amendment of the Company's "Corporate Governance Best-Practice Principles". 5. The Company's application for financing limit due to business requirements. 	<ol style="list-style-type: none"> 1. Resolution to be reviewed in the next meeting of the Board of Directors. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance. 4. Passed unanimously by all Directors in attendance. 5. Passed unanimously by all Directors in attendance.
4	Board of directors	2022/06/06	<ol style="list-style-type: none"> 1. The proposed cash capital increase of the subsidiary Medigen Vaccine Biologics Corporation for 2022. 2. Established the capital increase baseline date for the issuance of new shares associated with employee exercising stock option plan. 3. Distribution of remuneration for the representative of Directors assigned by Medigen to investees in 2021. 	<ol style="list-style-type: none"> 1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance.

No.	Meeting Category	Date	Key Resolutions	Resolutions
			4. The Company's application for financing limit due to business requirements.	4. Passed unanimously by all Directors in attendance.
5	Board of directors	2022/08/09	<ol style="list-style-type: none"> 1. The proposal for the Company's Consolidated Financial Report for the second quarter of 2022. 2. Established the capital increase baseline date for the issuance of new shares associated with employee exercising stock option plan. 3. The Company's application for financing limit due to business requirements. 4. The proposal for the Company's appointment of the "Corporate Governance Officer". 5. The proposal for the sales of shares in Medigen Vaccine Biologics Corporation for the replenishment of operating capital. 	<ol style="list-style-type: none"> 1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance. 4. Passed unanimously by all Directors in attendance. 5. Passed unanimously by all Directors in attendance.
6	Board of directors	2022/11/07	<ol style="list-style-type: none"> 1. The proposal for the Company's Consolidated Financial Report for the third quarter of 2022. 2. The 2023 Internal Audit Plan. 3. The Company's application for the renewal of the original financing limit due to business requirements. 	<ol style="list-style-type: none"> 1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance.
7	Board of directors	2022/11/30	The Company increased its investment in the investee U-Gen Biotechnology Inc. (Cayman Islands) and its subsidiaries.	Passed unanimously by all Directors in attendance.
8	Board of directors	2023/01/16	<ol style="list-style-type: none"> 1. The Company's application for the renewal of the original financing limit due to business requirements. 2. Proposal for the establishment of the Director and Manager Salary Management Regulations. 3. 2023 salary adjustment proposal for Directors and managers. 	<ol style="list-style-type: none"> 1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance.
9	Board of directors	2023/03/28	<ol style="list-style-type: none"> 1. The Company's 2022 "Statement on Internal Control". 2. The Company's assessment of the independence and competence of certified public accountants 3. Establishment of the Company's "general principles for the policy of advance approval for non-assurance services". 4. Amendment of certain articles of the Company's "Rules of Procedure for the Board of Directors' Meetings". 5. Amendment of certain articles of the Company's "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading". 	<ol style="list-style-type: none"> 1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance. 4. Passed unanimously by all Directors in attendance. 5. Passed unanimously by all Directors in attendance. 6. Passed unanimously by all Directors in attendance. 7. Passed unanimously by all Directors in attendance. 8. Passed unanimously by all Directors in attendance.

No.	Meeting Category	Date	Key Resolutions	Resolutions
			6. Discussion of the by-election of one Independent Director and the list of candidates. 7. Proposal for the release the prohibition on Directors from participation in competitive business. 8. Matters regarding the Company's plans for convening the Company's 2023 general shareholders meeting on June 26, 2023. 9. The Company's application for financing limit due to business requirements.	9. Passed unanimously by all Directors in attendance.
10	Board of directors	2023/03/30	1. The Company's 2022 business report and financial statements (including the individual and consolidated financial statements). 2. The Company's 2022 deficit compensation. 3. The Company's 2023 Business Plan (Budget).	1. Passed unanimously by all Directors in attendance. 2. Passed unanimously by all Directors in attendance. 3. Passed unanimously by all Directors in attendance.

(XII) Main content of dissenting opinions from directors or supervisors on record or stated in a written statement, with respect to a material resolution passed by the board of directors in the most recent year and up to the date of publication of the annual report: No such occurrences.

(XIII) Resignation or dismissal of Company chairman, general manager, chief accountant, finance director, chief internal auditor, chief corporate governance officer and head of research and development in the most recent fiscal year up to the publication date of this report: No such occurrences.

V. Information on Fees to Certified Public Accountants

Information on fees to certified public accountants in 2022

Unit: NTD thousands

Name of the firm of the certified public accountant	Name of certified public accountants	Audit period	Audit fee	Non-audit fee	Total	Remarks
PwC Taiwan	Man-Yu Juan Lu	2022/01/01 ~ 2022/12/31	4,450	96	4,546	Non-audit fees included typing, photocopying, and binding fees

	Ya-Hui Lin					for financial and taxation reports totaling NT\$70,000, postage and express delivery fees paid on behalf of the Company totaling NT\$3,000, and electronic certification fee totaling NT\$2,000.
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Please provide a detailed description of the services provided in exchange for non-audit fees: (e.g., tax certification, assurance, or other financial consulting services)

Note: If the Company has replaced the CPAs or CPA firm in the current fiscal year, the audit period should be listed separately, and the reason for replacement should be stated in the "remark" column. Information regarding the audit and non-audit fees paid should also be disclosed in order. The service contents for non-audit fees must be specified.

- (I) If the accounting firm has been changed and the annual audit fees were lower for the year of the firm change compared to that of the previous year, audit fees before and after the changes and the reason for such changes should be disclosed: None.
- (II) If the audit fees have decreased by more than 10% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: N/A.

VI. Information on Change of Certified Public Accountant:

In the last two years and the period thereafter, the Company replaced a CPA in 2021 Q1 due to the internal adjustments of the CPA firm.

(I) Regarding previous CPA

Date of replacement	March 19, 2021		
Reasons for change and explanation	One of the CPAs was replaced due to the internal adjustments of the CPA firm		
Statement on whether the client or the CPA terminated or rejected the appointment	Contracting party		
	Conditions	CPA	Client
	Termination initiated by client	N/A	N/A
	CPA declined to accept (continue) the appointment	N/A	N/A
Audit opinions other than unqualified opinions issued in the past two years and reasons	Unqualified opinions in the past two years.		
Dissenting opinions from the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures
			Others

	Non	✓	
	Explanation: No dissenting opinions.		
Other matters to be disclosed (Matters to be disclosed in accordance with Article 10, Subparagraph 6, Item 1-4 to 1-7 of the Regulations)	There were no matters to be disclosed in accordance with Article 10, Subparagraph 6, Item 1-4 to 1-7 of the Regulations.		

(II) Regarding succeeding CPA

Name of the accounting firm	PwC Taiwan
Name of certified public accountants	Ya-Hui Lin, Man-Yu Juan Lu
Date of appointment (Note 1)	March 19, 2021
Consultation provided for accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Written opinions from succeeding CPAs with regard to matters with which the previous CPAs disagreed	N/A

Note 1: The Company's Board of Directors passed a resolution on March 19, 2021. The CPAs for the audit of the financial statements starting from 2021 Q1 shall be changed from the CPAs Ya-Hui Lin and Sheng-Wei Teng to the CPAs Man-Yu Juan Lu and Ya-Hui Lin.

(III) The previous CPAs' response to Article 10, Subparagraph 6, Item 1 and Item 2, Point 3 of the Regulations: N/A.

VII. The Chairman, President, and Financial or Chief Finance or Accounting Officer of the Company who had Worked for the Independent CPA or the Affiliate in the Past Year: None.

VIII. Equity Transfer or Changes to Equity Pledge of a Director, Supervisor, Managerial Personnel, or Shareholder with a Stake of More Than 10% During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report

(1) Share Equity Change Status for Directors, Supervisors, Managerial personnel, and Major Shareholders

Unit: Shares

Title	Name	2022		Current year as of March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Shi-Chung Chang	0	0	0	0
Corporate Director and a major shareholder with more than 10% of the shares	Everspring Industry Co., Ltd.	0	0	0	0
	Representative: Tse-Ling Chang	0	0	0	0
Corporate Director	Ta Ching Construction Co., Ltd.	0	0	0	0
	Representative: Min-Lee Chuang	0	0	0	0
Corporate Director	WorldTrend Co., Ltd.	0	0	0	0
	Representative: Tzu-Liang Huang	0	0	0	0
Independent director	Por-Hsiung Lai	0	0	0	0
Independent director	Shui-Ming Chuang	0	0	0	0
Independent director	Pei-Wei Chen	0	0	0	0
General Manager	Shun-Lang Chang	0	0	(100,000)	0
Associate Vice President	Chieh-Liang Lin	0	0	0	0
Associate Vice President	Chin-Yen Chen	0	0	0	0
Associate Vice President	Ya-Ling Chiang	0	0	0	0
Finance Manager	Feng-Hua Chen	0	0	0	0
Accounting Manager	I-Ju Chen	0	0	0	0

(2) Information where the counterparty in a transfer of equity interests by a director, supervisor, managerial personnel, or major shareholder is a related party: None.

(3) Information where the counterparty in a transfer of equity interests by a director, supervisor, managerial personnel, or major shareholder is a related party: None.

IX. Relationship Information, if among the Company's Ten Largest Shareholders any one is a Related Party or a Relative within the Second Degree of Kinship of another:

April 28, 2023

Name	Personal shareholding		Shares held by spouse and minor children		Total shareholding by nominee arrangement		The Company's ten largest shareholders, where among them any one is a related party as defined in Financial Accounting Standards Bulletin No.6., or a relative within the second degree of kinship of another		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relationship	
Everspring Industry Co., Ltd. Representative: Tse-Ling Chang	14,093,380	10.11%	6,363,572	4.56%	0	0	Note 1	Note 1	
Tzu-Liang Huang	6,363,572	4.56%	0	0	0	0	Note 2	Note 2	
Ta Ching Construction Co., Ltd. Representative: Lung-Chang Chuang	4,371,763	3.14%	0	0	0	0	Note 3	Note 3	
A-Liang Chuang Huang	3,338,812	2.39%	0	0	0	0	Note 4	Note 4	
WorldTrend Co., Ltd. Representative: Tse-Ling Chang	2,427,760	1.74%	6,363,572	4.56%	0	0	Note 5	Note 5	
Shi-Chung Chang	1,802,064	1.29%	537,757	0.39%	0	0	Note 6	Note 6	
Vanguard Group's Vanguard Emerging Markets Stock Index Fund investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch	1,470,000	1.05%	0	0	0	0	None	None	
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds, investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch	1,297,797	0.93%	0	0	0	0	None	None	
Chin-Hsia Hou	1,145,000	0.82%	0	0	0	0	None	None	
Shang-Yi Tsai	1,101,252	0.79%	0	0	0	0	None	None	

Note 1: Related parties of Everspring Industry Co., Ltd.: Shi-Chung Chang (relative within second degree of kinship of the Chairman) and WorldTrend Co., Ltd. (the Chairman is the same person).

- Note 2: Related parties of Tzu-Liang Huang: Everspring Industry Co., Ltd. (relative within second degree of kinship of the Chairman) and WorldTrend Co., Ltd. (relative within second degree of kinship of the Chairman).
- Note 3: Related parties of Ta Ching Construction Co., Ltd.: A-Liang Chuang Huang (relative within second degree of kinship of the Chairman).
- Note 4: Related parties of A-Liang Chuang Huang: Ta Ching Construction Co., Ltd. (relative within second degree of kinship of the Chairman).
- Note 5: Related parties of WorldTrend Co., Ltd.: Everspring Industry Co., Ltd. (the Chairman is the same person), WorldTrend Co., Ltd. (the Chairman is the same person), Shi-Chung Chang (relative within second degree of kinship of the Chairman).
- Note 6: Related parties of Shi-Chung Chang: Everspring Industry Co., Ltd. (relative within second degree of kinship of the Chairman) and WorldTrend Co., Ltd. (relative within second degree of kinship of the Chairman).

X. The Number of Shares Held by the Company, the Company's Directors, Supervisors, Managerial Personnel, and the Number of Shares Invested in a Single Company which are Held by the Entities Directly or Indirectly Controlled by the Company, and the Consolidated Shareholding Percentage.

December 31, 2021; Unit: Thousand shares; %

Name of investee (Note 1)	Investment by the Company		Investments by directors, supervisors, managerial personnel and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
TBG Diagnostics Limited	112,616	51.76%	0	0	112,616	51.76%
TDL Holding Co.	1,701	100.00%	0	0	1,701	100.00%
Medigen Vaccine Biologics Corporation	64,729	19.74%	0	0	64,617	19.74%
Winston Medical Supply Co., Ltd.	10,906	59.22%	0	0	10,906	59.22%
Texas BioGene, Inc.	0	0	739	100.00%	739	100.00%
TBG Biotechnology Corp.	0	0	20,000	100.00%	20,000	100.00%
UMO International Co., Ltd.	0	0	1,000	100.00%	1,000	59.22%
Medigen Biotechnology Corp. (Xiamen)	Note 2	100.00%	0	0	Note 2	100.00%
Medigen Biotechnology Corp. (Beijing)	Note 2	100.00%	0	0	Note 2	100.00%
Shiny Lily Co., Ltd.	0	0	Note 2	100.00%	Note 2	59.22%
MVC BioPharma Ltd.	0	0	50,000	100.00%	50,000	19.74%
U-GEN BIOTECHNOLOGY INC.	0	0	67,129	36.37%	67,129	18.83%
MVC Capital Corporation	0	0	20,000	100.00%	20,000	19.74%

Note 1: The Company's long-term investment using the equity method.

Note 2: No issued shares as it is a limited company.

Chapter 4 Fundraising Conditions

I. Required Information for Capital and Shares

(I) Source of Capital

Unit: NTD/shares

Year/Month	Type of Shares	Issuing Price	Authorized Capital		Paid-Up Capital		Remarks		
			Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Subscriptions paid with property other than cash	Others
2007/05	Ordinary shares	10	140,000,000	1,400,000,000	60,050,005	600,500,050	151,765,250 common shares and 348,234,750 special shares after the capital reduction	None	2007.05.21 Letter No. Jing-Shou-Shang No. 09601109880.
2007/10	Ordinary shares	10	140,000,000	1,400,000,000	64,050,005	640,500,050	Cash capital increase of NT\$40,000,000	None	2007.10.02 Letter No. Jing-Shou-Shang No. 09601241470
2008/03	Ordinary shares	10	140,000,000	1,400,000,000	65,252,005	652,520,050	Conversion of employee warrants 12020000	None	2008.03.20 Letter No. Jing-Shou-Shang No. 09701067790.
2008/04	Ordinary shares	10	140,000,000	1,400,000,000	66,200,505	662,005,050	Conversion of employee warrants 9485000	None	2008.04.16 Letter No. Jing-Shou-Shang No. 09701091170.
2008/07	Ordinary shares	10	140,000,000	1,400,000,000	71,562,505	715,625,050	Cash capital increase of NT\$45,000,000 Conversion of employee warrants 8620000	None	2008.07.25 Letter No. Jing-Shou-Shang No. 09701184740.
2009/01	Ordinary shares	10	140,000,000	1,400,000,000	71,627,505	716,275,050	Conversion of employee warrants 650000	None	2009.01.15 Letter No. Jing-Shou-Shang No. 09801009250.
2009/04	Ordinary shares	10	140,000,000	1,400,000,000	71,690,005	716,900,050	Conversion of employee warrants 625000	None	2009.04.16 Letter No. Jing-Shou-Shang No. 09801075460.
2009/09	Ordinary shares	10	140,000,000	1,400,000,000	71,752,005	717,520,050	Conversion of employee warrants 620000	None	2009.09.04 Letter No. Jing-Shou-Shang No. 09801185010.
2009/11	Ordinary shares	10	140,000,000	1,400,000,000	79,752,005	797,520,050	Cash capital increase of NT\$80,000,000	None	2009.11.05 Letter No. Jing-Shou-Shang No. 09801257000.

Year/Month	Type of Shares	Issuing Price	Authorized Capital		Paid-Up Capital		Remarks		
			Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Subscriptions paid with property other than cash	Others
2010/01	Ordinary shares	10	140,000,000	1,400,000,000	80,313,005	803,130,050	Conversion of employee warrants 5610000	None	2010.01.14 Letter No. Jing-Shou-Shang No. 09901007880.
2010/04	Ordinary shares	10	140,000,000	1,400,000,000	80,315,005	803,150,050	Conversion of employee warrants 20000	None	2010.04.02 Letter No. Jing-Shou-Shang No. 09901066560.
2010/09	Ordinary shares	10	140,000,000	1,400,000,000	81,090,380	810,903,800	Conversion of employee warrants 7753750	None	2010.09.13 Letter No. Jing-Shou-Shang No. 0993501597.
2010/11	Ordinary shares	10	140,000,000	1,400,000,000	96,090,380	960,903,800	Cash capital increase 150000000	None	2010.11.09 Letter No. Jing-Shou-Shang No. 09901248260.
2011/01	Ordinary shares	10	140,000,000	1,400,000,000	96,500,880	965,008,800	Conversion of employee warrants 4105000	None	2011.01.17 Letter No. Jing-Shou-Shang No. 10001003990.
2011/06	Ordinary shares	10	140,000,000	1,400,000,000	96,540,755	965,407,550	Conversion of employee warrants 398750	None	2011.06.20 Letter No. Jing-Shou-Shang No. 10001125250.
2011/11	Ordinary shares	10	140,000,000	1,400,000,000	96,800,505	968,005,050	Conversion of employee warrants 259750	None	2011.11.21 Letter No. Jing-Shou-Shang No. 1003502302.
2011/12	Ordinary shares	10	140,000,000	1,400,000,000	109,833,505	1,098,335,505	Cash capital increase of NT\$13,033,000	None	2011.12.06 Letter No. Jing-Shou-Shang No. 10001275830.
2012/03	Ordinary shares	10	140,000,000	1,400,000,000	110,674,255	1,106,742,550	Conversion of employee warrants 840750	None	2012.03.15 Letter No. Jing-Shou-Shang No. 10101045810.
2012/06	Ordinary shares	10	140,000,000	1,400,000,000	128,674,255	1,286,742,550	Cash capital increase 180000000	None	2012.6.15 Letter No. Jing-Shou-Shang No. 10101109390.
2013/10	Ordinary shares	10	140,000,000	1,400,000,000	136,674,255	1,366,742,550	Cash capital increase 80000000	None	2013.10.18 Letter No. Jing-Shou-Shang No. 10201214530.
2014/02	Ordinary shares	10	140,000,000	1,400,000,000	138,674,255	1,386,742,550	Exchange of shares 20000000	None	2014.02.07 Letter No. Jing-Shou-Shang No. 10301016460.
2014/10	Ordinary shares	10	140,000,000	1,400,000,000	138,685,505	1,386,855,050	Conversion of employee warrants 112500	None	2014.10.20 Letter No. Jing-Shou-Shang No. 10301203560.
2020/02	Ordinary shares	10	250,000,000	2,500,000,000	138,985,505	1,389,855,050	300,000 shares in employees' right to new stock	None	2020.02.06 Letter No. Jing-Shou-Shang No. 10901011290.

Year/Month	Type of Shares	Issuing Price	Authorized Capital		Paid-Up Capital		Remarks		
			Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Subscriptions paid with property other than cash	Others
2021/04	Ordinary shares	10	250,000,000	2,500,000,000	139,098,505	1,390,985,050	Conversion of employee warrants 113000	None	2021.04.14 Letter No. Jing-Shou-Shang No. 11001056590.
2021/09	Ordinary shares	10	250,000,000	2,500,000,000	139,257,505	1,392,575,050	Conversion of employee warrants 159000	None	2021.09.02 Letter No. Jing-Shou-Shang No. 11001147730.
2021/12	Ordinary shares	10	250,000,000	2,500,000,000	139,362,505	1,393,625,050	Conversion of employee warrants 105000	None	2021.09.02 Letter No. Jing-Shou-Shang No. 11001220050.
2022/04	Ordinary shares	10	250,000,000	2,500,000,000	139,372,505	1,393,725,050	Conversion of employee warrants 10000	None	2022.04.11 Letter No. Jing-Shou-Shang No. 11101055060.
2022/07	Ordinary shares	10	250,000,000	2,500,000,000	139,412,505	1,394,125,050	Conversion of employee warrants 40,000	None	2022.07.06 Letter No. Jing-Shou-Shang No.11101107020.
2022/08	Ordinary shares	10	250,000,000	2,500,000,000	139,446,255	1,394,462,550	Conversion of employee warrants 33,750	None	2022.08.29 Letter No. Jing-Shou-Shang No.11101165220.

Shares Type	Authorized Capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Ordinary shares	139,446,255 shares	110,553,745 shares	250,000,000 shares	Shares of TPEX-listed company

Note: It includes 100,000 shares in employees' right to new stock that were recovered but the change has not yet been registered.

(II) Shareholder Structure

April 28, 2023 / Unit: shares

Shareholder structure \ Quantity	Government Agency	Financial Institution	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
No. of People	1	0	232	35,837	55	36,125
Number of Shares Held	143	0	22,841,857	111,684,116	4,920,139	139,446,255
Shareholding Percentage	0	0	16.38%	80.09%	3.53%	100.00%

(III) Shareholding Distribution Status

Ordinary shares
Par value of NT\$10 per share

April 28, 2023

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	19,006	339,968	0.25%
1,000 to 5,000	13,789	27,222,931	19.52%
5,001 to 10,000	1,666	13,200,045	9.47%
10,001 to 15,000	547	7,002,568	5.02%
15,001 to 20,000	350	6,479,092	4.65%
20,001 to 30,000	281	7,151,432	5.13%
30,001 to 40,000	134	4,795,167	3.44%
40,001 to 50,000	90	4,103,833	2.94%
50,001 to 100,000	152	10,853,125	7.78%
100,001 to 200,000	62	8,441,648	6.05%
200,001 to 400,000	30	8,218,412	5.89%
400,001 to 600,000	8	4,226,634	3.03%
600,001 to 800,000	0	0	0%
800,001 to 1,000,000	0	0	0%
More than 1,000,001	10	37,411,400	26.83%
Total	36,125	139,446,255	100.00%

Note: It includes 100,000 shares in employees' right to new stock that were recovered but the change has not yet been registered.

(IV) List of Main Shareholders

April 28, 2023

Name of the Main Shareholder	Shares	Number of Shares Held	Shareholding Ratio
Representative of Everspring Industry Co., Ltd.: Tse-Ling Chang		14,093,380	10.11%
Tzu-Liang Huang		6,363,572	4.56%
Representative of Ta Ching Construction Co., Ltd.: Lung-Chang Chuang		4,371,763	3.14%
A-Liang Chuang Huang		3,338,812	2.39%
Representative of WorldTrend Co., Ltd.: Tse-Ling Chang		2,427,760	1.74%
Shi-Chung Chang		1,802,064	1.29%

Name of the Main Shareholder	Shares	Number of Shares Held	Shareholding Ratio
Vanguard Group's Vanguard Emerging Markets Stock Index Fund investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch		1,470,000	1.05%
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds, investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch		1,297,797	0.93%
Chin-Hsia Hou		1,145,000	0.82%
Shang-Yi Tsai		1,101,252	0.79%

(V) Share price, net worth, earnings, dividends and related information per share for the last two years

Unit: NTD

Item		Year	2021	2022	Current year up to March 31, 2023 (Note 5)
Market price per share	Highest		90.00	60.90	34.90
	Lowest		46.40	28.50	31.35
	Average (Note 1)		60.65	43.83	32.36
Net value per share	Before distribution		17.18	15.73	N/A
	After distribution		17.18	15.73	N/A
Earnings per share	Weighted average number of shares (thousand shares)		139,385	139,446	N/A
	Earnings per share		(0.38)	(4.86)	N/A
Dividends per share	Cash dividends		0	0	N/A
	Stock dividends	Dividends from earnings	0	0	N/A
		Dividends from paid-in capital	0	0	N/A
	Cumulative undistributed dividends		0	0	N/A
Return on investment analysis	Price-earnings (P/E) ratio (Note 2)		N/A	N/A	N/A
	Price-dividend (P/D) ratio (Note 3)		0	0	N/A
	Cash dividend yield (Note 4)		0	0	N/A

Note 1: The average market price for each fiscal year is calculated based on trading value and volume in each fiscal year.

Note 2: Price-earnings (P/E) ratio = Average market price / Earnings per share.

Note 3: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.

Note 4: Cash dividend yield rate = Cash dividend per share / Average market price.

Note 5: Data on net asset value per share and earnings per share from the latest quarter that has been verified by CPAs up to the date of publication of the Annual Report shall be filled. The other fields shall include information from the current year up to the publication date of the Annual Report.

(VI) Company's Dividend Policy and Implementation

1. Dividend policy:

The Company's dividend policy is established in accordance with the Company Act and the Company's Articles of Incorporation to ensure the normal operations of the Company and protection of investors' rights and interests. According to Article 29 and Article 29-1 of the Company's Articles of Incorporation:

(1) The ratio of dividend distribution from distributable earnings available:

The total dividends distributed to shareholders shall not be lower than fifty percent of the earnings available for distribution in the current year, and cash dividends shall not be lower than ten percent of the total dividends.

(2) Cash dividends and stock dividends ratio:

As a principle, cash dividends shall not be lower than 10% of the total dividends distributed. If there are significant capital expenditures or business funding

requirements, the Company may, with the approval of the shareholders' meeting, issue all dividends in stock dividends.

(3) Remuneration for employees, Directors, and Supervisors:

If the Company was profitable during the year, at least 2% of the profit shall be allocated as employee remuneration and no more than 2% shall be allocated as remuneration for Directors. However, an amount shall be set aside in advance to compensate for cumulative losses, if any. The remaining amount shall be distributed in accordance with the aforementioned ratio.

2. Implementation status:

On March 17, 2022, the Board of Directors passed a proposal stating that as Company had accumulated losses, it shall not distribute dividends this year, and the proposal is filed to the shareholders' meeting in the same year for resolution.

(VII) Effect of stock grants proposed in the latest shareholders' meeting on the Company's business performance and earnings per share: The shareholders' meeting this year decided not to distribute dividends.

(VIII) Employee bonus and remuneration for Directors and Supervisors:

1. The percentage or scope of employee bonuses as well as Directors' and Supervisors' remuneration as set forth in the Articles of Incorporation.

If the Company has profit for the year, it shall allocate no less than 2% as remuneration for employees and no more than 2% as remuneration for Directors and Supervisors. However, an amount shall be set aside in advance to compensate for cumulative losses, if any. The remaining amount shall be distributed in accordance with the aforementioned ratio. The distribution of employee remuneration in stocks or cash in the preceding paragraph shall include employees of affiliated companies that satisfy certain criteria.

If the Company has earnings in the final accounts of the year, the earnings shall first be used to offset the deficits in previous years. 10% of the remaining balance shall be appropriated as legal reserve. However, this requirement does not apply if the legal reserve has reached the total capital amount. In addition, after the Company appropriated or reversed the special surplus reserve in accordance with its needs and regulatory requirements, the Board of Directors shall draft the proposal for dividend allocation for any remaining profit and submit it along with accumulated undistributed earnings to the shareholder's meeting for a resolution on the distribution of earnings.

2. The basis for estimating the amount of bonuses for employees and remuneration for Directors and Supervisors, the basis for calculating the number of shares to be allotted as stock bonuses, the actual distribution of shares for the period, as well as the accounting treatment for the difference between the estimated amount and the estimated amount:

The Company's estimated amount of bonuses for employees and remuneration for Directors and Supervisors is based the Company's internal evaluation of the business performance for the entire year, and the percentage of allocation is calculated based on the terms of the Articles of Incorporation. If there is a difference between the distributed and estimated amounts in the resolution of the shareholders' meeting in the following year, the difference shall be regarded as a change in accounting estimates to adjust the annual profit and loss of the year.

3. Remuneration proposals passed by the Board of Directors: The Company has cumulative losses and has not yet distributed earnings.

4. Discrepancies, if any, between actual distribution of remuneration for employee, directors, and supervisors (including the number of shares distributed, amount and stock price) and the recognized remuneration for employees, Directors, and Supervisors, and disclosure of the differences, reasons and responses: The Company did not have available earnings in 2022 for the distribution of employee bonus or remuneration for Directors and Supervisors.

(IX) Status of Company Share Buyback: None.

II. Corporate Bonds (Including Overseas Corporate Bonds) Situation: None.

III. Issuance of Preferred Stock: None.

IV. Issuance of Global Depository Receipts (GDR): None.

V. Required Information for the Exercise of Employee Stock Option Plan (ESOP):

(I) Exercise of Employee Stock Option Plan (ESOP)

Exercise of Employee Stock Option Plan (ESOP) in 2021

Type of Employee Stock Option Plan (ESOP)	The first employee stock option warrants for 2018	The second employee stock option warrants for 2018
Effective Date of Filing and total number of units	2018/11/29	2018/11/29
Date of issuance (processing)	2018/12/12	2019/03/12

Number of units issued	1,410,000	90,000
Number of units still available for issuance	888,000	90,000
Units issued as a percentage of total shares issued	1.01	0.06
Subscription Period	From two years after the issuance date till six years after the issuance date for the holder of the warrant	
Performance Method	Issuance of new shares	
Time frame and ratio of restricted subscription (%)	Two years elapsed: Limited to 50% subscription Three years elapsed: Limited to 75% subscription Four years elapsed: 100% subscription	
Number of executed shares acquired	460,750 shares	0 shares
Value of executed stock options	NT\$18,130,514	NT\$0
Number of outstanding stock options	888,000 shares	90,000 shares
Cumulative invalidated subscription amount at the end of the period (shares)	61,250 shares	0
Subscription price per share for unexecuted stock options	NT\$39.35 per share	NT\$65.90 per share
Number of stock options executed to the total number of shares issued	0.64	0.06
Impact on shareholders' equity	The subscription plan motivates employees to provide long-term services and increase their sense of belonging to jointly create benefits for the Company and shareholders. It also improves stockholders' equity.	

(II) The names of the managers and the top ten employees who have acquired employee stock options, and the acquisition and subscription status of the stock options

April 28, 2023 / Unit: Thousand shares

	Title	Name	Number of stock options acquired	Number of stock options acquired to the total number of shares in issue	Executed			Outstanding				
					Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue	Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue
Managerial Personnel	General Manager	Shun-Lang Chang	660	0.47%	160	39.35	6,296	0.11%	500	39.35	19,675	0.36%
	Associate Vice President	Ya-Ling Chiang										
	Associate Vice President	Chin-Yen Chen										
	Associate Vice President	Chieh-Liang Lin										
	Manager	Feng-Hua Chen										
	Manager	I-Ju Chen										
Employees	Executive Assistant	Shih-Chang Kuan	470	0.34%	137.5	39.35	5,411	0.10%	332.5	39.35	13,084	0.24%
	Manager	Chih-Ya Yang										
	Manager	Wei-Ting Liu										
	Senior Project Manager	Shih-Wei Ou										
	Project Manager	Wan-Hsuan Lin										
	Researcher	Chun-Hsien Liu										
	Researcher	Wen-Yu Li										
	Researcher	Kuan-Jung Lin										
Researcher	Chi-Fang Chang											

Title	Name	Number of stock options acquired	Number of stock options acquired to the total number of shares in issue	Executed				Outstanding		
				Number of stock options	Share Subscription price	Amount of stock subscription	Number of stock options executed to the total number of shares in issue	Number of stock options	Share Subscription price	Amount of stock subscription
Researcher	Tzu-Feng Lin									

Note 1: Names and titles of managerial personnel and employees (those who left the Company or are deceased shall be indicated) should be disclosed, but the disclosure can be shown in aggregate acquisition and subscription.

VI. Restriction on Employees' right to new stock:

(I) Restriction on employees' right to new stock

Type of employees' right to new stock	Employees' right to new stock in 2019
Effective Date of Filing and total number of shares	July 31, 2019
Release Date	December 31, 2019
Number of new restricted employee shares distributed	300,000 shares
Number of new restricted employee shares still available for issuance	0 shares
Issuing Price	NT\$0 (stock dividends)
Ratio of restricted employee shares issued to total shares issued	0.22%
New restricted employee shares and vesting conditions	<p>1. After employees receive new shares from employees' right to new stock, they may receive shares in tranches if they remain employed at the Company and meet the Company's "business performance targets".</p> <p>The "business performance targets" described above refer to the attainment of the following conditions: Revenue from cell therapy business amounts to at least NT\$120 million in a single fiscal year within five years after the issuance of the new restricted employee shares. 1/3 (i.e., 100,000 shares) of new restricted employee shares shall be distributed for the first attainment of the "business performance targets"; 1/3 (i.e., 100,000 shares) of new restricted employee shares shall be distributed for the second attainment of the "business performance targets"; 1/3 (i.e., 100,000 shares) of new restricted employee shares shall be distributed for the third attainment of the "business performance targets".</p> <p>2. If an employee violates the terms of the employment contract or work rules after receiving the new restricted employee shares issued by the Company, the Company shall, without payment, recover and cancel the new restricted employee shares that were distributed but have not attained vesting conditions.</p>
Restrictions on new restricted employee shares	<p>Restricted rights of employees before reaching vesting conditions after the distribution of new shares</p> <p>(I) For the new restricted employee shares distributed to employees in accordance with these regulations, before the vesting conditions are met, all such shares shall be transferred to Taiwan Depository & Clearing Corporation for custody. Employees must also cooperate with all procedures and the signing of related documents.</p> <p>(II) After receiving new restricted employee shares and</p>

Type of employees' right to new stock	Employees' right to new stock in 2019
Effective Date of Filing and total number of shares	July 31, 2019
Release Date	December 31, 2019
	<p>before meeting vesting conditions, employees may not sell, use as collateral, transfer, gift, pledge, or dispose the restricted employee shares in any way.</p> <p>(III) Before the vesting conditions of the new restricted employee shares distributed to employees in accordance with these regulations are met, other rights, including but not limited to dividends, bonuses, the allocation rights of capital surplus, the subscription rights of capital increase by cash, and voting rights, shall be the same as the Company's outstanding ordinary shares.</p> <p>(IV) After the issuance of new restricted employee shares, they should be transferred to Taiwan Depository & Clearing Corporation or an institution designated by the Company for custody. Prior to the attainment of the vesting conditions, the employee may not request the trustee to return the new restricted employee shares for any reason or in any way.</p>
Custody of new restricted employee shares	Transfer to Taiwan Depository & Clearing Corporation for custody
Methods for processing employees' failure to meet vesting conditions after the distribution or subscription of new shares	<ol style="list-style-type: none"> 1. General termination of employment (voluntary termination/retirement/severance/termination): Where the vesting conditions for the new restricted employee shares are not met, the vesting conditions shall be deemed as unmet as of the effective date of the termination of employment. The Company shall, without payment, recover and cancel the shares in accordance with laws. 2. Unpaid leave: If the Company approves an employee's application for unpaid leave, the rights and interests in the new restricted employee shares that have not met vesting conditions shall be restored on the date of reinstatement. 3. General death: Where the vesting conditions for the new restricted employee shares are not met, the vesting conditions shall be deemed as unmet as of the effective date of the death of the employee. The Company shall, without payment, recover and cancel the shares in accordance with laws. 4. Occupational accident: If an employee can no longer perform duties or is deceased due to an occupational accident, if the employee meets the vesting conditions during the year of the termination of employment or death, the employee shall be deemed as having met the vesting conditions for the current year. The employee's heir shall complete the necessary legal procedures and provide related certification documents, and

Type of employees' right to new stock	Employees' right to new stock in 2019
Effective Date of Filing and total number of shares	July 31, 2019
Release Date	December 31, 2019
	<p>may only apply for the inheritance of shares or interests with full compliance to the related regulations herein. However, where the vesting conditions for the new restricted employee shares are not met, the Company shall, without payment, recover and cancel the shares in accordance with laws.</p> <p>5. Transfer: If an employee voluntarily requests a transfer to an affiliate or subsidiary, the new restricted employee shares shall be processed in accordance with 1. General termination of employment. However, if the employee is transferred to an affiliate or subsidiary of the Company due to the Company's business requirements, the new restricted employee shares distributed to the employee shall not be affected by the transfer.</p>
Number of new restricted employee shares recovered or repurchased	100,000 shares
Number of new restricted employee shares released	0 shares
Number of new restricted employee shares not yet released	200,000 shares
Number of new stocks with restricted rights not yet released to the total number of shares issued	0.14%
Impact on shareholders' equity	As of the publication date of the Annual Report, the ratio of restricted employee shares issued to total shares issued was only 0.22%. However, the rights and obligations of the shares held by employees after vesting conditions are met are the same as those of the common shares issued by the Company, which have no significant impact on the Company's existing shareholders.

(II) Names of managerial personnel with vested restricted shares and the top ten employees in terms of vested units and vesting conditions

Unit: NTD thousands; number of shares: thousand shares

Managerial Personnel	Title (Note 1)	Name	Number of shares in employees' right to new stock obtained	Ratio of restricted employee shares issued to total shares obtained	Shares with restricted rights released			Shares with restricted rights not yet released				
					Number of shares released	Issuance Price	Issuance Amount	Number of shares released to the total number of shares in issue	Number of restricted shares not yet released	Number of Shares	Issuance Price	Issuance Amount
General Manager	Shun-Lang Chang		200	0.14%	0	Stock dividends	0	0	200	Stock dividends	0	0.14%

Note 1: Names and titles of managerial personnel and employees (those who left the Company or are deceased shall be indicated) should be disclosed, but the disclosure can be shown in aggregate acquisition and subscription.

VII. Mergers, Acquisitions or Issuance of New Shares for Acquisition of Shares of Other Companies: None.

VIII. Implementation of Capital Allocation Plan: The Company has Completed Each Cash Capital Increase Plan.

Chapter 5 Business Overview

I. Business Activities

(I) Business activities

1. Business scope:

(1) Main contents of the Company's business

The scope specified in the Company's business registration certificate is as follows:

- A. IZ99990 Other business and commercial services.
- B. F401010 International Trade.
- C. F107070 Animal Use Drugs Wholesale Industry.
- D. F207070 Retail Sale of Veterinary Drugs.
- E. F108021 Wholesale of Drugs and Medicines.
- F. F208021 Retail Sale of Western Pharmaceuticals
- G. C802041 Manufacture of Drugs and Medicines.
- H. F108011 Wholesale of Chinese Pharmaceuticals.
- I. F208011 Retail Sale of Chinese Pharmaceuticals.
- G. F108031 Wholesale of Medical Devices.
- K. F208031 Retail Sale of Medical Equipment.
- L. IG01010 Biotechnology Services.
- M. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Revenue breakdown of major products (services)

Consolidated revenue:	Unit: NTD thousands			
	2021		2022	
	Amount	Percentage	Amount	Percentage
Molecular diagnostics	98,338	2.51	83,788	7.93
Services for test and cell therapy	11,982	0.30	600	0.06
Generic drugs	331,167	8.44	375,274	35.54
Cosmeceutical products	205,359	5.24	231,243	21.90
COVID-19 vaccines	3,275,166	83.51	365,042	34.57
Net revenue	3,922,012	100.00	1,055,947	100.00

(3) Current product/service lineup:

The products that have been successfully developed by the Company and subsidiaries are as follows:

- A. The subsidiary TBG Biotechnology Corp.'s Human Leukocyte Antigen (HLA) genotyping kits, COVID-19 test kits, other test kits, related instruments and equipment, and test services.
- B. The subsidiary Winston Medical Supply Co., Ltd.'s generic drugs for ophthalmology.
- C. The subsidiary UMO International Co., Ltd.'s cosmeceutical products.
- D. Outsourced production or research services for the Company's Magicell-NK natural killer cells.
- E. COVID-19 vaccines produced by the subsidiary Medigen Vaccine Biologics Corporation.

(4) New products (services) under development

The new products or services currently developed or planned for development by the Company and subsidiaries

- A. Immunocyte and stem cell therapy and related products.
- B. New cancer drugs PI-88 and OBP-301.
- C. Hematological tumor and infectious disease test kits.
- D. New influenza and enterovirus vaccines.
- E. Patented generic drugs.
- F. Biosimilar drugs.

2. Industry overview:

(1) Status and development of the biotechnology industry

The biotechnology industry is a knowledge-intensive and innovative industry that supports the sustainable development of the economy and the environment. As such, all countries have prioritized the biotechnology industry, and Taiwan also listed biotechnology as a key development project. In the past few years, Taiwan has enacted several laws and systems to promote the biotechnology industry. Taiwan uses its advantages of medical technologies and ICT technologies to support the development of innovative biotechnology and medical products (e.g., regenerative medicine, precision medicine, and digital medicine) to focus on both R&D and manufacturing. The government also actively encourages capital investment and increases incentives for talent retention to make the biotechnology industry a main part of Taiwan's economic transformation.

Taiwanese biotech companies continue to expand their businesses in the international market, which increases the export volume of Taiwan's biotechnology industry and expands the scale of Taiwan's biotechnology industry. The operating revenue of the biotechnology industry in Taiwan exceeded NT\$700 billion in 2021, which was an increase of nearly 10% compared to the previous year. The investment in biotechnology from the private sector exceeded NT\$60 billion in both of the last two years. There are 128 biotech companies listed on TWSE/TPEX and their total market value exceeded NT\$1 trillion, which was an increase of 22.87% from 2020. In the first half of 2022, five biotech companies were successfully

registered for public offering, including two cell therapy startups, one medical supplies company, and one medical equipment company registered on the emerging market. The fifth company is a new drug development company listed on NASDAQ. It shows that Taiwan has created a favorable environment for the development of the biotechnology industry with the support of government policies and private investment.

(2) Upstream, midstream, and downstream relations in the biotechnology industry

The scope of the biotechnology industry in Taiwan includes the pharmaceutical industry, medical equipment industry, and regenerative medicine. The pharmaceutical industry consists mainly of pharmaceutical products, including Western medicine, biologics, Chinese traditional medicine, and active pharmaceutical ingredients. The medical device industry can be categorized by functions and purposes into diagnostic and monitoring medical materials, in vitro diagnostic medical materials, and prevention and health promotion equipment. The regenerative medicine industry includes cell preservation and treatment, tissue engineering, and materials for promoting tissue regeneration and repairs. Cell therapy accounts for the largest proportion of the output of regenerative medicine in Taiwan. It is followed by regenerative medical materials related to tissue engineering.

The upstream sections of the pharmaceutical industry supply chain consist of suppliers of APIs. The midstream sections consist of suppliers of APIs, and downstream are suppliers of medicine, and pharmaceutical product agents and distributors.



Source of data: Industry Value Chain Information Platform

Upstream:

The upstream sections of the pharmaceutical industry chain engage in the manufacturing of APIs and new drug development. Western pharmaceutical APIs include chemicals, natural plant and animal extracts, microbial strains, fermentation and genetically engineered tissues or cells, and cell fusion-related proteins. Chemicals account for the largest proportion of APIs.

Biotech companies have actively invested in new drug development in the past few years. It takes approximately 12 to 15 years and NTD tens of billions from the R&D of new drugs to launch in the market. Therefore, the industry has developed a division of labor and market launch model with separate phases of research and development. The processes mainly include pre-clinical trial (new drug discovery and exploration, value validation, and animal tests for product development), Phase I, Phase II, Phase III, new drug marketing authorization application, and mass production. After the technology and patents in each stage of development are validated, they can be monetized through capital raising processes and out-licensing for royalties.

Midstream:

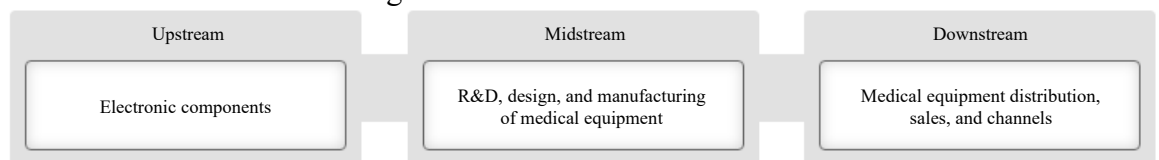
The midstream sections of the pharmaceutical industry chain consist of the API industry and Chinese herbal medicine processing industry. APIs produced in Taiwan are mostly provided

for exports. In order to maintain the quality of APIs amid recent drug safety crises, the Food and Drug Administration requires all pharmaceutical products to use GMP-certified APIs and complete source registration to enhance quality management.

Downstream:

The downstream sections of the pharmaceutical industry chain consist of manufacturers of pharmaceutical products and drug distribution channels. Domestic drug producers mainly produce generic drugs. In terms of the sales market, with the exception of a few companies that accept OEM purchase orders from international drug companies, the sources of revenue consist mainly of sales in the domestic market.

Medical device industry consists of instruments, devices, machines, materials, implants, in vitro test kits, or other objects used for diagnosis, prevention, monitoring, mitigation, and treatment of diseases. The upstream sections of the medical device industry include suppliers of materials and parts. The midstream sections include manufacturers. The downstream sections include agents and distributors.



Source of data: Industry Value Chain Information Platform

Upstream:

The scope of the upstream suppliers of the medical device industry encompasses many industries including IC, electronic components, sensors, biological materials, textile materials, and plastic/rubber materials. Taiwanese companies have established close ties with Western companies in the medical device components. At present, in addition to strengthening technological research and development, Taiwanese companies have increased their competitiveness through collaboration with foreign companies and the adoption of new technologies.

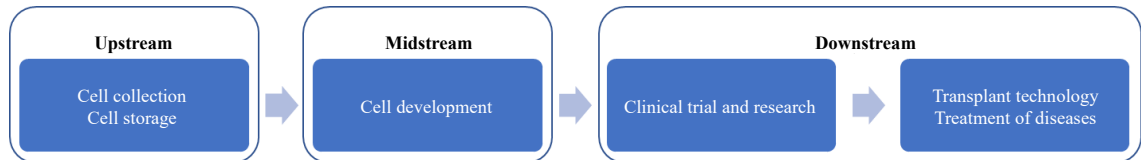
Midstream:

The scope of the midstream suppliers of the medical device industry also encompasses many industries. In terms of applications, they include detection and monitoring equipment, optic medical equipment (e.g., contact lenses), medical consumables (e.g., catheters), special medical equipment (e.g., aortic stents), dental and orthopedic medical devices, human implants (e.g., artificial bones), hygiene products, and fitness equipment.

Downstream:

Downstream industries include professional agents and channel operators and targets of sales include hospitals, clinics, and pharmacies.

The regenerative medicine industry can be divided into three major sectors that include cell therapy, gene therapy, and tissue engineering. The upstream companies of the regenerative medicine industry are responsible for cell collection and retention; the midstream companies are responsible for the development of cell products; and downstream companies are responsible for clinical trials, transplant technologies, and treatment of diseases.



Source of data: Industry Value Chain Information Platform

Upstream:

The upstream suppliers of the regenerative medicine industry include cell collection and preservation companies that collect and store immune cells, cancer tissue, newborn cord blood, umbilical cords, fertilized eggs, bone marrow, placenta, and other substances.

Midstream:

The midstream companies of the regenerative medicine industry include companies that develop immunocytes, hematopoietic stem cells, embryonic stem cells, umbilical cord mesenchymal stem cells, and tooth stem cells. Their operations include the establishment of databases and mechanisms for searching and matching, process and management for the transportation of frozen samples, establishment of cellular transplantation and infusion, and quality identification of cells.

Downstream:

The downstream companies of the regenerative medicine industry are responsible for cell applications and treatments. Companies that specialize in cell therapy can be roughly classified as stem cell or immunocyte companies based on the type of cells they develop. Stem cells are now mainly used to repair damaged tissues such as myocardial regeneration in myocardial infarction. Immunocyte are mainly used for cancer treatment.

(3) Overview of the macroeconomic environment and trends in the biotechnology industry

Due to changes caused by COVID-19, high-tech epidemic prevention and zero contact applications will gain prominence in the post-pandemic era. It will thus accelerate the development of virtual services and remote technologies, and telemedicine, automated production, and intelligent health management will become new drivers of industrial development. In addition, changes in the population structure, increase in medical expenditures, inflation, and global shortage of labor and materials will expand medical policies from disease diagnosis to prevention, monitoring, and health promotion. Medical technologies will also become more precise, personalized, and value-oriented in the form of "precision health".

(4) Biotech product trends and competition

A. Cancer drugs retain the highest market potential

According to statistics compiled by IQVIA, the global pharmaceutical market in 2021 amounted to US\$1.42 trillion. The top three categories of drugs used for treatments are cancer drugs, immunosuppressants, and hypoglycemic drugs. Cancer drugs will grow at a compound annual growth rate of 9% to 12% and the market size is expected to reach US\$306 billion by 2026.

B. Regenerative medicine becomes main driver of growth for the biotechnology industry

Countries that have approved the launch of regenerative medical products include the United States, Germany, United Kingdom, Italy, France, Australia, Canada, and Japan. In Taiwan, the Ministry of Health and Welfare promulgated the amendment of "Regulations Governing the Application of Specific Medical Examination Technique and Medical Device" in September 2018. Since then, 6 cell therapy technologies have been approved and most of them were used for cancer treatment. In addition, the Executive Yuan has proposed the "Regulation on the Administration of Regenerative Medicine" and the "Regulation on the Administration of Regenerative Medicine and Technology", which will open up the conditions for medical institutions to perform regenerative technology and shorten the time of drug marketing, which is expected to accelerate the development of the regenerative medicine industry.

C. Product trends

The advent of the aging society has resulted in a significant increase in the demand for drugs for cardiovascular diseases, the central nervous system, and the elderly. The impacts of the increasing density of the urban population and environmental pollution have made drugs that treat infections, asthma, allergies, and cancer more critical for future development.

D. Drug price trends

As governments seek to reduce growing medical expenditures in recent years, they have established direct and indirect measures to control the prices and created pressure on keeping lower the price in the pharmaceutical industry. Pricing measures have become a critical factor in market competition. However, the government tends to approve higher prices for new drugs to encourage domestic research and development.

E. International trends

The major problem of Taiwan's pharmaceutical industry is the high number of companies, which are concentrated in the domestic market, and their vicious competition. Expanding into international markets is an important direction to solve the current predicament and future market development.

(5) Competition in the industry

The domestic pharmaceutical industry consists mainly of Western pharmaceutical manufacturing. Generic drugs account for the largest share of Western pharmaceutical manufacturing and the source of revenue. The revenue in 2021 was NT\$91.7 billion, which was an increase of 3.03% from the previous year. Its revenue is mainly from generic drugs and APIs. The increase in biological preparations was due to the emergency use authorization for the COVID-19 vaccines produced in Taiwan and the supply for the domestic market. Government policies encouraged numerous companies to invest in new drug development. As of the end of May 2022, 12 drugs produced in Taiwan have been marketed overseas. They included new small-molecule drugs, biopharmaceuticals, and new botanical drugs. The revenue and royalty totaled more than NT\$4 billion.

The revenue of the medical equipment industry in Taiwan amounted to NT\$236.3 billion in

2021, an increase of 22.8% from the previous year. As COVID-19 symptoms become mild and countries gradually resume social and economic activities, the demand for medical services will gradually recover to levels before the pandemic. However, the demand for virus testing or in vitro diagnostics continues to grow, resulting in a continuous increase in revenue. As of the end of April 2022, 87 Medical device companies are listed on the TWSE, TPEX, or emerging stocks. Companies that specialize in vitro diagnostics are preparing for long-term development in the post-pandemic era, and they are expected to attain more significant growth.

3. Overview of technology and R&D:

(1) Technology level of the business operated

The Company and its subsidiaries, including TBG Biotechnology Corp. and Winston Medical Supply Co., Ltd. specialize in new drug development, cell therapy, molecular diagnostic, and generic drugs. They have developed their core technologies as below:

- A. New drug development technologies
 - (A) New drug development screening and case evaluation capabilities
 - (B) New drug development planning and case integration capabilities
 - (C) Domestic and foreign technical cooperation capabilities
 - (D) Capabilities for designing all phases of clinical trials
 - (E) Capabilities for conducting all phases of clinical trials by regulations of the US FDA and the MOHW in Taiwan
 - (F) Capabilities for monitoring clinical trials in accordance with GCP and trial protocols
- B. Cell therapy technologies
 - (A) NK natural killer cells technology
 - (B) Immunocyte and stem cell cultivation
 - (C) Gene transfer technology
 - (D) Gene cloning technology
 - (E) Cell storage technology
- C. Molecular diagnostic technologies
 - (A) PCR and real-time quantitative PCR primer and probe sequence design
 - (B) PCR, real-time quantitative PCR, and multiplex PCR reaction system design and optimization
 - (C) Nucleic acid sequencing reaction system design and optimization
 - (D) Next-generation sequencing sample biobank preparation and expanded reaction system design and optimization
 - (E) Standard operating procedures for nucleic acid reagent production and quality control
 - (F) Magnetic beads and reagent system for nucleic acid extraction
 - (G) International regulatory certification of test reagents
 - (H) Design and optimization of automation equipment
- E. Specialty generic drugs technologies
 - (A) Full-dose ophthalmic drug development capabilities
 - (B) Hormonal drug production and development capabilities
 - (C) Compliance with international standards for PIC/S GMP manufacturing and GDP shipping

(2) Research and Development

A. Research and development of drugs

(A) New liver cancer drug PI-88

PI-88 consists of a mixture of highly sulfated monophosphorylated mannose oligosaccharides which can antagonize angiogenic growth factors and block heparanase from cracking heparan sulfates in the extracellular matrix, thereby inhibiting angiogenesis and tumor metastasis. A phase III clinical trial has been completed at 20 hospitals in Taiwan and Korea. The Company has completed follow-up data collection and analysis and granted an exclusive license for global development and commercialization (excluding Taiwan) to Cellxpert Biotechnology Co., Ltd. (formerly known as Beijing Medigen Cell Technology Corp.) in December 2019. Cellxpert is responsible for fundraising and taking charge of subsequent research and development.

(B) OBP-301 oncolytic virus drug

OBP-301 is a brand-new high-tech product created with genetically modified human adenovirus type 5. It can target specific infected cancer cells, replicate in cancer cells, and ultimately dissolve and destroy cancer cells. The Company has co-developed the cancer drug "OBP-301" with Oncolys BioPharma, a listed company in Japan, since March 2008. At present, enrollment has been completed in the Phase II clinical trials for esophageal cancer in Japan in December 2022. In addition, an investigator-initiated phase I trial was conducted in the United States for treating esophageal cancer with chemotherapy and radiotherapy.

(C) Cell therapy

Cell therapy has become one of the main drivers for the biotechnology industry in recent years. To adapt to the changes in the industry and to leverage the expertise of the existing research team, the Company has gradually shifted the focus of research to cell therapy.

a. Magicell-NK

Natural killer cells (NK cells) are one of the main immune cells against foreign pathogens and cells with cancerous mutations in the body. The Company has developed a unique technology to expand and activate autologous NK cells with high activity and purity without genetic modification and not using any cancer cells as feeder cells. As of November 15, 2022, 11 hospitals in Taiwan have received approval for using the Company's NK cell therapy. The TFDA granted approval for phase I clinical trials for the autologous Magicell-NK in August 2021, and four subjects have been recruited.

b. Gamma-Delta T cell

Gamma-Delta T cell, also known as $\gamma\delta$ T or GDT cell, is a sub-group of T cells that participate in many immune responses and play a role in immune regulation, such as inflammation. They can directly identify and kill cancer cells. At the end of 2019, the Company signed a cooperation agreement for $\gamma\delta$ T cells with Medinet Co. Ltd., a listed company in Japan. The Company has obtained approval from MOHW to provide $\gamma\delta$ T cells to Shin Kong Hospital for treating stage IV solid cancers in February 2023.

B. Molecular diagnostics products

(A) HLA typing kits

Human leukocyte antigen (HLA) is the most diverse gene in the human. Its main role in the body is immunity. HLA typing kits can be used for pre-transplantation matching, post-transplantation follow-up, establishment of bone marrow and cord blood databases, diagnosis of autoimmune diseases, and screening for specific adverse drug reactions. Due to its close association with the functions and performance of the immune system, it can also be used in cancer therapy and evaluating the effectiveness of vaccines. The Company's investee TBG Biotechnology Corp. has successfully commercialized the HLA typing kits, which are sold to hospitals, bone marrow banks, or cord blood banks. It also set up an HLA molecular typing laboratory in Xizhi to provide testing and typing services for cord blood banks, stem cell banks, and hospitals.

(B) Infectious diseases

Infectious diseases are caused by the invasion of pathogenic microorganisms invading the body such as bacteria, viruses, parasites, or fungi, and may be transmitted from human-to-human. The symptoms caused by different microorganisms may appear similar, but the treatment methods can be vastly different. We must therefore use test kits to identify the pathogenic microorganism the patient is exposed to, and find a direct treatment for the patient. In terms of national security, they can also help public health agencies monitor the spread of infectious diseases and adopt the necessary health policies. The Company's investee TBG Biotechnology Corp. has developed the COVID-19 nucleic acid test kits and COVID-19 IgG/IgM rapid test kits. It obtained EUA Received status in the United States and EU CE certification. The COVID-19 nucleic acid test kits were also included in the list of Taiwan's special manufacturers.

(C) Oncology

Two main types of nucleic acid tests are used in oncology. One is used to identify genes in healthy individuals or patients to determine if they are susceptible to cancer. The other is used to determine the genotype of cancer cells in patients who have already developed cancer, and check whether they are suitable for treatment with specific drugs or determine the prognosis of cancer. To follow up on the NK cell therapy developed by the Company, we worked with TBG Biotechnology Corp. to develop test kits for biomarkers related to NK cell reproduction and cytotoxicity. We are currently developing genotyping kits and point mutation test kits for NK cell surface protein receptors such as killer-cell immunoglobulin-like receptor (KIR) and other biomarkers. We plan to use them for future evaluations of the effectiveness of in vitro culture in NK cell therapy as well as prognosis applications.

C. Specialty generic drugs

The Company's investee Winston Medical Supply Co., Ltd. targeted the development of patented generic drugs to seek higher profits. The strategy is to increase the added value of drugs and focus mainly on ophthalmology drugs. For the domestic market, it actively lobbies for changing certain prescription drugs to non-prescription drugs, increasing the retail price of products, and expanding consumer groups. After upgrading production standards to the PIC/S GMP, Winston has created business opportunities for commissioned production.

Winston also expands into the Southeast Asian market through distributors, agents, and other partners. Megestrol Acetate Oral Suspension, which can be used to improve the symptoms of anorexia in cancer patients and significant weight loss due to cachexia, has been approval in Thailand, Myanmar, and Malaysia.

(3) Research and development staff and their academic experience

Unit: person

Education	2021	2022	End of March 2023
PhD	15	11	11
Master's degree	56	54	52
Bachelor's degree and junior college	17	19	17
Total number of people	88	84	80
Average length of service (years)	4.61	5.41	5.51

(4) Total research and development expenses for the last two years

Unit: NTD thousands

Item	2021	2022
Research expenses	1,407,360	1,330,997
Total operating revenue	3,922,012	1,055,947
Research expenses as a percentage of operating revenue	35.88%	126.05%

(5) Successfully developed technologies or products in the most recent year, up to the printing of the Annual Report

Year	Research results	
2020	Megestrol Acetate Oral Suspension	Approval by Thailand FDA in January 2020 for improving symptoms of anorexia in cancer patients and significant weight loss due to cachexia. Approval by Myanmar FDBA in September 2020
	Magicell-NK cell therapy	Cell therapy project with E-Da Cancer Hospital approved in February 2020 Cell therapy project with Shin Kong Hospital approved in April 2020 Cell therapy project with Hualien Tzu-Chi Hospital approved in August 2020 Cell therapy project with Chi Mei Hospital Liouying approved in September 2020 Cell therapy project with En Chu Kong Hospital and Central Clinic & Hospital approved in October 2020.
	Magicell-GDT cell therapy	Application filed for the first GDT cell therapy project with Shin Kong Hospital in November 2020

Year	Research results	
	OBP-301 oncolytic virus drug	First patient is enrolled for the phase II clinical trial to treat gastric cancer with radiotherapy in Japan in March 2020. Completed phase I clinical trials for treating liver cancer in Taiwan and Korea in July 2020.
	COVID-19 virus test kit	The COVID-19 antibody test kit developed independently obtained EU CE Mark in March 2020. The COVID-19 nucleic acid kit developed independently obtained EUA from USFDA in June 2020. The COVID-19 antibody test kit developed independently obtained EUA from USFDA in June 2020.
2021	Megestrol Acetate Oral Suspension	Approval by Malaysia NPRA in March 2021
	Magicell-NK cell therapy	Approval with Jen-Ai Hospital Dali Branch in March 2021 Approval with Changhua Christian Hospital and Shin Kong Hospital in April 2021 Approval with En Chu Kong Hospital in May 2021 Approval with Central Clinic & Hospital in June 2021 Approval with Taipei Medical University Hospital in July 2021 Received TFDA approval for phase I clinical trials in August 2021
	OBP-301 oncolytic virus drug	First patient is enrolled for the phase II clinical trials for head and neck cancer in the United States in May 2021 Registered first patient for the phase I clinical trials for gastric cancer in the United States in December 2021
2022	Magicell-NK cell therapy	Registered first test subject for the phase I clinical trials in Taiwan in March 2022 Cell therapy project with Wanfang Hospital approved in April 2022 Cell therapy project with Taichung Tzu-Chi Hospital approved in September 2022
2023	Magicell-GDT cell therapy	Cell therapy project with Shin Kong Hospital in February 2023

4. Long and short-term business development plans:

(1) Short-term business development plans:

- A. Assist licensed partners in commencing clinical trials of PI-88 in Mainland China.
- B. Assist Oncolys in developing OBP-301 and obtaining approval in Japan.
- C. Increase the number of partner institutions for cell therapy projects in Taiwan.
- D. Seek strategic alliance partners or M&A opportunities for joint development of molecular diagnostics.
- E. Launch generic drugs and ophthalmic medical materials in the China market.

(2) Long-term business development plans:

- A. Gradually attain profitability with licensed new drugs and seek licensing opportunities for other new drug development.

- B. Expand the operations and revenue of cell therapy, and conduct cell therapy clinical trials.
- C. Develop a full range of advanced nucleic acid test kits and market them worldwide.
- D. Independently develop test instruments and use the nucleic acid test kits to create business synergy and entry barriers for competitors, and thus reap high profits and achieve stable growth.
- E. Develop test kits for infectious diseases and cancer genomic profiling.
- F. Expand overseas markets, particularly the generic drugs market in Southeast Asia.

II. Market and Production Overview

1. Market analysis

(1) Main product sales regions

Unit: NTD thousands

Item \ Year	2021		2022	
	Amount	Percentage	Amount	Percentage
Revenue from export sales	73,828	1.88%	50,560	4.79%
Revenue from domestic sales	3,848,184	98.12%	1,005,387	95.21%
Total	3,922,012	100.00%	1,055,947	100.00%

(2) Market share

The Company's HLA typing kits have obtained certification in Taiwan, the United States, and the European Union and received NMPA registration in China. The products are mainly exported to 26 countries or regions in Europe, the Americas, and Asia including the United States, China, Canada, Italy, Singapore, and the United Arab Emirates. The distribution channels of the subsidiary Winston Medical Supply Co., Ltd. consist mainly of pharmacies, hospitals, and clinics in Taiwan. The net operating revenues of the Company in 2022 amounted to NT\$375,274 thousand, accounting for 0.41% of the NT\$91.7 billion in operating revenues of the pharmaceutical industry in Taiwan. According to the number of ophthalmic institutions announced by the Health Insurance Agency, the exclusive ophthalmic drugs produced by the Company have achieved 100% market coverage in hospitals and 99.7% market coverage in clinics. The COVID-19 vaccine was subsidized by the CDC and a pre-order contract was signed. There is insufficient information on the market and the contract amount also constitutes trade secrets of each company. Therefore, the market share calculation is not applicable.

(3) Future market supply and demand and future growth

According to IQVIA forecasts, the global pharmaceutical market will grow at a compound annual growth rate of 3% to 6% in the next five years, and it is expected to reach US\$1.8 trillion by 2026.

Biopharmaceutical market

As technologies improve, the development of biopharmaceuticals has become more diverse. Products include recombinant protein drugs, monoclonal antibodies, immunotherapy antibodies, CAR-T cells that use genetically modified cells, and mRNA drugs developed with mRNA technology in the creation of COVID-19 vaccines. According to IQVIA's study, the global biopharmaceutical market totaled US\$385 billion in 2021 and is expected to reach US\$622 billion by 2026 with a compound annual growth rate of approximately 9% to 12%. Its growth is projected to be higher than that of the global pharmaceutical market and will make up 33% of the global pharmaceutical market.

Regenerative medicine market

As of 2021, 1,308 companies across the globe were engaged in the development of regenerative medical medicine products, which was a significant increase from 1,085 in the previous year. In addition, nine regenerative medicine products have been authorized for sale, including five CAR-T treatments. Clinical trials have begun for 2,406 cases, of which more than 50% are for cancer treatment. Cell immunotherapy for cancer accounted for the majority with 897 cases. According to statistics compiled by GlobalData, the global regenerative medicine market is projected to exceed US\$22 billion by 2027. The cell therapy market will account for the largest share with US\$10.8 billion.

Generic drugs market

Due to the impact of the COVID-19 pandemic, there have been difficulties in global transportation capacity and allocation. Coupled with delays in non-emergency medical demand, these developments have slowed the growth of the generic drug market in recent years. However, governments have not changed their policies for the promotion of generic drugs and it has thus gradually increased the use of generic drugs across the globe. According to a research report compiled by Mordor Intelligence, the global generic drug market will grow with a compound annual growth rate of approximately 4.27% from US\$364.9 billion in 2021. The main markets will be the United States and Mainland China.

In vitro diagnostics markets

According to Markets and Markets data, the revenue from the in vitro diagnostics (IVD) industry totaled US\$98.04 billion in 2021, and the compound annual growth rate from 2021 to 2026 is projected to be 2.9%. The demand for in vitro diagnostics for virus detection continues to grow and will drive revenue growth. Due to the global development of precision medicine, many companies in Taiwan have commenced the development of test kits for precision medicine. According to the Precision Treatment Development and Trends 2022 jointly published by PwC Taiwan and the Development Center for Biotechnology, the precision diagnostics market in Taiwan grew about 58% in the last five years and is projected to reach NT\$3.66 billion by 2025.

Cosmetics and skin care market

According to Euromonitor estimates, the cosmetics and skincare market is expected to reach US\$729.7 billion by 2026. The increase the quality of cosmetics products and meet international standards, Taiwan became an official member of the International Cooperation on Cosmetics Regulation (ICCR) in December 2021 and gradually implemented GMP compliance regulations for cosmetics production plants to meet international standards. As of the end of April 2022, 59 companies have passed and retained the validity of voluntary GMP certification for cosmetics. Companies in Taiwan also form strategic alliances to expand in international markets, strengthen cooperation between industry, academia, and research institutions for the development of new materials, and use innovative business models to attract domestic consumers and compete with foreign brands.

(4) Competitive niche

A. International cooperation experience

The Company has extensive international cooperation experience. For instance, the Company worked with Progen in Australia to develop PI-88 in 1999. We successfully completed the phase II clinical trials for liver cancer in Taiwan and led the phase III clinical trials in Taiwan, Korea, China, and Hong Kong. In 2008, we worked with Oncolys, a listed company in Japan, to jointly develop the oncolytic virus drug OBP-301. We succeeded in convincing regulatory agencies which had reservations regarding genomic therapy to approve clinical trials. In 2019, the Company obtained the exclusive license in Taiwan for GDT immune cells from MEDINT, a Japanese listed company, and submitted the first application to TFDA for the GDT cell therapy project in the following year, which demonstrated the Company's ability to perform clinical development through multinational collaboration.

B. Expertise in developing molecular diagnostic reagents

As HLA reagents have a higher threshold for development, they are currently developed by European and American companies. The Company's HLA reagent was developed in 2007 and has been certified in many countries, including Taiwan, United States, EU, and the NMPA in China. It is the first successful case of HLA reagent development in Asia. Despite the onslaught of the COVID-19 pandemic in early 2020, the Company continued to rapidly and successfully develop a series of COVID-19 test products despite the shortage of materials and other difficulties, and obtained the EU CE certification, EUA in the United States, and certification in Taiwan. These achievements demonstrate the Company's professional capabilities for developing molecular diagnostics reagents.

C. Insights on trends for effective business development

The Company has a diverse, professional, and experienced management and R&D team that tracks and analyzes technical and industrial trends, quickly makes decisions and formulate plans, and effectively implements the plans. It also uses diverse industrial models to effectively develop businesses including collaborative research and development, licensing, commissioned services, and mergers and acquisitions.

(5) Favorable and unfavorable factors for future development and response measures

A. Favorable factors

(A) Core professional team for building an operating platform that meets international standards

The Company has a core professional clinical research team with professional backgrounds in medicine, and healthcare and years of practical experience in

international clinical trials. The team helps the Company conduct and complete clinical trials in compliance with international standards.

(B) Initiation of joint product development with advanced countries and strategic alliances to increase the Company's capabilities

The time and resources required for the development of new drugs from preliminary research, pre-clinical trials, and human clinical trials, are beyond the capabilities of small and medium-sized biotech companies. Therefore, the Company works with the best medical centers and clinical research teams in Taiwan and leverages foreign products and technologies to maximize benefits with the most efficient and cost-effective commercialization process.

(C) Capabilities for integration and management of contracted institutions

As a small company, the Company must implement strategies to maximize marginal utility. The use of contract research organization (CROs) is one of our key strategies. Members of the Company's team have professional qualifications as well as work experience in domestic and foreign CROs. They therefore fully understand the operations of CROs and matters requiring cooperation, making CRO management become one of the Company's core competencies.

(D) Precision medicine creates business opportunities

The global biopharmaceutical industry is shifting from traditional pharmaceuticals to precision medicine aims to enable more precise and personalized diagnosis and treatment. These improvements include prevention, diagnosis, medication, follow-up, and care. The Company has focused on nucleic acid testing of HLA genes since 2005, which are closely related to the functions of the human immune system. The gene code contains a cell surface antigen that is unique to each individual and is associated with genetic diseases, autoimmune diseases, and response to drugs. Physicians can use this information to tailor medication to individual difference and prevent severe side effects or ineffective treatment for patients.

B. Unfavorable factors:

(A) Long development duration, high costs, and high risks of new drug development

The process of the development of new drugs generally includes new drug exploration, pre-clinical tests, clinical tests, test registration, and post-market monitoring. According to PhRMA data, it takes 10-15 years and costs \$800 million to \$1 billion to successfully bring a new drug from discovery through a series of pre-clinical and clinical trials to market. Out of the 5,000-10,000 compounds developed, only one drug would eventually pass all tests for launch in the market. On average, only about 5% of drugs that enter clinical trials pass Phase III clinical trials. Therefore, the research, development, and marketing of new drugs are distinct from other

industries due to the high R&D expenditures and time-consuming R&D and production process. They incur high risks and takes a very long time to develop.

Response measures:

The Company actively participates in long-term collaborative research conducted by enterprises, government agencies, and academic and research institutions. We also focus on the establishment of a technology platform for clinical trials and work with the best medical centers and clinical research teams in Taiwan. We form strategic alliances to access foreign technologies and create a complete technology platform for clinical trials that meet US FDA standards and ensure profitability with the most efficient and cost-effective process. We also use government subsidies and incentives to provide long-term funding for new drug development.

(B) Difficulties in obtaining licensing for international new drugs

Domestic companies that focus on new drug development obtain licensing from foreign suppliers by implementing clinical trials in Taiwan or other regions. This is the current business model in domestic new drug development. It reduces the high risks of failure during new drug discovery and reduces the time required to develop a successful drug. However, companies must pay a high price in the form of royalties, which create very high entry barriers. However, obtaining licensing is no easy task. Large international companies are well funded, and they do not easily license the new drugs they control that are not yet unless there is a special reason to do so. The high market demand for indications that incur tens or hundreds of millions of dollars in licensing fees is makes it difficult for the Company to engage in such operations. It is also the biggest obstacle for the domestic industry when seeking new drug licenses.

Response measures:

Explore upstream supplies of new drugs and gain control of technologies:

- a. In the exploration of new chemical entities, large international pharmaceutical companies have laid down a fine patchwork of patents. It is difficult to make a breakthrough in this field without prior successful technical achievements.
- b. The human autoimmune system includes monoclonal antibodies and NK cells, which form the basis of the Company's best solutions as the human immune system is the best way to combat diseases. By extracting antibodies and cells from the human body, optimizing them, combining them, and putting them back into the body, we have the opportunity to create the best medicine against diseases. The abundant natural treasure trove of new drugs is a key reason for the Company's investment in upstream research and development.

(C) Control of the product development process

The Company has successfully developed the HLA reagents and will continue with the development of new reagents. If the development of a new reagent fails or is delayed, it will have a negative impact on the Company's operations.

Response measures:

The Company successfully acquired key technologies for the development of HLA reagents through the acquisition of a company in the United States. HLA typing is one of the most difficult development tasks for nucleic acid reagents. With the successful development of the HLA reagent, the Company created a technology platform for nucleic acid reagents as well as core technologies for PCR primer design, response system optimization, and PCR product detection. These technologies are used in other nucleic acid reagents such as the development of KIR agents which significantly reduces the risks in the development of reagents.

2. Major product applications and manufacturing processes

Business Category	Primary Products	Major Applications	Production Process
Drug development projects	Magicell-NK (development underway)	Cancer treatment	Medical institutions collect samples and send them to the Company for production and tests.
	Magicell-GDT (development underway)	Cancer treatment	Medical institutions collect samples and send them to the Company for production and tests.
	PI-88 (licensed)	Cancer treatment	The licensed company is responsible for subsequent development
	OBP-301 (development underway)	Cancer treatment	The joint venture is responsible for developing the production process for outsourced production.
Molecular diagnostics products and services	HLA typing kits	Genotyping compatibility before organ transplantation or bone marrow transplantation	Design and develop the required formula and specifications for production by OEMs.
	HLA typing services	Provide customers with HLA typing results	Customers collect samples and send them to the Company's laboratory for typing tests and reports.
	Test instruments	Extract nucleic acid from the samples for tests	Independently design and develop the required specifications for production by OEMs.
	COVID-19 test kit	Used for testing infections of the COVID-19 virus	Production by OEMs
Cosmeceutical products	UMO and Dr.PGA series	Human body whitening, moisturizing, maintenance, sunscreen, etc.	Outsourced production

Generic drugs:

Primary Products	Application
Ophthalmic drugs	Prevention and treatment of eye diseases
Oral drugs	Treatment for inflammation, infections, fever and pain relief, obesity, cold, and related symptoms
Hormonal drugs	Contraception, menstrual period adjustment, and prevention and treatment of cancer cachexia

Topical drugs	Treatments for skin diseases, nasal allergies, oral diseases, and alopecia
Healthcare food	Nutritional supplements, healthcare products, vitamin supplements, etc.
Cosmetics	Skin care

Production process:

(1) Pills:

Materials → sieving → mixing → (granulation → drying → pill) → pill forming → tests → separate packaging → packaging

(2) Capsules:

Materials → sieving → mixing → capsule filling → tests → separate packaging → packaging

(3) Oral liquid:

Materials → preparation → filtering → tests → separate packaging → packaging

(4) Soft creams/gels/cosmetics:

Materials → preparation → filling → separate packaging → tests → packaging

(5) Ophthalmic drugs:

Materials → preparation → aseptic filling → separate packaging → tests → packaging

3. Supply of major raw materials

The sources of raw materials supply for the Group include domestic and foreign companies. To obtain stable sources of materials, the Group maintains close partnerships with domestic suppliers and actively engages foreign material suppliers to ensure that the research and development of its products is not constrained by the sources of materials.

4. List of major suppliers and customers

(1) The names of suppliers who have accounted for more than 10% of the total purchase in any of the last two years and the amount and proportion of their sales, together with the reasons for the increase or decrease:

Unit: NTD thousands

Item	2021				2022			
	Name	Amount	Net Purchase Percentage (%)	Relationship with the issuer	Name	Amount	Net Purchase Percentage (%)	Relationship with the issuer
1	Company A	689,318	50.07	Non-related party	Company B	183,540	23.98	Non-related party
2	Company B	232,420	16.88	Non-related party	Company C	142,672	18.64	Non-related party
	Others	455,083	33.05	-	Others	439,276	57.39	-
	Net amount of purchases	1,376,821	100.00	-	Net amount of purchases	765,488	100.00	-

Explanation for any increase or decrease:

The changes in the Company's major suppliers in the last two years was mainly due to the demand for the raw materials for the COVID-19 vaccines and the changes in the COVID-19 epidemic.

- (2) The names of customers who have accounted for more than 10% of the total purchase in any of the last two years and the amount and proportion of their purchase, together with the reasons for the increase or decrease:

Unit: NTD thousands

Item	2021				2022			
	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with the issuer
1	Company 甲	3,275,166	83.51	Non-related party	Company 甲	365,042	34.57	Non-related party
2	-	-	-	-	Moon Light Global Corporation	176,805	16.74	Non-related party
	Others	646,846	16.49	-	Others	514,100	48.69	-
	Net sales	3,922,012	100.00		Net sales	1,055,947	100.00	-

Explanation for any increase or decrease:

In 2021, due to the impact of the COVID-19 pandemic, the consolidated revenue mainly derived from the domestic vaccine procurement contract signed by the subsidiary Medigen Vaccine Biologics Corporation with Customer A, who became the largest customer. In 2022, the consolidated revenue included income from vaccines sold to Customer A, the largest customer, and the customized products developed and produced by the subsidiary Winston and Moon Light Global Corporation, the agent of the Company's subsidiary in Japan. They included products such as Hair growth tablets and hair growth lotions and the sales made Moon Light Global Corporation the second largest customer in 2022.

5. Production volume for the last two years:

Production volume for the last two years

Unit: NTD thousands/thousand doses

Production Volume and Value Primary Products (or by department)	Year	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Generic drugs		257,391	190,887	272,846	260,586	208,688	275,826
COVID-19 vaccines		10,000	5,669	1,106,036	10,000	1,094	211,745

Note 1: Capacity refers to the Company's quantities that can be produced using existing production facilities in normal operations, after consideration of necessary suspensions of operations, holidays and other such factors.

The Group is primarily engaged in biotech and medical research and development. Its main products are molecular diagnostics, vaccines, generic drugs, and cosmeceutical products.

Molecular diagnostics and cosmeceutical products are produced by outsourced processing plants. Therefore, this table is not applicable.

6. Sales volume for the last two years:

Unit: thousand units/NTD thousands

Main Product \ Year	2021				2022			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Molecular diagnostics	Note	50,815	Note	47,523	Note	51,009	Note	32,779
Cell therapy	Note	2,860	Note	9,122	Note	600	Note	0
Generic drugs	Note	315,022	Note	16,145	Note	358,486	Note	16,788
Cosmeceutical products	Note	204,321	Note	1,038	Note	230,250	Note	993
COVID-19 vaccines	4448318	3,275,166	-	-	551,682	365,042	-	0
Total	Note	3,848,184	Note	73,828	Note	1,005,387		50,560

Note: Not aggregated due to the different units of sales.

III. Number of Workers, Average Length of Service, Average Age and Education Distribution of Employees in the Industry for the Last Two Years and as of the Printing Date of the Annual Report

Year		2021	2022	Current fiscal year up to March 31, 2023
Number of employees	Managerial Personnel	38	36	35
	R&D personnel	85	84	80
	General employees	173	166	160
	Production line personnel	109	107	110
	Total	405	393	385
Average age		32.93		33.39
Average years of service		5.20		6.00
Education background (%)	PhD	10.67%	6.62%	6.49%
	Master's degree	52.00%	31.55%	31.43%
	Bachelor's degree	35.11%	51.91%	51.69%
	Senior high school	2.22%	9.67%	10.13%
	Senior High School and below	0.00%	0.25%	0.26%

IV. Environmental Protection Expenditures

- (I) According to laws and regulations, if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: The Company's subsidiary Winston Medical Supply Co., Ltd. (hereinafter referred to as the subsidiary Winston) currently operates a PIC/s GMP-certified pharmaceutical plant. The methods for addressing possible pollution from the manufacturing of pharmaceutical products are summarized below:
1. General waste: The subsidiary Winston submitted a treatment plan to the competent authority and obtained its approval (Huanshi Zi No. 1100007220) for processing the waste in accordance with the plan.
 2. Air pollution: As the subsidiary Winston replaced two gas-fired boilers in 2019, the volume of waste gas emissions was low and met air pollution emission standards. There was therefore no need to pay the pollution prevention fees.
 3. Water pollution: The subsidiary Winston obtained the water pollution prevention permit in accordance with the regulations of the competent authority on September 30, 2019. The certificate number was Tainan City Government Huanshui Zi No. 00174-10.
- (II) Investment in environmental pollution prevention equipment, use, and expected benefits:
Not applicable.
- (III) Explanation of the pollution treatment and environment improvement of the Company over last two years until the publication date of this report. If there had been any pollution dispute, its handling process will also be explained: The subsidiary replaced aging sewage water pH sensor that could no longer be used and replaced the dosing pump.
- (IV) Explanation on the total losses (including compensation paid) and penalties paid by the Company for environmental pollution, as well as future response measures (including improvement measures) and possible expenditure (including losses incurred by not implementing response measures, penalties, and an estimated amount of indemnity; if a reasonable estimation cannot be made, explain the reason): There were no violations.
- (V) Explain the current status of pollution, its effects on the Company's earnings, competitive position and capital spending, and capital expenditure estimated major environmental protection measures in the following year: N/A.

V. Labor Relations

- (I) The Company's employee welfare measures, continuing education, training, retirement regulations and their actual implementation, along with employer-employee agreements, and measures for protecting employee rights.
1. Employee welfare measures and implementation

The Company provides employees with compensation for their work and the following subsidies and benefits to fully take care of employees and provide security in their lives:

(1) Insurance:

- A. Labor and health insurance: All employees of the Company are enrolled under labor insurance and national health insurance, and provided with childcare, disease, and medical service benefits and allowances in accordance with labor and health insurance regulations.
- B. Group insurance: All employees enjoy life insurance, accident insurance, hospitalization and medical insurance, and cancer insurance policies that are fully paid for by the Company.

(2) Annual festival bonuses/recreation:

The Company established the Employee Welfare Committee and appointed committee members to process employee welfare affairs. We establish annual plans and allocate budgets to provide subsidies such as annual festival gifts, employee dinner parties, and distribution birthday gift money, and organize activities such as annual employee travel activities, annual health examination for employees, and subsidies for weddings and funerals so that employees can work hard for the development of the Company without worries.

(3) Bonuses/stock dividends:

- A. Employee bonus: The type and ratio of annual earnings distribution shall be determined by the Board of Directors based on the actual profitability in the current fiscal year and the funding requirements, which shall require the approval of the shareholders' meeting.
- B. Employee stock options: Employee stock warrants are issued in accordance with the "Employee Stock Warrants Issuance and Terms and Conditions".

2. Employee education and training

(1) New employees:

On the day new employees report for duty, they are provided with an introduction of the Company, employee manual, environment, supervisors, and colleagues by personnel of the human resources unit.

(2) On-the-job training:

To improve the quality of employees, professional capabilities, and work efficiency, current employees may, based on the requirements for different skills and businesses, apply for approval from their supervisors for participation in different professional training or courses in related academic institutions to enhance their academic qualifications and skills, and thereby create overall benefits for the Company and employees. In 2022, in addition to the Company's internal training programs, the

Company also sent employees to attend external training programs from time to time. They registered a total of 21 course enrollments and actual training expenditures amounted to NT\$155 thousand.

Unit: Course enrollments/NTD thousands

Item	Finance and accounting/professional management training	Professional competency training
Course enrollments in training	10 Course enrollments	11 Course enrollments
Expenditures	NT\$103 thousand	NT\$52 thousand
Course name	<ul style="list-style-type: none"> · (Systex) MS900 Microsoft 365 Fundamentals certification course *7 hours · (Accounting Research and Development Foundation) 2022 Continuing Education Courses for Accounting Managers *12 hours · (Securities & Futures Institute) Corporate Governance Officer Continuing Education Seminar *9 hours · (Taiwan Intellectual Property Training Academy) Patent Review Standards and Practices Course *27 hours · (Taiwan Intellectual Property Training Academy) Patent Specification and Patent Scope Drafting Course *18 hours · (The Institute of Internal Auditors - Chinese Taiwan) Self-Evaluation Practices *8 hours · (The Institute of Internal Auditors - Chinese Taiwan) Improving Corporate Sustainability and the Risk Management System *8 hours · (Taiwan Corporate Governance Association) Lessons on Related-Party Transactions and Unconventional Transactions from Case Studies *3 hours · (Taiwan Corporate Governance Association) Risk Prevention - Importance of Corporate Risk Management *3 hours · (The Institute of Internal Auditors - Chinese Taiwan) Practical Audit Techniques *6 hours 	<ul style="list-style-type: none"> · (Clinical Trial Center, China Medical University Hospital) Clinical Trial Course Series *6 hours · (Biomed Technology Consulting Company) 2022 Clinical Research Project Manager Professional Training *14 hours · (Clinical Trial Center, China Medical University Hospital) Clinical Trial Statistical Analysis Concepts and Practices *4 hours · (Clinical Trial Center, China Medical University Hospital) Statistics of Clinical Trials and Statistical Analysis of Clinical Trials Concepts and Practice Course *4 hours · (Taiwan Association for Cellular Therapy) Cellular and Genetic Product Manufacturing and Management Operator Training Course *4 hours · (China Productivity Center) Quality Assurance System *7 hours · (China Productivity Center) Production Quality and Improvement Seminar *7 hours · (National Taipei University of Science and Technology) 2022 Clean Room and Plant Operation Short-term Courses *7 hours · (Foundation of Medical Professionals Alliance in Taiwan) Physician Training Courses for Cell Therapy Technologies *16 hours

Item	Finance and accounting/professional management training	Professional competency training
		<ul style="list-style-type: none"> <li data-bbox="994 244 1465 421">· (Industrial Technology Research Institute) Clean Room Construction Design, Monitoring, Inspection, and Auditing Course *12 hours <li data-bbox="994 427 1465 566">· (Data Systems Consulting Co., Ltd.) Material Control and Warehousing Management Operations *6 hours

3. Retirement system and implementation status

The Company has established the Employee Retirement Plan and has set aside funding for pensions to be deposited in a dedicated account under the supervision of the Bank of Taiwan to increase employees' sense of belonging and take care of employees after retirement so that they can do their best to serve the Company without worries. Starting from July 1, 2005, the Company appropriates pension funds equivalent to 6% of the employee's salary to the personal accounts at the Bureau of Labor Insurance for employees who opt for and are eligible for the new system. The Company appoints an actuary to perform actuarial valuations each year and review the allocation of pension funds.

4. Employee rights protection measures

The Company pays close attention to labor relations and is committed to creating a mutually beneficial environment of common prosperity. We also set up open communication channels for employees to communicate issues, recommendations, or matters of interest with the management of the Company. The Company establishes work rules in accordance with regulations to govern labor conditions and protect employees' rights and interests. The Company also set up the Employee Welfare Committee to implement employee welfare measures. We also use labor-management meetings and internal meetings to communicate and coordinate administrative measures and protect the rights and interests of employees. The Company enjoys stable and harmonious labor relations and there are no major labor-management disputes.

5. Employee Code of Conduct or Ethics

The Company formulated the "Employee Handbook" to clarify the rights and obligations of the employees and the employer and provide guidance to the Company's employees. The Employee Handbook provides clear regulations for hiring, salary, work hours, leave, leave application, benefits, safety and health, resignation, retirement, rewards and penalties, and compensation for occupational accidents and condolence compensation. The Company also established the "Code of Ethical Conduct" to ensure that related personnel shall not directly or indirectly offer, promise to offer, request or

accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty when engaging in commercial activities for purposes of acquiring or maintaining benefits.

6. Protection measures for the work environment and employees' personal safety

Item	Description	Implementation status
Access security	<ol style="list-style-type: none"> 1. The Company implements access management and requires all employees and visitors to swipe cards and verify their identities when they use the elevators and office doors of the park area to enter the Company. 2. At the end of each work day or after overtime work on holidays, the last employee to leave the office is required to close all doors and windows, switch off the air-conditioning and lighting, lock the door, and set the security system. 3. Employees who borrow the access card to the office must return it after use. They may not lend the Company's access cards and keys to non-company personnel. 	Access control is implemented for the building and office doors. A security system is also used after work hours and on holidays to ensure the safety of employees when they enter or leave the building. The implementation status has been satisfying.
Disaster prevention measures and response	<ol style="list-style-type: none"> 1. The Company participates in the fire safety drills and exercises organized by the management committee of the Software Park each year. 2. Office spaces are equipped with sufficient quantities of fire extinguishers. 3. Smoking is prohibited in all indoor work environments and public areas in accordance with the Tobacco Hazards Prevention Act. 	Nangang Software Park organizes regular fire safety drills and exercises each year. It organized the fire safety drill seminar on April 22, 2022.
Physical health	<ol style="list-style-type: none"> 1. The Company organizes employee health examinations each year. 	The Company works with a reputable external health examination institution every year to implement employee health

Item	Description	Implementation status
	2. A professional cleaning company is appointed to clean the office environment every week.	examination. A professional cleaning company is appointed to clean the office environment every week and the implementation status has been satisfying.
Mental health	<ol style="list-style-type: none"> 1. The Company complies with labor laws and regulations and the regulations of the competent authorities. We established related management regulations and the internal control system to protect the legal rights of employees. We also established the Employee Welfare Committee in accordance with regulations. 2. Purchase of group insurance for employees. 3. The Company purchases travel insurance for employees assigned by the Company to overseas business travel. 4. We convene employee assemblies when necessary to facilitate communication with employees. 	In addition to the employee assemblies, the Company purchases group insurance for employees each year and travel insurance for employees on business travel. The implementation status has been satisfying.
Insurance and healthcare	<ol style="list-style-type: none"> 1. The Company enrolls employees under labor insurance (including occupational disaster insurance), health insurance, accident insurance, and employee dishonesty insurance in accordance with laws. 2. The Taipei City Hospital System Nangang Software Park Clinic provides employees with convenient access to medical services. 	Employees can obtain medical services at the clinic whenever they feel unwell. The implementation status has been satisfying.

(II)
For
the
most

recent year and up to the date of printing of the annual report, the losses suffered by the Company as a result of labor disputes, the estimated amount for now and in the future and any response measures, and state the items that cannot be reasonably estimated:

The Company pays close attention to employee welfare and maintains harmonious labor relations. All management regulations regarding the rights and interests of employees are

processed in accordance with the terms of the Labor Standards Act. There have been no labor disputes as of the publication date of the Annual Report.

(III) Training courses and licenses taken by the Company's finance and accounting manager in accordance with the regulations of the competent authorities in the last two years:

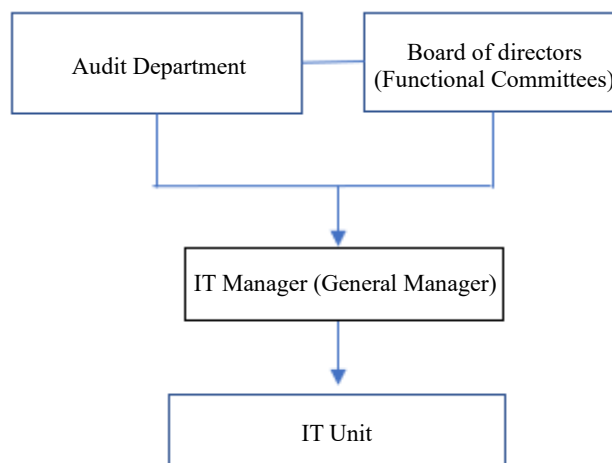
Year	Course name	Hours	Qualification certification
2021	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Accounting)	12	Passed test
2021	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Audit)	3	Passed test
2021	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Finance)	3	Passed test
2021	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Corporate Governance)	3	Passed test
2021	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Financial Regulations)	3	Passed test
2022	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Accounting)	3	Passed test
2022	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Finance)	3	Passed test
2022	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (Corporate Governance)	3	Passed test
2022	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (professional and ethical legal liabilities)	3	Passed test

VI. Cybersecurity Management

(I) State the cybersecurity risk management framework, cybersecurity policies, specific management plans, and the resources invested in cybersecurity management.

1. Cybersecurity risk management framework:

The Company's IT unit is responsible for information security. It regularly reports the information security management operations to the IT supervisor. The Company's internal systems are located on the internal network and isolated. They are not directly accessible from external networks. The Company also uses multiple network security systems. The front-end firewall, intrusion prevention and connection screening system, and mail security control system are used for filtering the contents of incoming and outgoing network connections, preventing attacks from external networks, and blocking the latest malware, harmful links, spam, and other threats in real time.



2. Information security policy and specific management plans:

The Company has set up an internal control system for computer data to maintain the Information Security Policy. We review and evaluate security regulations and procedures each year to ensure their adequacy and effectiveness. The response measures are described below:

(1) Information Security Policy:

- A. Ensure the security of the Company's data, systems, equipment, and network communications, and prevent intrusion and destruction by external entities.
- B. Ensure that access to system information accounts and system changes are authorized in accordance with the Company's procedures.
- C. Implement destruction procedures and dispose of discarded computer storage media to prevent unintended disclosure or leak of data.
- D. Monitor the security status and activity logs of information systems to effectively control and process information security incidents.
- E. Maintain the availability and integrity of data and systems, and restore normal operations in the event of a disaster or damage.

As the Company currently has a comprehensive set of information security measures and as cybersecurity insurance is a new type of insurance that require measures such as information security ratings and forensic procedures for claims, we are still evaluating potential future applications.

(2) Cybersecurity network framework

Antivirus software is set up on both the servers and terminals of the internal network from the central console, which updates virus codes and identify patterns of malicious behaviors at all times. It instantly blocks viruses, Trojan horses, worms, ransomware,

and malware in files to effectively reduce the risks of hacker attacks.

(3) System account life cycle management and authorized account management

The Company sets user accounts and authorization based on the scope of business operations and duties. Data access requires approval procedures and applications file by the supervisor, which must be approved before use and implementation. When a user leaves his/her original post, the user account and authorization is terminated immediately to prevent unauthorized use.

(4) Data access logging and retention for audits

The system maintains the file access records of system files and mail for filing and retention. The hard drives of computers for which discarding procedures are completed must be disassembled and destroyed to meet management requirements for compliance and the Information Security Policy.

(5) Continuous operations of the IT system

The system creates daily, weekly, and monthly local backups of system and files. Monthly backups are then transferred to another location for off-site backup. The Company regularly performs system data recovery test exercises every year to ensure the normal operations of the IT and data protection, which reduces the risks of data loss caused by natural and man-made disasters that may occur without warning.

3. Resources invested in the cybersecurity management

The Company holds monthly meetings with IT personnel to identify the overall operational risks for information security risk management, threat intelligence management, information security controls, outsourcing and reliance management, and information security incident management and response to maintain network and information security. The Company currently has one IT supervisor and two IT engineers. The Company invested NT\$3,214 thousand in 2022 to update the IT software and hardware equipment and strengthen information security protection capabilities.

(II) List any losses suffered by the Company in the most recent year and as of the date the annual report was printed due to significant cybersecurity incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

There were no losses due to cybersecurity incidents.

VII. Important Contracts

Nature of the Contract	Counterparty of the Contract	Duration of the Contract	Main Contents of the Contract	Restrictive Provisions
Technology licensing transfer agreement	National Taiwan University, Professor Pei-Jer Chen, Professor Ping-Hei Chen, Professor Hsiu-Hui Tsai	2009/05/01~2034/04/30	Exclusive license and transfer of the technologies developed in the "Thermal Convection PCR Technology Platform" created in the collaboration of Medigen and NTU to Medigen.	None
Technology licensing transfer agreement	National Health Research Institutes	2010/08/02~2025/08/02	Exclusive license granted by the National Health Research Institutes to Medigen for the development, production, or	None

Nature of the Contract	Counterparty of the Contract	Duration of the Contract	Main Contents of the Contract	Restrictive Provisions
			sales of influenza vaccines worldwide.	
Commissioned clinical trial	Formosa Biomedical Technology Corporation	April 8, 2010 to the completion of clinical trials	Appointment of the respondent for implementing the "OBP301 in HCC" phase I clinical trial project.	None
Technology licensing transfer agreement	PROGEN PHARMACEUTICALS Ltd	2010/07/01~2025/06/30	Exclusive license granted by Progen to Medigen for the use, production, and sales of PI-88 worldwide.	None
Technology licensing transfer agreement	Oncolys Biopharm Inc.	March 6, 2008 to the completion of contract performance	Oncolys licenses the Company the patents and technologies to develop oncolytic virus treatments for liver cancer and engage in joint development to share the benefits after completing development.	None
Commissioned service main contract	Protech Pharmaservices Corporation	September 20, 2010 to the completion of contract performance or termination of contract	Agreement with which the Company appoints Protech Pharmaservices Corporation to execute the phase III clinical trials for PI-88 in Asia.	None
Assignment of rights and technology transfer agreement	Hsin Tai Biotechnology Co., Ltd.	2012/07/30 (Sales of technologies, rights, and obligations)	Acquisition of technologies, formulas, and personnel for the human monoclonal antibodies technology platform used for treatment	None
Settlement agreement	Taipei Veterans General Hospital	2012/08/02	Medigen and Taipei Veterans General Hospital engaged in cancer genome licensing and collaboration in 2001 and the parties initiated litigation due to differences in the subject of development. The parties recently reached a settlement for all litigation between them and signed a settlement agreement on the basis of good faith and friendly negotiations.	None
Strategic alliance and stock transfer agreement	Perkin Elmer Inc.	2012/11/09~	Sales of all shares in the investee Power Ability The parties form a strategic alliance for the testing of infectious diseases	None
Project transfer agreement	Medigen Vaccine Biologics Corporation	2012/11/28~	Transfer of the rights and obligations of Company's vaccine business to Medigen Vaccine Biologics Corporation (formerly known as Medigen Vaccinology Corp.)	None

Nature of the Contract	Counterparty of the Contract	Duration of the Contract	Main Contents of the Contract	Restrictive Provisions
Technology licensing agreement	National Health Research Institutes	2013/06/28~	Technology licensing granted by the National Health Research Institutes to Medigen Vaccine Biologics Corporation for its Enterovirus 71 Vaccine technologies for the development of the Enterovirus 71 Vaccine	None
Share exchange agreement	Winston Medical Supply Co., Ltd.	2013/11/25~	Medigen issues new shares in exchange for 67.92% of the shares of Winston Medical Supply Co., Ltd.	None
Technology licensing agreement	National Health Research Institutes	2014/04/25~2029/04/24	Technology licensing granted by the National Health Research Institutes to Medigen Vaccine Biologics Corporation for its H7N9 Human Vaccine technologies for the development of the H7N9 Human Influenza Vaccine	None
Commissioned services	National Health Research Institutes	2014/05/19~2015/12/31	Commissioned the National Health Research Institutes to produce H7N9 Human Influenza Vaccine for clinical trials	None
Share exchange agreement	PROGEN PHARMACEUTICALS Ltd.	2015/10/16~	The Company signed a share exchange contract with Progen; after completing the exchange of shares, Progen was renamed TBG and its main business items include test kits and equipment	None
Cooperation contract	Utrecht Centre of Excellence for Affordable Biotherapeutics (Netherlands), Mabxience Holding, S.L. (Europe), Libbs Farmacêutica (South America)	March 10, 2016 to the completion of development and milestones in clinical trials	The Company worked with the Utrecht Centre of Excellence for Affordable Biotherapeutics (Netherlands), Mabxience Holding, S.L. (Europe), Libbs Farmacêutica (South America) in the development of Synagis (palivizumab) biosimilars, a protein-based drug used for the prevention of respiratory syncytial virus (RSV) infections in infants and children	None
Strategic alliance and licensing agreement	Oncolys BioPharma Inc	2016/11/30	Licensing of the rights to the oncolytic virus drug OBP-301 (Telomelysin) to Jiangsu Hengrui Medicine in Mainland China, Hong Kong, and Macao	None

Nature of the Contract	Counterparty of the Contract	Duration of the Contract	Main Contents of the Contract	Restrictive Provisions
Supplementary agreement for strategic alliance agreement	Oncolys BioPharma Inc	2017/03/24	Expanded the scope joint R&D of the oncolytic virus drug OBP-301 in the partnership and added clinical developments for melanocytic tumor and esophageal cancer.	None
Construction agreement	Formula Precision Engineering Co., Ltd.	2018/03/17~	GTP lab planning, design, and construction project.	None
Cooperation contract	Evergreen Health Hospital Management Consulting Co., Ltd.	2018/12/12~2021/12/11	The Company works with Evergreen Health Clinic in the application for the cell therapy technology implementation plan to provide subsequent cell tests, processing, cultivation, and transportation services.	None
Cooperation contract	E-Da Cancer Hospital, E-Da Healthcare Group	2018/12/13~2019/12/12	The Company works with E-Da Cancer Hospital in the application for the cell therapy technology implementation plan to provide subsequent cell tests, processing, cultivation, and transportation services.	None
Cooperation contract	Buddhist Tzu Chi Medical Foundation	2018/12/24~2020/12/23	The Company works with Tzu Chi Hospital in the application for the cell therapy technology implementation plan. The Company will provide subsequent cell tests, processing, cultivation, and transportation services.	None
Product procurement agreement	Hualien Tzu Chi Hospital, Buddhist Tzu Chi Medical Foundation	2019/01/28~2020/01/27	Supply of molecular diagnostics test kits for human major histocompatibility complex antigens.	None
Strategic alliance agreement	Medigen Vaccine Biologics Corporation, Taiwan Bio Therapeutics Co., Ltd.	2019/03/05 ~	The cell preparation center set up by Medigen Vaccine Biologics Corporation is used as the core to combine Medigen's immunocyte and Taiwan Bio's stem cell treatment technologies. The three parties formed a cell therapy industry alliance for production capacity expansion, joint R&D, and marketing purposes.	None

Nature of the Contract	Counterparty of the Contract	Duration of the Contract	Main Contents of the Contract	Restrictive Provisions
Cooperation contract	Zhong Ji 1 International Medical Group Hong Kong Limited	2019/5/23~2024/05/22	The Company works with Zhong Ji 1 International Medical Group Hong Kong Limited in immunocyte cultivation technologies. Medigen provides analysis services and key materials and Zhong Ji Group executes immunocyte expansion and related application services. Medigen collect fees based on the quantity of technical services and key materials provided.	None
Joint venture contract	Jiaxingding Equity Investment Partnership, Beijing Yuan Yang Business Administration Partnership	2019/08/18~	The Company established Medigen Cell Technology Corp. with the joint venture partner to expand the cell therapy market in China.	None
Exclusive licensing contract	MEDINET Co.,Ltd	October 7, 2019 till the three years after the licensed technology is approved by the Ministry of Health and Welfare.	After obtaining the Gamma Delta T cell technology for exclusive licensing in Taiwan from MEDINET, the Company shall work with medical institutions on using the technology for immunotherapy in accordance with the "Regulations Governing the Administration or Use of Specific Medical Technology-based Testing or Laboratory Medical Instruments".	None
Licensing contract	Medigen Cell Technology Corp.	2019/12/18~	Exclusive licensing to Medigen Cell Technology Corp. for the development and commercialization of PI-88 worldwide including commercial activities such as the research, development, manufacturing, sales, and sub-licensing in the authorized regions.	None
Distribution agreement	TBG Biotechnology Inc.	2020/2/15~2023/2/14	Obtain world licensing (except Australia and New Zealand) licensing for the SARS-CoV-2 test products (including but not limited to rapid test kits and	None

Nature of the Contract	Counterparty of the Contract	Duration of the Contract	Main Contents of the Contract	Restrictive Provisions
			PCR test kits) developed by TBG Biotechnology Corp.	
Insurance contract (Directors' liability insurance)	Insurance Company of North America	2022/11/06~2023/11/06	The contract states that the respondent is responsible for compensation for the liabilities of the Directors, Supervisors, and critical employees of Medigen	None
Share Sale Agreement	TBG Diagnostics Limited	2022/06/21~	Obtained all shares of TDL Holding and its subsidiary TBG Taiwan and Texas (United States) for the integration of molecular diagnostics businesses.	None

Chapter 6 Financial Overview

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

(I) Condensed Balance Sheet and Statement of Comprehensive Income Statement

Condensed Balance Sheet - International Financial Reporting Standards (IFRSs)

Unit: NTD thousands

Item		Year	Financial Data for the Most Recent Five Years (Note 1)				
			2018	2019	2020	2021	2022
Current assets			1,556,649	1,312,122	3,021,684	4,918,282	6,732,826
Property, plant and equipment			2,234,050	2,199,061	1,971,684	1,995,830	1,918,498
Intangible assets			219,362	181,479	155,513	124,250	113,072
Other assets			588,184	1,136,138	1,003,545	1,161,132	1,217,878
Total assets			4,598,245	4,828,800	6,152,426	8,199,494	9,982,274
Current liabilities	Before distribution		665,111	930,455	933,802	1,064,905	1,052,323
	After distribution (Note 2)		665,111	930,455	933,802	1,064,905	1,052,323
Non-current liabilities			992,140	1,213,078	719,154	708,485	2,458,938
Total liabilities	Before distribution		1,657,251	2,143,533	1,652,956	1,773,390	3,511,261
	After distribution (Note 2)		1,657,251	2,143,533	1,652,956	1,773,390	3,511,261
Equity attributable to owners of the parent company [segtodelete]			1,537,264	1,361,109	1,815,418	2,394,388	2,194,027
Capital stock			1,386,856	1,389,856	1,389,856	1,393,625	1,394,463
Advance receipts for capital stock			0	0	1,130	225	0
Capital surplus			598,451	298,220	1,101,308	1,108,539	1,561,666
Retained earnings	Before distribution		(440,014)	(300,994)	(631,375)	(52,817)	(727,979)
	After distribution (Note 2)		(440,014)	(300,994)	(631,375)	(52,817)	(727,979)
Other equity			(8,029)	(25,973)	(45,501)	(55,184)	(34,123)
Treasury stock			0	0	0	0	0
Non-controlling equity			1,403,730	1,324,158	2,684,052	4,031,716	4,276,986
Total equity	Before distribution		2,940,994	2,685,267	4,499,470	6,426,104	6,471,013
	After distribution (Note 2)		2,940,994	2,685,267	4,499,470	6,426,104	6,471,013

Note 1: Financial statements audited by the CPA based on the International Financial Reporting Standards.
Note 2: The numbers after distribution specified above provided according to the distribution resolutions of the annual general shareholders' meeting in the following year.

Condensed Balance Sheet - International Financial Reporting Standards (Individual)

Unit: NTD thousands

Item	Year	Financial Data for the Most Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		237,989	246,776	483,438	655,193	492,541
Property, plant and equipment		481,677	476,431	462,571	447,587	434,939
Intangible assets		37,992	26,954	17,883	9,102	2,948
Other assets		1,381,415	1,257,928	1,663,516	2,026,491	2,030,739
Total assets		2,139,073	2,008,089	2,627,408	3,138,373	2,961,167
Current liabilities	Before distribution	168,920	221,742	383,840	314,479	361,530
	After distribution (Note 2)	168,920	221,742	383,840	314,479	361,530
Non-current liabilities		432,889	425,238	428,150	429,506	405,610
Total liabilities	Before distribution	601,809	646,980	811,990	743,985	767,140
	After distribution (Note 2)	601,809	646,980	811,990	743,985	767,140
Equity attributed to the owners of the parent company		1,537,264	1,361,109	1,815,418	2,394,388	2,194,027
Capital stock		1,386,856	1,389,856	1,389,856	1,393,625	1,394,463
Advance receipts for capital stock		0	0	1,130	225	0
Capital surplus		598,451	298,220	1,101,308	1,108,539	1,561,666
Retained earnings	Before distribution	(440,014)	(300,994)	(631,375)	(52,817)	(727,979)
	After distribution (Note 2)	(440,014)	(300,994)	(631,375)	(52,817)	(727,979)
Other equity		(8,029)	(25,973)	(45,501)	(55,184)	(34,123)
Treasury stock		0	0	0	0	0
Non-controlling equity		0	0	0	0	0
Total equity	Before distribution	1,537,264	1,361,109	1,815,418	2,394,388	2,194,027
	After distribution (Note 2)	1,537,264	1,361,109	1,815,418	2,394,388	2,194,027

Note 1: Financial statements audited by the CPA based on the International Financial Reporting Standards.

Note 2: The numbers after distribution specified above provided according to the distribution resolutions of the annual general shareholders' meeting in the following year.

Condensed Statement of Comprehensive Income
- International Financial Reporting Standards (IFRSs)

Unit: NTD thousands
(except earnings per share which is expressed in NTD)

Item \ Year	Financial Data for the Most Recent Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	407,306	552,345	615,541	3,922,012	1,055,947
Gross profit	119,258	256,131	262,285	2,552,676	87,460
Operating profit and loss	(762,418)	(762,329)	(912,171)	789,204	(1,666,976)
Non-operating income and expenses	(22,051)	(55,453)	32,165	347,230	(205,637)
Net profit before tax	(784,469)	(817,782)	(880,006)	1,136,434	(1,872,613)
Net profit from continuing operations in current period (loss)	(800,465)	(826,504)	(847,372)	1,070,701	(1,931,487)
Loss from discontinued operations	(46,878)	138,533	0	0	0
Current period net profit (loss)	(847,343)	(687,971)	(847,372)	1,070,701	(1,931,487)
Other comprehensive income (net income after tax)	8,119	63,188	(57,288)	(31,518)	80,473
Total comprehensive income for the period	(839,224)	(624,783)	(904,660)	1,039,183	(1,851,014)
Net profit attributable to owners of the parent company	(442,669)	(255,719)	(337,923)	(52,614)	(675,874)
Net profit attributable to non-controlling equity	(404,674)	(432,252)	(509,449)	1,123,315	(1,255,613)
Total comprehensive income attributed to the owners of the parent company	(434,550)	(192,531)	(362,353)	(67,355)	(658,955)
Total comprehensive income attributed to non-controlling equity	(404,674)	(432,252)	(542,307)	1,106,538	(1,192,059)
Earnings per share	(3.19)	(1.84)	(2.43)	(0.38)	(4.86)

Note 1: Financial statements audited by the CPA based on the International Financial Reporting Standards.

Condensed Statement of Comprehensive Income
- International Financial Reporting Standards (Individual)

Unit: NTD thousands (except earnings per share which is expressed in NTD)

Item	Year	Financial Data for the Most Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		23,408	122,907	41,845	36,312	30,655
Gross profit		6,196	116,410	26,109	(23,243)	(8,677)
Operating profit and loss		(193,040)	(56,013)	(156,721)	(266,788)	(240,108)
Non-operating income and expenses		(241,912)	(187,832)	(195,937)	259,041	(406,744)
Net profit before tax		(434,952)	(243,845)	(352,658)	(7,747)	(646,852)
Net profit from continuing operations in current period (loss)		(442,669)	(255,719)	(337,923)	(52,614)	(675,874)
Loss from discontinued operations		0	0	0	0	0
Current period net profit (loss)		(442,669)	(255,719)	(337,923)	(52,614)	(675,874)
Other comprehensive income (net income after tax)		8,119	63,188	(24,430)	(14,741)	16,919
Total comprehensive income for the period		(434,550)	(192,531)	(362,353)	(67,355)	(658,955)
Net profit attributable to owners of the parent company		(434,550)	(192,531)	(362,353)	(67,355)	(658,955)
Net profit attributable to non-controlling equity		0	0	0	0	0
Total comprehensive income attributed to the owners of the parent company		(434,550)	(192,531)	(362,353)	(67,355)	(658,955)
Total comprehensive income attributed to non-controlling equity		0	0	0	0	0
Earnings per share		(3.19)	(1.84)	(2.43)	(0.38)	(4.86)

Note 1: Financial statements audited by the CPA based on the International Financial Reporting Standards.

(II) Names of auditors and audit opinions for the most recent five years:

Year	Name of the accounting firm	CPAs	Audit Opinion
2022	PwC Taiwan	Man-Yu Juan Lu, Ya-Hui Lin	Unqualified opinion
2011	PwC Taiwan	Ya-Hui Lin, Man-Yu Juan Lu	Unqualified opinion
2010	PwC Taiwan	Ya-Hui Lin, Sheng-Wei Teng	Unqualified opinion
2019	PwC Taiwan	Ya-Hui Lin, Sheng-Wei Teng	Unqualified opinion
2018	PwC Taiwan	Ya-Hui Lin, Sheng-Wei Teng	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years

(I) Financial analysis

Financial Analysis - International Financial Reporting Standards IFRS

Analysis Item		Financial Analysis for the Most Recent Five Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	36.04	44.39	26.87	21.63	35.17
	Long-term capital to property, plant and equipment ratio	176.05	177.27	264.68	357.47	465.47
Liquidity (%)	Current ratio	234.04	141.02	323.59	461.85	639.81
	Quick ratio	212.86	125.07	285.77	381.80	537.65
	Times Interest Earned (Times)	(32.93)	(35.67)	(38.09)	60.60	(46.46)
Operating performance	Accounts receivable turnover (times)	3.80	4.53	4.13	13.08	2.51
	Average collection days	96.06	80.58	88.38	27.91	145.42
	Inventory turnover (times)	2.00	2.14	1.46	2.43	0.64
	Accounts payable turnover (times)	3.79	3.51	3.23	10.01	5.55
	Average days of sales	182.68	170.21	250.84	150.08	566.33
	Turnover (times) of real estate properties, plants and equipment	0.18	0.25	0.30	1.98	0.54
	Total assets turnover (times)	0.09	0.12	0.11	0.55	0.12
Profitability	Return on assets (%)	(16.52)	(17.16)	(15.11)	15.13	(20.90)
	Return on equity (%)	(26.15)	(29.38)	(23.59)	19.60	(29.95)
	Pre-tax profit to paid-in capital ratio (%)	(56.56)	(58.84)	(63.32)	81.55	(134.29)
	Net profit margin (%)	(196.53)	(149.64)	(137.66)	27.30	(182.92)
	Earnings per share (NTD)	(3.19)	(1.84)	(2.43)	(0.38)	(4.86)
Cash Flow	Cash flow ratio (%)	(78.04)	(59.93)	(73.63)	48.65	(108.16)
	cash flow adequacy ratio (%)	(77.75)	(113.76)	(188.95)	(124.52)	(229.21)
	Cash reinvestment ratio (%)	(13.74)	(16.12)	(13.54)	7.37	(12.43)
Leverage	Operating leverage	0.75	0.75	0.78	1.25	0.89
	Financial leverage	0.97	0.97	0.98	1.02	0.98

Please state the reasons for the changes in each financial ratio for the last two years. (If the increase or decrease does not reach 20%, the analysis can be exempted)

I. Financial structure:

1. Debt to assets ratio: The increase in the debt to assets ratio in 2022 compared to 2021 was mainly due to the issuance of corporate bonds by the subsidiary.
2. Long-term capital to property, plant and equipment ratio: The increase in the long-term capital to property, plant and equipment ratio in 2022 compared to 2021 was mainly due to the issuance of corporate bonds by the subsidiary.

II. Solvency:

1. Current ratio and quick ratio: The increase in the current ratio and quick ratio in 2022 compared to 2021 was mainly due to the increase in the acquisition of financial assets measured at amortized cost by the subsidiary.
2. Interest protection multiples: The decrease in the interest protection multiples in 2022 compared to 2021 was mainly due to the net loss before tax.

III. Operating performance:

1. Receivables turnover rate, average number of collection days, turnover (times) of real estate properties, plants and equipment, and total assets turnover: The decrease in the receivables turnover rate, turnover (times) of real estate properties, plants and equipment, and total assets turnover and the increase in the average number of collection days in 2022 compared to 2021 was mainly due to the completion of the purchase for 5 million doses of COVID-19 vaccines signed by the subsidiary Medigen Vaccine Biologics Corporation and the CDC, which reduced the revenue.
2. Inventory turnover, payables turnover ratio, and average inventory turnover days: The decrease in the inventory turnover and payables turnover ratio and the resulting increase average inventory turnover days in 2022 compared to 2021 was mainly due to the decrease in revenue along with the significant decline in operating costs.

IV. Profitability:

1. Return on assets, return on equity, and net profit margin: The decrease in 2022 compared to 2021 was mainly due to a significant decline in revenue, which resulted in a net loss after tax.
2. Pre-tax profit to paid-in capital ratio: The decrease in 2022 compared to 2021 was mainly due to a significant decline in revenue, which resulted in a net loss before tax.
3. Earnings per share: The increase in the losses in 2022 compared to 2021 was mainly due to the increase in net loss attributable to the owners of the parent company as a result of the losses in the investment of subsidiaries recognized through the equity method.

V. Cash flow:

1. Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: The decrease in 2022 compared to 2021 was mainly due to the net cash outflow in operating activities in 2022.

VI. Cash flow:

1. Operating leverage: The decrease in 2022 compared to 2021 was mainly due to a significant decline in revenue.

Note: The financial statements provided above contain financial data audited by the CPA.

Financial Analysis - International Financial Reporting Standards IFRS (Individual)

Analysis Item (Note 2)		Year	Financial Analysis for the Most Recent Five Years				
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	28.13	32.22	30.90	23.71	25.91	
	Long-term capital to property, plant and equipment ratio	409.02	374.94	485.02	630.92	597.70	
Liquidity (%)	Current ratio	140.89	111.29	125.95	208.34	136.24	
	Quick ratio	138.05	107.46	98.04	193.45	130.85	
	Times Interest Earned (Times)	(53.90)	(29.56)	(29.51)	0.22	(62.96)	
Operating performance	Accounts receivable turnover (times)	3.79	4.49	1.52	8.51	7.15	
	Average collection days	97	82	241	43	52	
	Inventory turnover (times)	16.52	7.78	1.18	0.60	1.25	
	Accounts payable turnover (times)	1.76	1.34	2.36	9.07	17.90	
	Average days of sales	22	47	310	608	292	
	Turnover (times) of real estate properties, plants and equipment	0.05	0.26	0.09	0.08	0.07	
	Total assets turnover (times)	0.01	0.06	0.02	0.01	0.01	
Profitability	Return on assets (%)	(19.28)	(12.02)	(14.18)	(1.55)	(21.90)	
	Return on equity (%)	(26.23)	(17.65)	(21.28)	(2.50)	(29.46)	
	Pre-tax profit to paid-in capital ratio (%)	(31.36)	(17.54)	(25.37)	(0.56)	(46.39)	
	Net profit margin (%)	(1,891.1)	(208.06)	(807.56)	(144.89)	(2,204.78)	
	Earnings per share (NTD)	(3.19)	(1.84)	(2.43)	(0.38)	(4.86)	
Cash Flow	Cash flow ratio (%)	(90.14)	(38.46)	(41.93)	(42.28)	(37.61)	
	cash flow adequacy ratio (%)	(32.26)	(83.96)	(323.31)	(679.78)	(562.98)	
	Cash reinvestment ratio (%)	(25.88)	(16.71)	(28.19)	(16.64)	(22.37)	
Leverage	Operating leverage	0.87	0.56	0.83	0.90	0.91	
	Financial leverage	0.96	0.88	0.93	0.96	0.96	

Note 1: The financial statements provided above contain financial data audited by the CPA.

Note 2: The analysis formula of the items is as follows:

1. Financial structure

(1) Debt-to-assets ratio = total liabilities / total assets.

(2) Long-term fund ratio for property, plant, and equipment = (total equity + non-current liabilities) / net for property, plant, and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.

(3) Times Interest Earned (Times) = earnings before interest expense and net income / interest expense.

3. Operating performance

(1) Accounts receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable arising from operation) balances.

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

- (4) Accounts payable (including accounts payable and notes payable arising from operation) turnover ratio = cost of goods sold / average payables (including accounts payable and notes payable arising from operation) balances.
- (5) Average days of sales = 365 / inventory turnover.
- (6) Property, plant, and equipment turnover ratio = net sales / average net for property, plant, and equipment.
- (7) Total assets turnover ratio = net sales / average total assets.

4. Profitability

- (1) Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.
- (2) Return on equity = income after tax/net average equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued. (Note 4)

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent years / most recent five years (capital expenditure + inventory + cash dividend).
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross profit for property, plant, and equipment + long-term investments + other non-current assets + working capital (Note 5))

6. Leverage:

- (1) Operating leverage = (net operating income - variable operating cost and expenses) / operating income (Note 6).
- (2) Financial leverage = operating income / (operating income - interest expenses).

Note 4: The following items should be noted for the calculation of earnings per share using the above-mentioned formula:

1. The calculations shall be based on the average number of the weighted common shares instead of shares issued as of the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock traders when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, the capital ratio shall be adjusted retrospectively and the replenishment period issues need not be considered.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend of the current year (whether it is distributed) should be deducted from net income after tax or added to net loss. If the preferred shares are not cumulative in nature, the preferred stock dividends shall be deducted from the net income under after-tax net profit conditions. If there is a loss, no adjustment is needed.

Note 5: Special attention shall be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditures refer to the annual capital investment cash outflow.
3. Increases in inventories are included only if the ending balance is higher than the opening balance. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include common stock and preferred stock cash dividends.
5. Gross profit for property, plant, and equipment refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 6: The issuer shall divide the operating costs and expenses as fixed or changeable based on the nature. If such costs are subject to estimates or subjective judgments, the issuer shall ensure that the methods for determining such costs are reasonable and consistent.

Note 7: For company shares with no face value or with face value per share not equaling NT\$10, the aforementioned calculation for paid-in capital ratio should be changed to calculation for the equity ratio attributable to owners of parent in the balance sheet instead.

III. Audit Committee's Review Report of the 2022 Financial Statements

Medigen Biotechnology Corp.

Audit Committee's Review Report

The Board of Directors has submitted the Company's 2022 Individual Financial Statements and Consolidated Financial Statements, and they have been audited by certified public accountants Man-Yu Juan Lu and Ya-Hui Lin of PwC Taiwan. Together with the Business Report and loss off-setting proposal, they have been reviewed by the Audit Committee and no non-compliance have been found. A report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:
2023 General Shareholders' Meeting of Medigen Biotechnology Corp.

Audit Committee convener: Pei-Wei Chen

March 30, 2023

- IV. Financial Report Including the Independent Auditor's Report for the Most Recent Year, Balance Sheet for the Last Two Years, Consolidated Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Notes or Tables: Please Refer to Appendix A. Financial Statements for 2022 Audited by a Certified Public Accountant.
- V. Individual Financial Statements for the Most Recent Year Audited by a Certified Public Accountant. However, the Statement of Significant Accounting Items is not Included: Please Refer to Appendix B. Individual Financial Statements for 2022 Audited by a Certified Public Accountant.
- VI. Financial Difficulties Experienced by the Company and its Affiliates in the Most Recent Year and up to the Publication Date of the Annual Report:
None.

Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial Conditions

Unit: NTD thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	4,918,282	6,732,826	1,814,544	36.89
Property, plant and equipment	1,995,830	1,918,498	(77,332)	(3.87)
Intangible assets	124,250	113,072	(11,178)	(9.00)
Other assets	1,161,132	1,217,878	56,746	4.89
Total assets	8,199,494	9,982,274	1,782,780	21.74
Current liabilities	1,064,905	1,052,323	(12,582)	(1.18)
Long-term liabilities	470,772	451,307	(19,465)	(4.13)
Other liabilities	237,713	2,007,631	1,769,918	744.56
Total liabilities	1,773,390	3,511,261	1,737,871	98.00
Capital stock	1,393,625	1,394,463	838	0.06
Advance receipts for capital stock	225	0	(225)	(100.00)
Capital surplus	1,108,539	1,561,666	453,127	40.88
Retained earnings	(52,817)	(727,979)	(675,162)	1,278.30
Other equity	(55,184)	(34,123)	21,061	(38.17)
Non-controlling equity	4,031,716	4,276,986	245,270	6.08
Total shareholder equity	6,426,104	6,471,013	44,909	0.70
<p>Analysis and explanation of differences:</p> <ol style="list-style-type: none"> 1. Analyze the main reasons and the impact of changes of 20% or more in the prior and subsequent periods, and when the amount of change reaches NT\$10,000 thousand: <ol style="list-style-type: none"> (1) Increase in current assets and total assets: The increase was mainly due to the increase in the acquisition of financial assets measured at amortized cost by the subsidiary. (2) Increase in other liabilities and total liabilities: Mainly due to the issuance of corporate bonds by the subsidiary. (3) Increase in capital surplus: The increase was mainly due to the difference between the acquisition and disposal price and the carrying amount of equities of subsidiaries and the recognition of the change in ownership interest in the subsidiary. (4) Decrease in retained earnings: The decrease was mainly due to the increase in net losses attributable to the parent company and no cumulative losses to be made up in 2022. (5) Increase in other equity: Mainly due to the decrease in unrealized losses from financial assets measured at fair value through other comprehensive income. 2. If the impact is significant, explain future response measures: No significant impact. 				

Note: The comparative financial performance analysis table for the last two years is prepared in accordance with International Financial Reporting Standards and audited by the CPA.

II. Financial Performance

Unit: NTD thousands

Item	Year		Increase (decrease) amount	Change ratio %
	2021	2022		
Total operating revenue	3,943,538	1,093,121	(2,850,417)	(72.28)
Less: Sales return and discounts	21,526	37,174	15,648	72.69
Net revenue	3,922,012	1,055,947	(2,866,065)	(73.08)
Operating costs	1,370,698	968,487	(402,211)	(29.34)
Realized (unrealized) sales profit	1,362	0	(1,362)	(100.00)
Gross profit	2,552,676	87,460	(2,465,216)	(96.57)
Operating expenses	1,763,472	1,754,436	(9,036)	(0.51)
Operating profits (losses)	789,204	(1,666,976)	(2,456,180)	(311.22)
Non-operating income and gains	465,097	96,029	(369,068)	(79.35)
Non-operating expenses and losses	(117,867)	(301,666)	183,799	(155.94)
Net income (loss) before tax	1,136,434	(1,872,613)	(3,009,047)	(264.78)
Income tax benefits (expenses)	(65,733)	(58,874)	6,859	(10.43)
Net profit (loss) per share from continuing operations for the current period	1,070,701	(1,931,487)	(3,002,188)	(280.39)
Loss from discontinued operations	0	0	0	0
Net profit (loss) after tax	1,070,701	(1,931,487)	(3,002,188)	(280.39)
<p>1. Change ratio analysis: (Where the change is 20% or more and over NT\$10,000 thousand)</p> <p>(1) Decrease in operating revenue, operating costs, gross profit, and operating profit (loss): It was mainly due to the completion of the purchase for 5 million doses of COVID-19 vaccines signed by the subsidiary Medigen Vaccine Biologics Corporation and the CDC, which reduced the revenue from the sales of vaccines and was accompanied by a significant decrease in operating costs, gross profit, and operating profit (loss).</p> <p>(2) Decrease in non-operating income and gains: The decrease was mainly due to the attainment of milestones in the COVID-19 subsidy program signed by the subsidiary Medigen Vaccine Biologics Corporation and the CDC of the Ministry of Health and Welfare, which reduced the amount of approved funding.</p> <p>(3) Increase in non-operating expenses and losses: The increase was mainly due to the increase in losses in the investment of affiliates recognized through the equity method.</p> <p>(4) Net income (loss) before tax: Reasons are provided in (1)-(4).</p> <p>(5) Increase in the net profit (loss) from continuing operations for the current period and net profit (loss) after tax: The reasons are described above.</p> <p>2. Expected sales volume in the next year and basis, possible impact on the Company's future financial operations and response plans:</p> <p>(1) Sales forecast for the coming year and basis:</p>				

The main sources of sales revenue in the next year include molecular diagnostics, vaccines, generic drugs, health and beauty products, and cell therapy. Vaccines: The subsidiary Medigen's vaccines, quadrivalent Influenza vaccines, and enterovirus vaccines obtained drug approval from the Food and Drug Administration of Taiwan. They will be used to supply the domestic influenza vaccine and the inspection, registration, and application in Southeast Asia. In terms of generic drugs, the Company is mainly engaged in the production and sale of western pharmaceuticals in compliance with the regulations of the Ministry of Health and Welfare, the production of food or healthcare food, and OEM of overseas health and beauty products. Medical institutions approved for cell therapy: Changhua Christian Hospital, Chi Mei Hospital Liouying, Shin Kong Hospital, Wanfang Hospital, En Chu Kong Hospital, Hualien Tzu-Chi Hospital, and Taichung Tzu-Chi Hospital. Once partner hospitals completed enrollment, cell therapy business will begin to generate revenue.

(2) Possible impact on the Company's future financial operations and response plans:

As revenue from royalties is not a recurring income, before the molecular diagnostics and cell therapy businesses make significant contributions to revenue and profitability, more cautious plans for the sources of funding shall be adopted for future business plans. The financial planning is processed based on the financial report for the last two years and the information in the most recent report in accordance with the resolutions of the shareholders' meeting and the Board of Directors.

III. Cash Flow

1. Analysis of annual cash flow changes in the most recent year

Unit: NTD thousands

Item \ Year	2021	2022	Changed amount	Change ratio (%)
Net cash inflow (outflow) from operating activities	518,118	(1,138,219)	(1,656,337)	(319.68)
Net cash inflow (outflow) from investing activities	(910,502)	(2,453,117)	(1,542,615)	169.42
Net cash inflow (outflow) from financing activities	331,353	3,490,466	3,159,113	953.40

- (1) Increase in cash outflow from operating activities: Mainly due to the significant increase or decrease that caused the net profit or loss before tax.
- (2) Increase in cash outflow from investment activities: Mainly due to the increase in the acquisition of financial assets measured at amortized cost.
- (3) Decrease in cash inflow from financing activities: Mainly due to the decrease in capital cash increase payments without controlling interests obtained by the subsidiary and the issuance of corporate bonds by the subsidiary.

2. Improvement plan for lack of liquidity: The Company does not have a cash deficit.

3. Analysis of cash flow changes in the coming year:

Unit: NTD thousands

Cash balance at beginning of the period (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash inflow (outflow) (3)	Expected cash surplus (deficit) (1)+(2)+(3)	Remedial measures for expected cash deficit	
				Investment plan	Financing plan
2,040,633	(766,728)	(22,724)	1,251,181	N/A	N/A

(1) Analysis of cash flow changes in the coming year:

- A. Operating activities: The net cash outflow was mainly due to the expenditures for the purchase of materials for clinical trials and the production of vaccine products.
- B. Investment activities: Mainly for the purchase of machines and equipment for the production of vaccines.
- C. Financing activities: Mainly for the repayment of bank loans.

(2) Estimated cash shortfall remediation measures and liquidity analysis. N/A.

IV. Effect of Major Capital Spending on Financial Position and Business Operation in the Most Recent Year

There was no major capital spending in 2022.

V. Reinvestment Policy in the Most Recent Year, Profit/Loss and Main Reasons, Improvement Plan, and Investment Plan for the Coming Year

(I) The Company's investment policy:

The Company invests assets in accordance with business requirements or to facilitate the future growth of the Company. Related units proceed with investments in accordance with the "Investment Management Regulations" and "Regulations Governing the Acquisition and Disposal of Assets" in the internal control system. The finance unit compiles data and proposes recommendations to the responsible supervisor. After an investment recommendation is created, the investee company's past and future prospects, market conditions, and business health are evaluated to form a basis for investment decisions by decision makers.

(II) Main reasons for gains or losses in investments and improvement plans:

December 31, 2022; Unit: NTD thousands

Investee company	Investment gains (losses) recognized by the Company	Policy	Main reasons for profit or loss	Improvement Plan
TBG Diagnostics Limited	(128,490)	Long-term investment	Product research and development underway	N/A
Medigen Vaccine Biologics Corporation	(295,327)	Long-term investment	Product research and development underway	N/A
Winston Medical Supply Co., Ltd.	65,145	Long-term investment	Success in OEM business development	N/A
Texas BioGene, Inc.	0	Long-term investment	R&D unit	None
TBG Biotechnology Corp.	0	Long-term investment	Smaller market in Taiwan	Accelerated overseas expansion
UMO International Co., Ltd.	0	Long-term investment	Product of niche market	N/A
Medigen Biotechnology Corp. (Xiamen)	91	Long-term investment	Intended for the application of new drug permit in China and no business activities at the moment	N/A
Shiny Lily Co., Ltd.	0	Long-term investment	Distribution of generic drugs	N/A
MVC Capital Corporation	0	Long-term investment	Investment holding company in Taiwan with no business activities	None
TDL Holding Co.	(4,331)	Long-term investment	Overseas investment holding company with no business activities	None
MVC BioPharma Ltd.	0	Long-term investment	Overseas investment holding company with no business activities	None
Medigen Biotechnology Corp. (Beijing)	(28,431)	Long-term investment	Overseas investment holding company with no business activities	None
Cellxpert Biotechnology Co., Ltd. (previously known as Medigen Cell Technology Corp.)	(28,807)	Long-term investment	Product development underway	Accelerate product development
U-GEN (previously known as TBG Inc.)	0	Long-term investment	Overseas investment holding company with no business activities	None

(III) Investment plan for the following year:

As of the publication date of the Annual Report, the Company has no specific investment plan for the following year, and will prepare investment plans in the future based on the actual needs of the Company.

VI. Risk Analysis and Assessment

- (I) Impacts of interest rates, exchange rate fluctuation and inflation situation on the Company's profit and loss, and the future countermeasures:

Unit: NTD thousands

Item	2022	Percentage of revenue (%)	2021	Percentage of revenue (%)
Interest income	8,883	0.84	3,160	0.08
Interest expenses	39,453	3.74	19,068	0.49
Foreign exchange gains (losses)	29,491	2.79	3,387	0.09

- (1) The effect of interest rate fluctuations on earnings and losses of the Company as well as response measures:

The Company's interest expenses in 2022 and 2021 were NT\$39,453 thousand and NT\$19,068 thousand, respectively. Interest expenses account for a relatively small portion of the Company's revenue. Interest income is derived from bank deposits based on interest rate for deposits. The Company's interest income in 2022 and 2021 were NT\$8,883 thousand and NT\$3,160 thousand, respectively, which had limited effects on the Company's profit and loss.

The Company shall take related response measures for changes in interest rates. For instance, the finance unit shall monitor the latest interest rate fluctuations at all times and plan suitable long and short-term bank loans based on actual capital requirements to reduce the cost of capital.

- (2) The effect of exchange rate fluctuations on earnings and losses of the Company as well as response measures:

Certain parts of the Company's clinical trial drugs and services are provided by foreign suppliers. Therefore, we estimate the need for foreign currency in the upcoming period and retain a part of the foreign currency deposits. The Company takes the following response measures to mitigate the impact of exchange rate fluctuations on future revenue and profitability:

- A. If the Company purchases materials from foreign countries or pays technology licensing royalties to foreign companies, the Company pays for such purchases in foreign currencies whenever possible to reduce the impact of exchange rate fluctuations and achieve natural hedging.
- B. The finance unit closely monitors international financial conditions and the latest information on exchange rate changes. It seeks professional advice from banks to monitor exchange rate changes. It also adopts appropriate hedging strategies to reduce exchange rate risks at the appropriate time based on actual capital requirements.

C. The Company established the "Regulations Governing the Acquisition and Disposal of Assets" to regulate the trading, risk management, supervision, and auditing of derivative financial instruments, and ensure its implementation. When the Company needs foreign currency in the future, it shall retain foreign currency accounts receivable instead of converting them into NTD. The Company will also purchase foreign currencies from the spot market based on changes in exchange rates in accordance with the procedures set forth in the Regulations Governing the Acquisition and Disposal of Assets, obtain the approval of the Board of Directors for such purchases, and announce and report the transactions.

(3) Impact of inflation on the Company's profits and losses and future response measures:

The Company and its subsidiaries are biotech companies that focus on new drug exploration, new drug development, vaccines, generic drugs, and molecular diagnostics. The technology, expenses and costs of research and development are less unaffected by inflation. The Company also maintains good relations with customers and suppliers. Therefore, the impact of inflation on the Company's profit and loss remains limited.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, derivatives transactions, profit/loss analysis, and future response measures:

The Company focuses on its core businesses and does not engage in high-risk, high-leveraged investments. The Company also does not provide loans, endorsements, and guarantees to others or engage in derivatives transactions. The Company has established the "Regulations Governing the Acquisition and Disposal of Assets", "Procedures for Lending Funds to Other Parties", and "Procedures for Endorsements and Guarantees" which have been approved in resolutions in shareholders' meetings. If necessary, future operations shall be executed in accordance with related operating procedures.

(III) Future R&D Programs and Expected R&D expenditure:

Research and development project	Current progress and contents	Estimated time for the completion of mass production	Factors that determine the success of R&D
New cancer drugs	<p>New liver cancer drug PI-88: The Company granted an exclusive license for global development and commercialization (excluding Taiwan) to Beijing Medigen Cell Technology Corp. in December 2019 to accelerate the clinical development of PI-88 in China.</p> <p>OBP-301 oncolytic virus drug: The OBP-301 jointly developed by the Company and Oncolys of Japan has currently completed enrollment for the Phase II clinical trial for treating esophageal cancer with radiotherapy in Japan. We are also implementing the Phase I clinical trial for treating esophageal cancer in the United States.</p>	After successful conclusion of clinical trials	<ol style="list-style-type: none"> 1. Whether the clinical trials are well-designed 2. Whether R&D funding is adequate 3. Whether the drug is effective
Development of molecular diagnostic reagents	Development of HLA new products, HLA fluorescent typing kits, and KIR typing reagents	After successful conclusion of clinical trials	
Cell therapy	<p>Construction of a cell operation room that meet international specifications</p> <p>Mesenchymal stem cells cultivation technology research</p> <p>Enhancement of natural killer cell (NK cell) therapy technology</p> <p>Regenerative medicine reagent development</p>	After approval by the Special Act.	

Research and development project	Current progress and contents	Estimated time for the completion of mass production	Factors that determine the success of R&D
Vaccines	<p>Development of H7N9, EV71, dengue fever vaccine clinical trials, biosimilar drugs, COVID-19 vaccines, etc.</p> <p>Enterovirus 71 vaccines:</p> <ol style="list-style-type: none"> 1. The unblinding of the final data from the Phase III multi-country and multi-center clinical trials of the enterovirus 71 vaccine was completed. The results showed high safety and efficacy, and the immunization data meet the standards in regulatory requirements. 2. The enterovirus 71 vaccine obtained the approval of the TFDA for new drug application, which was the first regular drug certificate for enterovirus vaccine with comprehensive Phase III protection. <p>Quadrivalent Influenza vaccines: We have obtained the approval of the TFDA of the Ministry of Health and Welfare for new drug application and will continue to supply quadrivalent influenza vaccine in Taiwan every year.</p> <p>COVID-19 vaccines:</p> <ol style="list-style-type: none"> 1. We obtained TFDA's approval for conducting clinical trials for the COVID-19 vaccine on elderly popularizations. 2. We obtained the COVID-19 vaccine project production authorization from the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. 3. We obtained approval for Phase III human clinical trial of the COVID-19 vaccine in Paraguay. 4. The COVID-19 vaccine was selected for the solidarity clinical trial for COVID-19 treatments and commenced Phase 3 global clinical trials. 5. Obtained subsidies from the Coalition for Epidemic Preparedness Innovations (CEPI) for the mixed use of the third shot of the COVID-19 vaccine. 	Obtain the drug permit after successful conclusion of clinical trials	

Research and development project	Current progress and contents	Estimated time for the completion of mass production	Factors that determine the success of R&D
	6. Obtained approval for the Emergency Use Authorization (EUA) for the Medigen COVID-19 vaccine in Paraguay. The unblinding of the Phase III clinical trials showed superior results.		

The Company expects to invest NT\$ 8.5 billion in the following year for the development of the aforementioned R&D projects.

(IV) Effects of and response to changes in policies and regulations relating to corporate finance and sales:

1. Domestic:

The regulatory environment can determine to the risks and return on investment of biotech companies. The cell therapies developed by the Company can be affected by domestic regulations such as the "Regulations Governing the Administration or Use of Specific Medical Technology-based Testing or Laboratory Medical Instruments" as well as domestic and foreign legislation on regenerative medicine and medical technology regulations. The Company uses its experience accumulated in 20 years of clinical trials, understanding of regulations, and international cooperation networks to adapt to rapid changes in the industry, study changes in regulations in different jurisdictions, and quickly respond. Therefore, the Company has the opportunity to become a leading company in cell therapy. We will work with the government and other biotech companies to make cell therapy a critical and unique medical service in Taiwan.

2. Overseas:

There are currently has no significant foreign policy or legal changes that may affect the Company's financial operations, and the Company continuously pays close attention to changes in policies of foreign governments and legislation and respond in a timely manner.

(V) Impact of recent technological (including information security risks) and market changes on finance and business of the Company, and response measures:

The Company is a biotech company that focuses on new drug development, cell therapy, new drug exploration, generic drugs, and molecular diagnostics. Any advancement or demand related to biotechnologies may affect the entire biopharmaceutical industry and the Company. The OBP-301 jointly developed by the Company and Oncolys has entered clinical trials. The molecular diagnostic reagents have also been sold in several countries across the world. In terms of cell therapy, as the Ministry of Health and Welfare promulgated the amendment of "Regulations Governing the Administration or Use of Specific Medical Technology-based Testing or Laboratory Medical Instruments" on September 6, 2018, to allow the use of

autologous immunotherapy, Medigen will integrate the Group's experience in clinical trials, molecular diagnostics, and cell cultivation plants to set up a comprehensive system. The Company can start with front-end therapeutic assessments and improve the effectiveness of immunotherapy. We can also work closely with medical institutions to provide patients with high-quality treatment and services. The Company shall pay close attention to changes in technologies and the industry and their impact on the Company, and plan product development and resource allocation accordingly. Future changes are not expected to have any material impact on the Company's finance and business.

In addition, the response measures taken by the Company for cybersecurity risks include the implementation of the information security system, system authority management regulations, remote backup system maintenance, awareness campaigns, network monitoring, and regular training programs.

(VI) Impact of changes in corporate image on the corporate risk management, and the Company's response measures

Since the Company was founded in 1999, we have focused on using biotechnology innovations to create a better life for humans for more than ten years. After years of hard work, we have made many breakthroughs in research and development. The R&D projects received praise from the industry, government, and academia in Taiwan and won many domestic biotechnology awards. We have created a positive corporate image. As we pursue the Company's achievements and shareholders' interests in the future, we will also fulfill our corporate social responsibility, maintain a good corporate image, and pursue sustainable operation.

(VII) Expected benefits and possible risks in mergers and acquisitions (M&A) and countermeasures

The Company does not have any plans for acquisitions of other companies as of the publication date of the Annual Report. In the event of future mergers and acquisitions, the Company will follow the relevant laws and regulations and conduct a prudent evaluation of the benefits and control of risks in order to ensure both the Company's growth and the shareholders' interests, maximize profits, and minimize risks to the Company's overall operations.

(VIII) Expected benefits and potential risks of capacity expansion and response measures

The Company's subsidiary Medigen Vaccine Biologics Corporation set up a plant to produce vaccines and biologics in Hsinchu Biomedical Science Park. The plant meets PIC/S GMP vaccine production standards and can produce and supply vaccines with official commercialized products. The construction of a biopharmaceutical plant and related equipment requires capital and advanced technologies. The subsidiary has raised the necessary capital in the capital market and there are currently no risks of a shortage of capital. The Company will actively expand businesses to reduce the risks of inadequate utilization.

(IX) Risks associated with the concentration of inbound and outbound shipments and measures to address them:

The Company's main suppliers and customers are shown in the information disclosed in relevant chapters of the Annual Report. There have been no cases of over-concentration of sales in the last two years. In terms of vaccine products, as manufacturers of COVID-19 vaccine sell their products to the government of each country, the main customer of the subsidiary Medigen was the CDC of Taiwan. In terms of health and beauty products, we obtained six licenses from the TFDA of the Ministry of Health and Welfare in 2020 for the export of specialty pharmaceutical products and added a new Japanese OEM customer. The sales volume has grown steadily every year and the customer thus became one of the Company's top three customers. The subsidiary Winston will continue to develop new customers and new dosage products to disperse sales risks.

(X) Impacts and risks arising from major exchange or transfer of shares by Directors, Supervisors, or major shareholders with over ten percent of stake in the Company and countermeasures:

There has been no significant transfer of company shares by Directors, Supervisors, or major shareholders with over 10% of shares in the most recent year and up to the publication date of this Annual Report.

(XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations

There have been no changes in the administrative authority of the Company due to changes involving the shares held by Directors or major shareholder with more than 10% of shares in the past year and up to the date of report.

(XII) In terms of litigation or non-litigation matters, the Company and the Company's directors, supervisors, president, actual responsible person, shareholders holding more than 10% of the Company shares, and a subsidiary company who is involved in a major lawsuit that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or market prices of securities, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties currently involved in such litigations shall be disclosed:

1. Major litigation, non-litigation, or administrative events that have been determined by verdict of the court or are still pending, the results of which may have a significant impact on shareholders' equity or securities prices: None.
2. Directors, supervisors, general managers, responsible personnel, substantial shareholders and affiliates of the Company holding more than 10% of the shares, as well as litigation, non-litigation or administrative disputes that have been determined or are currently pending, with outcomes that may have a material impact on shareholders' equity or share prices:

(1) Ta Ching Construction Co., Ltd.:

The Ta Ching Xinyi Fudi apartment building in Tucheng District, New Taipei City was damaged in an earthquake on March 31, 2002. 49 residents including one surnamed Chen filed a lawsuit to Banqiao District Court on June 1, 2003, and claimed that defects in the apartment building delivered by Ta Ching Construction Co., Ltd. and Ta Hsiung Construction Co., Ltd. caused damaged to the plaintiffs who claimed compensation totaling NT\$84,798 thousand. Ta Ching Construction Co., Ltd. claimed that the plaintiffs converted what was originally a 5-floor building to a 7-floor building and modified the beams and columns. Therefore, the damage to the property was not entirely attributable to Ta Ching Construction Co., Ltd. The Supreme Court rendered a judgment rejecting the claim in Tai-Shang No. 402 in 2018. Although Ta Ching Construction Co., Ltd. was required to pay compensation for parts of the plaintiffs' losses, the case did not affect Medigen's finance or business and had no material adverse effect on Medigen.

(XIII) Other significant risks and response measures:

1. Long development duration of new drugs, high capital requirements, and no guarantee of success

The biopharmaceutical industry is characterized by high R&D expenditures, high risks, and a long industry value chain. The research, development, production, and commercialization of new drugs are strictly managed by laws and regulations in all countries. As a result, after the initial research and development of general biotech drugs in the laboratory, they must pass pre-clinical trials and human clinical trials, and obtain approval before they can be launched in the market. Based on the experience of foreign companies, it takes about 10 to 15 years to develop a new drug, but the success rate is only 2%. On average, only one out of 57 new drug development projects is marketed, and it takes more than US\$200 million in capital investment. Therefore, the research, development, and marketing of new drugs are distinct from other industries due to the high R&D expenditures and time-consuming R&D and production process. They incur high risks and take a very long time to develop. Continuous investments are also required and there is no guarantee of success.

Response strategies:

A. Make use of the resources of the domestic industry, government, and academic and research institutions

New drug development is divided into different stages, and the value increases as the drug approaches marketability. In fact, the later stages of new drug development require more resources, such as clinical trials, licensing partnerships, strategic alliances, and market planning. Therefore, it is suitable for the industry to take over and commit investments in the later stages. To encourage more companies to take over the development of new drugs, the Company needs to use the "professional coordination and division of labor mechanisms between industry, government, academia, and research" to accelerate and increase investments in upstream R&D, facilitate the creation of technologies, know-how, and other intellectual properties, and foster long-term product development.

B. Prioritize cases where clinical trials can begin after obtaining licensing

It takes 7 to 10 years or more from the start of animal tests to the end of phase III in the new drug development process. The risks are high, and the investment payback period is long. Therefore, when the Company obtains new drug licensing from foreign companies, we shall focus on cases that are ready for clinical trials, cases for which safety and tolerance tests have been conducted, and cases with lower risks of test subjects. Such cases offer a higher success rate and a shorter estimated investment payback period but incur higher royalty expenditures.

C. Financing in the capital market

The process of new drug development is long and risky and there is no guarantee of success. Continuous capital investments are also required. Before the product is successfully launched, company operations cannot pay for themselves and rely on continuous participation of shareholders in capital increases for support.

2. Strong lineup and intense competition of international biopharmaceutical plants

The global biopharmaceutical industry has become a highly competitive environment of globalization dominated by big players and characterized by shortened product life cycles and declining margins. Many small and medium biotech companies are struggling to operate in a more competitive environment due to the financial strength and competitiveness of large international companies. The new drugs and molecular diagnostic products currently developed by the Company face competition mostly from Western companies, which offer critical technologies and high quality. They have strong brand recognition and market resources, and it is difficult for new biotech companies to counter their influence.

Response strategies:

A. Upstream breakthrough for reducing dependency on international new drugs

It is difficult for Taiwan's biotech industry to compete with advanced countries in the development of molecules and proteins in Western pharmaceuticals. Most of the new drug manufacturers in Taiwan rely on obtaining licenses from foreign countries and conducting clinical trials in Taiwan in arrangements for sharing rights and obligations. The biggest obstacle is obtaining licensing for high-performing new drugs. To overcome this dilemma, we have decided to move forward to the source of new drug development to reduce our dependence on foreign sources.

B. Clarify the focus and target of product development

The Company's new drug development platform focuses on "liver" and "cancer", and the primary target is the development of new drugs and technologies for liver cancer. The Company targets liver cancer because the domestic academia has completed significant amounts of research in liver cancer due to the government's support for research on common diseases of citizens in recent years. The academic achievements and potential are used as the basis for the project to increase the probability of success of the project. The incidence of liver cancer in Asian populations is several times higher than that of Western populations. By contrast, liver cancer does not make the top ten list of deaths caused by cancer in Western populations. There is less incentive for Western pharmaceutical companies and biotech companies to develop such drugs and the Company should be able to effectively differentiate itself from foreign pharmaceutical or biotech companies. In terms of the molecular diagnostic technology platform, the Company prioritizes the

development of Human Leukocyte Antigen (HLA) as a niche product with less intensive competition compared to other products. In addition, we choose emerging countries including Taiwan, China, and Southeast Asia as the main niche markets and use our advantages in operations in Taiwan to reduce operating costs, develop competitive products, and increase the Company's competitiveness. As for cell therapy technologies, the Ministry of Health and Welfare relaxed regulations in 2018 to allow autologous immunotherapy. Before the regulations were relaxed, the Company integrated the Group's experience in clinical trials, molecular diagnostics, and cell cultivation plants to set up a comprehensive system. The Company can start with front-end therapeutic assessments and improve the effectiveness of immunotherapy. We can also work closely with medical institutions to provide patients with high-quality treatment and services.

C. Cultivation of professional talents and high-quality R&D team

After confirming the strategy for new drug development, the Company requires the participation of several experts in actual research and development, including design, composition, pharmacology, pharmacokinetics, pharmacochimistry, and toxicology, as well as talents skilled in multiple disciplines such as patents, law, and markets. Taiwan has more comprehensive talents for pharmacokinetics, pharmacology, and pharmaceutical patents and abundant R&D talents. The Company thus established a comprehensive team for new drug deployment. In addition, the Company has accumulated related knowledge in liver cancer research during the design and implementation of the PI-88 clinical trials. When implementing the new drug program, the Company also integrates the resources of different entities and appoints the most suitable academic or medical institution to form partnerships. We develop and cultivate talents to form a comprehensive new drug development team which significantly increases our international competitiveness.

3. The Company implements information security risk assessment and analysis and is required to disclose response measures if major operational risks are identified in the assessment.

To ensure the stability and security of operations and businesses, the Company will continue to strengthen the infrastructure and prepare and rehearse emergency response plans. The Group has completed upgrades for the internal and external firewall, VPN connection system, and backup platform. In response to the COVID-19 pandemic, the Company seeks to increase the stability of business operations and reduce the risks of infections of employees during commutes or operations. All employees can use VPN encrypted connection to successfully work from home without being affected by measures for quarantine at home or isolation for epidemic prevention.

Based on the aforementioned assessment, the Group's information security risks remain within control and should not pose significant operational risks.

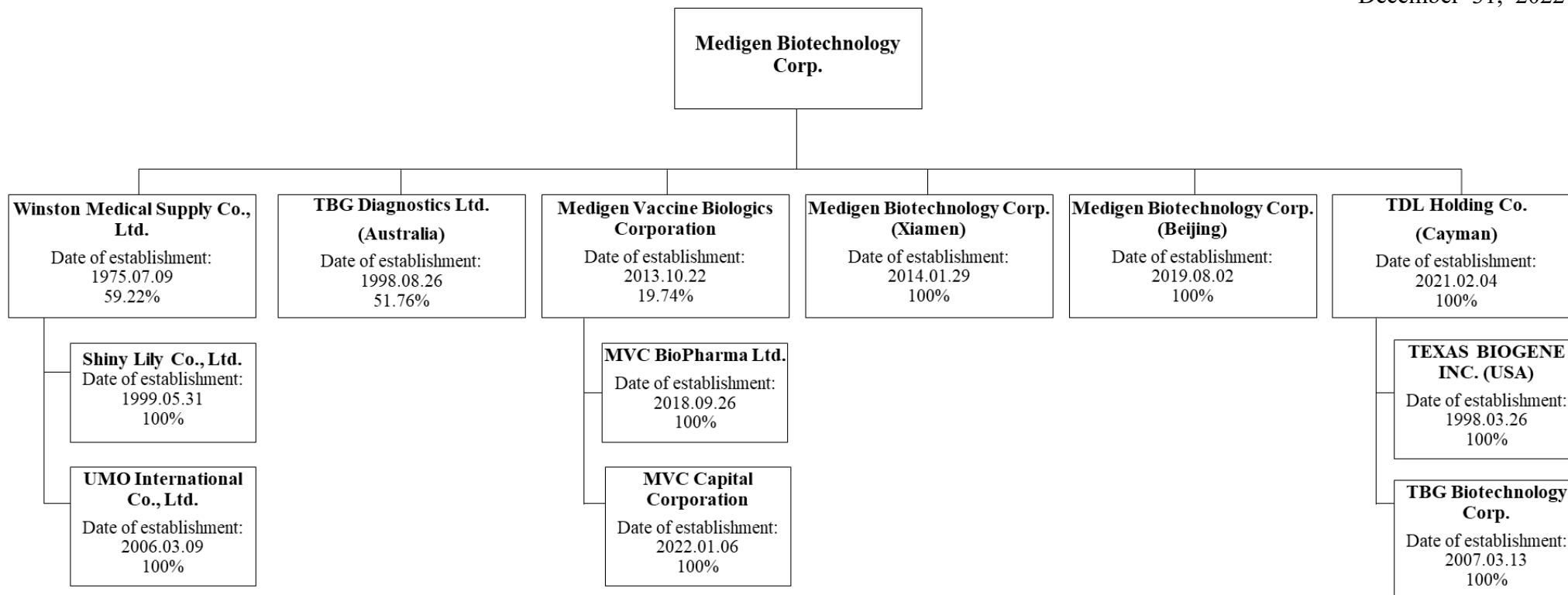
VII. Other Critical Matters: None.

Chapter 8 Special Notes

I. Profiles of Affiliates:

1. Organization Chart of Affiliates

December 31, 2022



2. Basic information of each affiliate

Company name	Date of establishment	Address	Paid-in capital	Main businesses (Note 1)	Transactions and division of work with affiliates (Note 2)
TBG Diagnostics Ltd.(Australia)	1989/09/26	Level 18, 101 Collins St., Melbourne VIC, 3000 Australia	AUD 195,270 thousand	Research, development, production, and sales of test kits	Research and development of test kits overseas
TDL Holding Co.(Cayman)	2021/02/04	71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.	48,430	Investment holding	N/A
Medigen Vaccine Biologics Corporation	2013/10/22	Hsinchu Science Park No. 68, Shengyi 3rd Rd., Zhubei City, Hsinchu County, Taiwan	NT\$3,278,399 thousand	Research, development, retail, and wholesale of vaccines	N/A
Winston Medical Supply Co., Ltd.	1975/07/09	No. 117, Ren'ai Street, Yanzhou Village, Yongkang District, Tainan City, Taiwan	NT\$184,170 thousand	Production and sales of generic drugs	OEM of health and beauty products
Medigen Biotechnology Corp. (Xiamen)	2014/01/29	4F-2, Building 3, No. 2004, Wengjiao West Road, Haigang District, Xiamen, People's Republic of China	NT\$3,026 thousand	New drug marketing	N/A
Medigen Biotechnology Corp. (Beijing)	2019/08/02	3F, No. 101, West Sihuan South Road, Fengtai District, Beijing, People's Republic of China	NT\$182,686 thousand	Investment holding	N/A
Texas BioGene, Inc.	1998/03/26	1107 Kenshire Lane, Richardson, TX 75081	NT\$22,387 thousand	Research and development of test kits	Research and development of test kits overseas

Company name	Date of establishment	Address	Paid-in capital	Main businesses (Note 1)	Transactions and division of work with affiliates (Note 2)
TBG Biotechnology Corp.	2007/03/13	13F-1, No. 237, Sec. 1, Datong Road, Xizhi District, New Taipei City	NT\$200,000 thousand	Research, development, production, and sales of test kits	Research, development, production, and sales of HLA test kits
UMO International Co., Ltd.	2006/03/09	14F, Building F, No. 3, Yuanqu Street, Nangang District, Taipei City, Taiwan	NT\$10,000 thousand	Sales of health and beauty products	N/A
Shiny Lily Co., Ltd.	1999/05/31	No. 95, Xiannan Street, South District, Tainan City, Taiwan	NT\$3,000 thousand	Sales of drugs	Sales of generic drugs
MVC BioPharma Ltd.	2018/09/26	Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman, KY1-1208, Cayman Islands	USD 50 thousand	Holding	N/A
MVC Capital Corporation	2022/01/06	7F, No. 16, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City	NT\$200,000 thousand	Investment holding	N/A

Note 1: Overall businesses covered by affiliates.

Note 2: Explain the distribution of work if the businesses covered by affiliates are interconnected.

3. Controlling and subordinate companies with identical shareholders: None.

4. Information on directors, supervisors, and general managers of affiliates:

Unit: Thousand shares

Company name	Title	Name or representative	Shares held directly by Medigen	
			Number of Shares	Shareholding Percentage
TBG Diagnostics Ltd. (Australia)	Director	Shi-Chung Chang	112,616	51.76%
TDL Holding Co. (Cayman)	Director	Shi-Chung Chang	1,701	100%
Medigen Vaccine Biologics Corporation	Chairman	Medigen Biotechnology Corp. Representative: Ming-Cheng Chang	64,729	19.74%
Winston Medical Supply Co., Ltd.	Chairman	Medigen Biotechnology Corp. Representative: Shi-Chung Chang	10,906	59.22%
Medigen Biotechnology Corp. (Xiamen)	Legal Representative	Medigen Biotechnology Corp. Representative: Shi-Chung Chang	—	100%
Medigen Biotechnology Corp. (Beijing)	Chairman	Shi-Chung Chang	—	100%
Texas BioGene, Inc.	—	—	0	0%
TBG Biotechnology Corp.	Chairman	TDL Holding Co. Representative: Shi-Chung Chang	0	0%
UMO International Co., Ltd.	Chairman	Winston Medical Supply Co., Ltd. Representative: Shi-Chung Chang	0	0%
Shiny Lily Co., Ltd.	Director	Winston Medical Supply Co., Ltd. Representative: Shi-Chung Chang	0	0%
MVC BioPharma Ltd.	Director	Shi-Chung Chang	0	0%
MVC Capital Corporation	—	—	0	0%

5. Operations overview of affiliates:

December 31, 2022; Unit: NT\$ thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit and loss	Income for the current period
TBG Diagnostics Ltd. (Australia)	AUD 195,270	152,487	3,349	149,138	84,744	(23,929)	(248,241)
TDL Holding Co.	48,430	84,514	0	84,514	0	(174)	(5,648)
Medigen Vaccine Biologics Corporation	3,278,399	7,347,689	2,318,684	5,029,005	365,042	(1,536,072)	(1,476,167)
Winston Medical Supply Co., Ltd.	184,170	651,751	290,077	361,674	577,392	129,831	110,126
Medigen Biotechnology Corp. (Xiamen)	3,026	2,543	0	2,543	0	87	91
Medigen Biotechnology Corp. (Beijing)	182,686	102,250	16	102,234	0	374	(28,431)
Texas BioGene, Inc.	22,387	169	0	169	0	(59)	(59)
TBG Biotechnology Corp.	200,000	119,012	69,622	49,390	6,441	(9,782)	(8,579)
UMO International Co., Ltd.	10,000	70,121	52,810	17,311	51,799	6,049	5,813
Shiny Lily Co., Ltd.	3,000	3,924	627	3,297	1,816	65	29
MVC BioPharma Ltd.	USD50	3,510	0	3,510	0	(91)	(83)
MVC Capital Corporation	200,000	282,152	0	282,152	0	(102)	(74)

6. Information on endorsements, loans to others, and derivative transactions of affiliates:

December 31, 2022; Unit: NT\$ thousand

Lender	Borrower	Highest balance in the current year	Ending balance	Actual drawdown	Interest rate range	Nature of loan	Limit on loans granted to a single entity	Limit on total loans
TBG Biotechnology Corp.	TBG Biotechnology Corp. (Xiamen)	4,281	0	0	1%	Working capital for operations	4,939	19,756

Medigen Biotechnology Corp. (Beijing)	TBG Biotechnology Corp. (Xiamen)	5,686	8,816	0	3.5%	Working capital for operations	9,947	39,787
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7. Consolidated Financial Statement of Affiliates

We hereby state that the companies that should be included in the 2022 (January 1, 2022 to December 31, 2022) consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to the companies that should be included in the consolidated financial statements of the parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10, and the information that should be disclosed in the consolidated financial statements of affiliates has been duly disclosed in the aforesaid consolidated financial statements of the parent company and subsidiaries (refer to Attachment A). The Company is therefore not required to prepare separate consolidated financial statements of affiliates.

8. Consolidated Business Reports from Affiliated Companies:

The Company is not a subordinate company of controlled or deemed as controlled by another company and is therefore not required to prepare an affiliation report.

II. Private Placement of Marketable Securities for 2022 and as of the Date of the Annual Report: None.

III. Shares of the Company Held or Disposed of by Subsidiaries in 2022 up to the Publication Date of this Annual Report: None.

IV. Other Necessary Supplemental Information:

The Company has not yet completed the following commitments for listing on TPEX

TPEX listing commitments	Implementation of commitments
<p>1. The Company is committed to adding to the "Regulations Governing the Acquisition and Disposal of Assets" the condition that "the Company may not abstain from future annual capital increases of TDL Holding Co. (hereinafter referred to as TDL Cayman); TDL Cayman may not abstain from future capital increase of Texas Biogene, Inc. and TBG Biotechnology Corp. If the Company is required to abstain from capital increase or dispose of shares of the aforementioned companies in the future due to strategic alliance considerations or with the approval of Taipei Exchange, a special resolution shall be required in the meeting of the Board of Directors of Medigen Biotech Corp." If the regulations are amended in the future, the results shall be entered as material information on the Market Observation Post System and reported to Taipei Exchange for registration.</p>	<p>The Company has amended the Regulations Governing the Acquisition and Disposal of Assets in the meeting of the Board of Directors on March 27, 2012, and the amendment was passed in the shareholders' meeting on June 28, 2012.</p> <p>The Company's Board of Directors passed a special resolution on April 30, 2015 for the transfer of all shares of TBG Cayman to the shares of Progen, a company listed in Australia. TBG Cayman and its subsidiaries thus become subsidiaries and affiliates of Progen. The merger and acquisition were completed on January 29, 2016 and announced on the Market Observation Post System. Although fundraising is included in the case, as the entity is Progen and not TBG Cayman, the commitment does not apply.</p>
<p>2. The shares held by the Company's Directors, Supervisors, shareholders with more than 5% of shares, or shareholders with special technical capital who are employed by the Company and hold at least 0.5% or 100,000 shares of the Company's total issued shares at the time of application for listing on TPEX shall be placed in central custody (hereinafter</p>	<p>The shares held by the Company's Directors, Supervisors, shareholders with more than 5% of shares, or shareholders with special technical capital who are employed by the Company and hold at least 0.5% or 100,000 shares of the Company's total issued shares at the time of application for listing on TPEX have</p>

TPEX listing commitments	Implementation of commitments
<p>referred to as the central custody regulation) in accordance with related regulations in Article 3, Paragraph 1, Subparagraph 4 of the "Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX". In addition, they must also pledge that they may only recover half of their shares placed under central custody six months after the Company's new liver cancer drug PI-88 completes the new drug application (NDA), and that they may only recover the remaining shares placed under central custody one year after the NDA.</p>	<p>been placed in central custody in accordance with related regulations in Article 3, Paragraph 1, Subparagraph 4 of the "Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX". The relevant statements have also been submitted.</p>

- V. Corporate Events with Material Impact on Shareholders' Equity or Securities Prices Set Forth in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act in the Most Recent Year and up to the Publication Date of this Annual Report: None.

**Appendix A. Financial Statements for 2022 Audited by a
Certified Public Accountant**

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of MEDIGEN BIOTECHNOLOGY CORPORATION (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2022 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of MEDIGEN BIOTECHNOLOGY CORPORATION and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, MEDIGEN BIOTECHNOLOGY CORPORATION does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

MEDIGEN BIOTECHNOLOGY CORPORATION

By

Chang, Shi-Chung, Chairman

March 30, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Medigen Biotechnology Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Medigen Biotechnology Corp. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the 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. 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 Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Existence of sales revenue from major customer

Description

Refer to Note 4(28) for accounting policies on revenue recognition, and Note 6(21) for details of operating revenue account.

The Group's consolidated subsidiary, WINSTON MEDICAL SUPPLY CO., LTD., is engaged in the sales of generic drug and aesthetic medicine products, and has a large number of customers including hospitals, clinics, pharmacies, medicine companies and channel vendors in the country. As the revenue from major customers for the current year was significant, and revenue has a high inherent risk in nature, we considered the existence of sales revenue from major customers a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood, assessed and performed sampling test on the consistency and effectiveness of internal controls over sales revenue recognition from major customers, such as inspecting customers' credit data, controls of credit facility, basis of sales revenue recognition and collection procedures.
2. Obtained the basic information of sales revenue from major customers, including the representative and major shareholders, establishment address, capital amount, primary operating items, and confirmed the reality of major customers and the reasonableness of transactions.
3. Obtained details of revenue from major customers in the current year, performed sampling test on related contracts, orders, delivery documents, invoice and collections, etc. in order to confirm whether the transactions indeed occurred.
4. Performed sampling test and examined whether the subsequent sales returns and discounts and subsequent collection were abnormal.

Realisability assessment of deferred income tax assets

Description

Refer to Note 4(25) for accounting policies on income taxes, Note 5(2) for accounting estimates and assumptions of deferred income tax assets, and Note 6(28) for details of significant accounting items of deferred income tax assets.

As of December 31, 2022, the Group had deferred income tax assets generated from the tax credit and loss carry forwards applicable for Act for the Development of Biotech and Pharmaceutical Industry in the amount of NT\$ 308,614 thousand.

The Group assesses the realisability of deferred income tax assets by using expected future sales revenue growth rate, gross profit rate, usable tax credit and other assumptions. As these assumptions contain a high degree of uncertainty and involves managements' significant accounting judgement and estimates, Thus, we considered the realisability assessment of deferred income tax a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on managements' estimation procedures and basis of the Group's financial forecast of future operations.
2. Discussed financial forecast of future operations with management, and compared with historical results for the reasonableness.
3. Reviewed the reasonableness of sales revenue growth rate, gross profit rate and other significant assumptions used by management, and whether the usable tax credit was met with related regulations, and examined the accuracy of tax credit amount.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

Description

Refer to Note 4(18) for accounting policies on non-financial assets impairment, Note 5(2) for accounting estimates and assumptions of impairment assessment of property, plant and equipment, right-of-use assets and intangible assets, Notes 6(9) and 6(10) for details of property, plant and equipment and right-of-use assets, and Note 6(11) for details of intangible assets.

As described in Note 6(9) to 6(11), as at December 31, 2022, the carrying amount of the Group's property, plant and equipment, right-of-use assets and intangible assets amounted to NT\$2,310,756 thousand, constituting 23% of the consolidated total assets.

Some of the Group's operating entities assesses the recoverable amount using value in use. As the assessment of cash-generating units involves management's subjective judgement, including the estimation of future cash flows and discount rate, the aforementioned assumptions contain a high degree of uncertainty, and the estimated results have a significant impact on the valuation of value in use, we considered the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the reasonableness of the Group's cash-generating units' future cash flows estimation procedures.
2. Discussed financial forecast of future operations with management, and compared with historical results for the reasonableness.
3. Reviewed the reasonableness of sales revenue growth rate, gross profit rate and other significant assumptions used by management, as well as the parameters of discount rate used, including the reasonableness of the risk-free rate for cost of equity capital, industry risk coefficient and the rate of return of similar assets in the market.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of inventory.

As described in Note 6(6), as at December 31, 2022, the Group's inventory and allowance for inventory valuation losses amounted to NT\$1,206,484 thousand and NT\$513,869 thousand, respectively, constituting 7% of the consolidated total assets.

Some of the Group's operating entities are primarily engaged in the manufacture and sales of vaccines, generic drugs and aesthetic medicine products. Such inventories are subject to normal depletion, obsolescence or lack of market value, thus there is a risk of inventory valuation loss or obsolescence. Inventories are measured at the lower of cost and net realisable value. The net realisable value is identified using the item by item approach. Taking into consideration that the amounts of inventory and allowance for inventory valuation loss have a significant impact on the financial statements and the determination of net realizable value at the balance sheet date is subject to management's judgement and estimation, we considered the assessment of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Company's operations and industry nature and assessed the provision policy on allowance for inventory valuation loss.
2. Obtained an understanding of the warehouse management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Verified the accuracy of inventory age attribution to ensure the consistency in the report statement information and its policies.
4. Tested the report statement used in the inventory valuation and assessed the adequacy of allowance for inventory valuation loss.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Medigen Biotechnology Corp. as at and for the years ended December 31, 2022 and 2021.

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 the international Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 are responsible for overseeing the Group'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 Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Juanlu, Man-Yu

Lin, Ya-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2023

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

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

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,040,633	20	\$ 2,144,580	26
1110	Financial assets at fair value through profit or loss - current	6(2)	54,225	-	53,599	1
1136	Current financial assets at amortised cost, net	6(4)	2,979,940	30	800,000	10
1140	Current contract assets	6(21)	8,638	-	347,785	4
1150	Notes receivable, net	6(5)	120,042	1	57,126	1
1170	Accounts receivable, net	6(5)	263,919	3	380,272	5
1180	Accounts receivable due from related parties, net	7	5,715	-	15,037	-
1200	Other receivables	6(30)	8,253	-	6,935	-
1210	Other receivables due from related parties	7	41	-	4,353	-
130X	Inventory	6(6)	692,615	7	752,874	9
1470	Other current assets	6(7), 7 and 8	558,805	6	355,721	4
11XX	Current Assets		<u>6,732,826</u>	<u>67</u>	<u>4,918,282</u>	<u>60</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	205,634	2	54,000	1
1550	Investments accounted for using equity method	6(8)	101,696	1	309,711	4
1600	Property, plant and equipment	6(9) and 8	1,918,498	19	1,995,830	24
1755	Right-of-use assets	6(10)	279,186	3	193,501	2
1780	Intangible assets	6(11)	113,072	1	124,250	2
1840	Deferred income tax assets	6(28)	480,938	5	522,175	6
1900	Other non-current assets	8	150,424	2	81,745	1
15XX	Non-current assets		<u>3,249,448</u>	<u>33</u>	<u>3,281,212</u>	<u>40</u>
1XXX	Total assets		<u>\$ 9,982,274</u>	<u>100</u>	<u>\$ 8,199,494</u>	<u>100</u>

(Continued)

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(12) and 8	\$ 328,000	3	\$ 300,000	4
2130	Current contract liabilities	6(21) and 7	130,398	1	244,423	3
2150	Notes payable		34,771	-	44,494	1
2170	Accounts payable		150,238	2	119,442	1
2200	Other payables		319,394	3	308,034	4
2280	Current lease liabilities		13,126	-	3,317	-
2320	Long-term liabilities, current portion	6(13) and 8	28,862	-	21,340	-
2399	Other current liabilities		47,534	1	23,855	-
21XX	Current Liabilities		<u>1,052,323</u>	<u>10</u>	<u>1,064,905</u>	<u>13</u>
Non-current liabilities						
2500	Non-current financial liabilities at fair value through profit or loss	6(2)	19,250	-	-	-
2530	Bonds payable	6(14)	1,677,850	17	-	-
2540	Long-term borrowings	6(13) and 8	451,307	5	470,772	6
2570	Deferred income tax liabilities	6(28)	14,241	-	14,348	-
2580	Non-current lease liabilities		275,319	3	196,638	3
2640	Net defined benenit liability, non-current	6(15)	10,691	-	10,833	-
2670	Other non-current liabilities		10,280	-	15,894	-
25XX	Non-current liabilities		<u>2,458,938</u>	<u>25</u>	<u>708,485</u>	<u>9</u>
2XXX	Total Liabilities		<u>3,511,261</u>	<u>35</u>	<u>1,773,390</u>	<u>22</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(17)	1,394,463	14	1,393,625	17
3140	Advance receipts for share capital		-	-	225	-
Capital surplus						
3200	Capital surplus	6(16)(18)(30)	1,561,666	15	1,108,539	13
Accumulated deficit						
3350	Accumulated deficit		(727,979)	(7)	(52,817)	(1)
Other equity interest						
3400	Other equity interest	6(20)	(34,123)	-	(55,184)	-
31XX	Equity attributable to owners of the parent		<u>2,194,027</u>	<u>22</u>	<u>2,394,388</u>	<u>29</u>
36XX	Non-controlling interest		<u>4,276,986</u>	<u>43</u>	<u>4,031,716</u>	<u>49</u>
3XXX	Total equity		<u>6,471,013</u>	<u>65</u>	<u>6,426,104</u>	<u>78</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 9,982,274</u>	<u>100</u>	<u>\$ 8,199,494</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 1,055,947	100	\$ 3,922,012	100
5000	Operating costs	6(6)(26)(27)	(968,487)	(92)	(1,370,698)	(35)
5900	Net operating margin		87,460	8	2,551,314	65
5920	Realized profit from sales	6(8)	-	-	1,362	-
5950	Net operating margin		87,460	8	2,552,676	65
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(160,752)	(15)	(93,259)	(2)
6200	General and administrative expenses		(241,554)	(23)	(283,347)	(7)
6300	Research and development expenses		(1,330,997)	(126)	(1,407,360)	(36)
6450	Impairment (loss) profit determined in accordance with IFRS 9	12(2)	(21,133)	(2)	20,494	-
6000	Total operating expenses		(1,754,436)	(166)	(1,763,472)	(45)
6900	Operating (loss) profit		(1,666,976)	(158)	789,204	20
	Non-operating income and expenses					
7100	Interest income	6(22) and 7	8,883	1	3,160	-
7010	Other income	6(23)	75,863	7	447,721	11
7020	Other gains and losses	6(24)	11,283	1	14,216	-
7050	Finance costs	6(25)	(39,453)	(3)	(19,068)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(8)	(262,213)	(25)	(98,799)	(2)
7000	Total non-operating income and expenses		(205,637)	(19)	347,230	9
7900	Loss (profit) before income tax		(1,872,613)	(177)	1,136,434	29
7950	Income tax expense	6(28)	(58,874)	(6)	(65,733)	(1)
8200	(Loss) profit for the year		<u>(\$ 1,931,487)</u>	<u>(183)</u>	<u>\$ 1,070,701</u>	<u>28</u>

(Continued)

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial losses on remeasurements of defined benefit plan	6(15)			
			(\$ 614)	-	(\$ 400) -
8316	Unrealised gain (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)			
			82,225	8	(21,129) (1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)(28)			
			122	-	2,267 -
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss				
			81,733	8	(19,262) (1)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(20)			
			(1,266)	-	(13,703) -
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(28)			
			6	-	1,447 -
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
			(1,260)	-	(12,256) -
8300	Total other comprehensive income (loss) for the year		<u>\$ 80,473</u>	<u>8</u>	<u>(\$ 31,518) (1)</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 1,851,014)</u>	<u>(175)</u>	<u>\$ 1,039,183 27</u>
Profit (loss), attributable to:					
8610	Owners of the parent		<u>(\$ 675,874)</u>	<u>(64)</u>	<u>(\$ 52,614) (1)</u>
8620	Non-controlling interest		<u>(\$ 1,255,613)</u>	<u>(119)</u>	<u>\$ 1,123,315 29</u>
Comprehensive income attributable to:					
8710	Owners of the parent		<u>(\$ 658,955)</u>	<u>(62)</u>	<u>(\$ 67,355) (1)</u>
8720	Non-controlling interest		<u>(\$ 1,192,059)</u>	<u>(113)</u>	<u>\$ 1,106,538 28</u>
Basic and diluted loss per share					
9750	Basic and diluted loss per share	6(29)	<u>(\$ 4.86)</u>		<u>(\$ 0.38)</u>

The accompanying notes are an integral part of these consolidated financial statements.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Notes	Equity attributable to owners of the parent														Non-controlling interest	Total equity
	Capital		Capital Reserves						Equity interest					Total		
	Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Capital surplus, changes in ownership interests in subsidiaries	Employee stock warrants	Capital surplus, restricted stock	Capital surplus, others	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity, others				
2021																
Balance at January 1	\$ 1,389,856	\$ 1,130	\$ 3,317	\$ 325,954	\$ 472,376	\$ 18,567	\$ 15,591	\$ 265,503	(\$ 631,375)	(\$ 5,161)	(\$ 26,603)	(\$ 13,737)	\$ 1,815,418	\$ 2,684,052	\$ 4,499,470	
(Loss) profit for the year	-	-	-	-	-	-	-	-	(52,614)	-	-	-	(52,614)	1,123,315	1,070,701	
Other comprehensive loss	6(20)	-	-	-	-	-	-	-	(203)	(5,789)	(8,749)	-	(14,741)	(16,777)	(31,518)	
Total comprehensive income	-	-	-	-	-	-	-	-	(52,817)	(5,789)	(8,749)	-	(67,355)	1,106,538	1,039,183	
Capital surplus used to offset accumulated deficit	6(19)	-	-	-	(325,954)	(39,918)	-	(265,503)	631,375	-	-	-	-	-	-	
Changes in ownership interests in subsidiaries	6(16)(30)	-	-	-	-	18,424	-	-	-	-	-	-	18,424	111,070	129,494	
Changes in equity of associates accounted for using equity method, net	6(8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Issuance of new shares due to the exercise of stock options by employees	6(17)	3,769	(905)	14,109	-	(5,701)	-	-	166,581	-	-	-	166,581	110,280	276,861	
Compensation costs of employee stock options	6(16)	-	-	-	-	-	3,727	-	-	-	-	-	3,727	-	3,727	
Compensation cost of restricted stocks	6(16)(20)	-	-	-	-	-	-	-	-	-	-	4,855	4,855	-	4,855	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(30)	-	-	-	441,466	-	-	-	-	-	-	-	441,466	42,308	483,774	
Change in non-controlling interests	4(3)	-	-	-	-	-	-	-	-	-	-	-	-	(22,532)	(22,532)	
Balance at December 31	<u>\$ 1,393,625</u>	<u>\$ 225</u>	<u>\$ 17,426</u>	<u>\$ 441,466</u>	<u>\$ 450,882</u>	<u>\$ 16,593</u>	<u>\$ 15,591</u>	<u>\$ 166,581</u>	<u>(\$ 52,817)</u>	<u>(\$ 10,950)</u>	<u>(\$ 35,352)</u>	<u>(\$ 8,882)</u>	<u>\$ 2,394,388</u>	<u>\$ 4,031,716</u>	<u>\$ 6,426,104</u>	
2022																
Balance at January 1	\$ 1,393,625	\$ 225	\$ 17,426	\$ 441,466	\$ 450,882	\$ 16,593	\$ 15,591	\$ 166,581	(\$ 52,817)	(\$ 10,950)	(\$ 35,352)	(\$ 8,882)	\$ 2,394,388	\$ 4,031,716	\$ 6,426,104	
Loss for the year	-	-	-	-	-	-	-	-	(675,874)	-	-	-	(675,874)	(1,255,613)	(1,931,487)	
Other comprehensive income (loss)	6(20)	-	-	-	-	-	-	-	712	(24)	16,231	-	16,919	63,554	80,473	
Total comprehensive income	-	-	-	-	-	-	-	-	(675,162)	(24)	16,231	-	(658,955)	(1,192,059)	(1,851,014)	
Changes in ownership interests in subsidiaries	6(16)(30)	-	-	-	-	90,834	-	-	-	-	-	-	90,834	1,400,890	1,491,724	
Changes in equity of associates accounted for using equity method, net	6(8)	-	-	-	-	-	-	15,126	-	-	-	-	15,126	(19,494)	(4,368)	
Issuance of new shares due to the exercise of stock options by employees	6(17)	838	(225)	2,748	-	(951)	-	-	-	-	-	-	2,410	-	2,410	
Compensation costs of employee stock options	6(16)	-	-	-	-	-	1,603	-	-	-	-	-	1,603	-	1,603	
Compensation cost of restricted stocks	6(16)(20)	-	-	-	-	-	-	-	-	-	-	4,854	4,854	-	4,854	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(30)	-	-	-	378,040	-	-	-	-	-	-	-	378,040	51,702	429,742	
Effects from organisation structure adjustment of the Group	4(3)	-	-	(34,273)	-	-	-	-	-	-	-	-	(34,273)	34,273	-	
Change in non-controlling interests	4(3)	-	-	-	-	-	-	-	-	-	-	-	-	(30,042)	(30,042)	
Balance at December 31	<u>\$ 1,394,463</u>	<u>\$ -</u>	<u>\$ 20,174</u>	<u>\$ 785,233</u>	<u>\$ 541,716</u>	<u>\$ 17,245</u>	<u>\$ 15,591</u>	<u>\$ 181,707</u>	<u>(\$ 727,979)</u>	<u>(\$ 10,974)</u>	<u>(\$ 19,121)</u>	<u>(\$ 4,028)</u>	<u>\$ 2,194,027</u>	<u>\$ 4,276,986</u>	<u>\$ 6,471,013</u>	

The accompanying notes are an integral part of these consolidated financial statements.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 1,872,613)	\$ 1,136,434
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(9)(26)	157,477	156,387
Depreciation charges on right-of-use assets	6(10)(26)	19,777	8,950
Amortisation expense	6(11)(26)	14,392	33,091
Excepted credit loss (gain)	12(2)	21,133	(20,494)
Net loss on financial assets and liabilities at fair value through profit or loss	6(2)(24)	16,649	101
Interest expense	6(25)	12,386	13,161
Interest expense on lease liabilities	6(10)(25)	7,712	5,907
Interest expense on corporate bonds	6(25)	19,355	-
Interest income	6(22)	(8,850)	(3,081)
Other interest income	6(22)	(33)	(79)
Share-based payments	6(16)(27)	82,066	77,397
Losses on disposals of property, plant and equipment	6(9)(24)	-	250
Loss (gain) on disposals of investments	6(2)(24)	7	(61)
Gain arising from lease modifications	6(24)	(4)	-
Gain on disposal of investments accounted for using equity method	6(24)	-	(10,964)
Share of loss of subsidiary - associates and joint ventures accounted for using equity method	6(8)	262,213	98,799
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(832)	561
Current contract assets		339,147	(343,745)
Notes receivable		(62,916)	13,067
Accounts receivable		117,664	(299,087)
Accounts receivable due from related parties		(13,122)	(7,999)
Other receivables		(1,134)	678
Other receivables due from related parties		4,312	5,136
Inventory		60,291	(429,015)
Other current assets		(194,340)	(193,312)
Changes in operating liabilities			
Current contract liabilities		(114,025)	130,503
Notes payable		(9,723)	106
Accounts payable		30,796	67,869
Accounts payable to related parties		-	(14,040)
Other payables		(7,083)	118,765
Other current liabilities		15,821	(2,303)
Net defined benefit liability, non-current		(142)	(507)
Cash (outflow) inflow generated from operations		(1,103,619)	542,475
Interest received		8,850	3,081
Interest paid		(20,098)	(19,068)
Income taxes paid		(23,352)	(8,370)
Net cash flows (used in) from operating activities		(1,138,219)	518,118

(Continued)

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 69,409)	(\$ 54,000)
Acquisition of financial assets at amortised cost		(2,979,940)	(1,900,000)
Proceeds from repayments of financial assets at amortised cost		800,000	1,100,000
Acquisition of property, plant and equipment	6(31)	(54,875)	(130,501)
Proceeds from disposal of property, plant and equipment	6(31)	-	126,000
Decrease (increase) in refundable deposits		3,658	(5,741)
Acquisition of intangible assets	6(11)	(3,214)	(1,591)
Increase in prepayments for business facilities		(93,281)	(12,456)
Decrease in restricted assets, current		(8,198)	(6,510)
Acquisition of investments accounted for using equity method		(30,127)	(20,911)
Proceeds from disposal of investments accounted for using equity method		-	23,003
Increase in prepayments for investments		(17,731)	(27,795)
Net cash flows used in investing activities		(2,453,117)	(910,502)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(32)	308,000	370,000
Repayments of short-term borrowings	6(32)	(280,000)	(545,000)
Proceeds from issuing bonds	6(14)	1,755,250	-
Repayments of long-term borrowings	6(32)	(11,943)	(15,651)
Payments of lease liabilities	6(32)	(16,968)	(6,834)
Exercise of employee share options		2,410	11,272
Increase (decrease) in guarantee deposits received		3,310	(654)
Disposal of ownership interests in subsidiaries (without losing control)	6(30)	434,264	480,073
Proceeds from non-controlling interest participated in subsidiaries cash capital increase	6(30)	1,326,185	60,679
Cash dividends to non-controlling interests	4(3)	(30,042)	(22,532)
Net cash flows from financing activities		3,490,466	331,353
Effect of exchange rate changes		(3,077)	(964)
Net decrease in cash and cash equivalents		(103,947)	(61,995)
Cash and cash equivalents at beginning of year		2,144,580	2,206,575
Cash and cash equivalents at end of year		\$ 2,040,633	\$ 2,144,580

The accompanying notes are an integral part of these consolidated financial statements.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organisation

Medigen Biotechnology Corporation (the “Group”) was incorporated as a Group limited by shares under the provisions of the Group Act of the Republic of China (R.O.C.). The Group and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research and development of new drugs and vaccines, cytotherapy, advanced nucleic acid testing, generic drugs, aesthetic medicine products and the production and sale of vaccine-related products. The Group’ shares were listed in the Taipei Exchange starting from November 2011.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 30, 2023.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of

the consideration paid or received is recognised directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	TBG Diagnostics Limited.	Biotechnology service and retail and wholesale business of medical instrument	51.76	51.76	Note 2
The Company	TDL Holding Co.	Investment business	100	-	Note 4
The Company	Medigen Vaccine Biologics Corporation	Research and development and wholesale business of vaccines and biopharmaceutical, and retail and wholesale business of medical	19.74	20.96	Note 1
The Company	WINSTON MEDICAL SUPPLY CO., LTD.	Manufacturing and marketing of chemistry medicine, ophthalmic anti-infectives, aesthetic medicine, dietary supplement and other medicines and products	59.22	59.22	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	Medigen Biotechnology (Xiamen) Corporation	Research and development of clinical new medicine, supports of production technology and consult of related technology and after-sale service	100	100	
The Company	Medigen Biotechnology (Beijing) Corporation	Investment business	100	100	
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Investment business	100	100	
Medigen Vaccine Biologics Corporation	Medigen Capital Corporation	Investment business	100	-	Note 3
TBG Diagnostics Limited.	TDL Holding Co.	Investment business	-	100	Note 4
TDL Holding Co.	Texas BioGene, Inc.	Biotechnology service and retail and wholesale business of medical instrument	100	100	
TDL Holding Co.	TBG Biotechnology Corp.	Biotechnology service and retail and wholesale business of medical instrument	100	100	
WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	Retail and wholesale of skincare products and makeup	100	100	
WINSTON MEDICAL SUPPLY CO., LTD.	SHINY LILY CO., LTD.	Retail and wholesale of western medicine	100	100	

Note 1: On March 5, 2021, May 7, 2021, July 30, 2021, November 10, 2021, March 1, 2022, May 3, 2022 and November 7, 2022, the Board of Directors of Medigen Vaccine Biologics Corporation approved the conversion of employee stock options into ordinary shares; and on March 1, 2022, approved the cash capital increase, however, the Company did not acquire shares proportionally to its interest, and 10% of the capital increase were retained to be acquired by employees. Additionally, the Company disposed some shares of Medigen Vaccine Biologics Corporation in the period from January 2021 to December 2022, thus the Company's shareholding ratio decreased from 22.03% to 19.74%. Currently, the Company was the largest shareholder, and other shareholders are disaggregated, therefore, the Company still had control over Medigen Vaccine Biologics Corporation which was continually included in the consolidated financial statements. However, in the subsequent period, the Company would continually assess whether the Company still had control over Medigen Vaccine Biologics Corporation.

Note 2: On August 30, 2021, the Company's subsidiary, TBG Diagnostics Limited (ASX: stock symbol: TDL), was delisted by the Australian Securities Exchange Ltd. (ASX) after the closing on August 27, 2021, based on the announcement of Listing Rule 17.15. This situation had no effects on the Company's financial business.

Note 3: On November 10, 2021, the Board of Directors of the Company's subsidiary, Medigen Vaccine Biologics Corporation, resolved to establish MVC Capital Corporation by investing \$200,000. Additionally, the establishment has been approved on January 6, 2022.

Note 4: Because the Company was optimistic about the prospects of the future development of molecular diagnostics business, on April 21, 2022, the Board of Directors of the Company approved to carry out a reorganisation of the Group and planned to acquire all of the equity interest in TDL Holding Co., which was wholly owned by the subsidiary, TBG Diagnostics Limited, in the amount no higher than AUD 6.5 million by cash. Additionally, on October 28, 2022, the shareholders during the extraordinary general meeting of TBG Diagnostics Limited approved to dispose all of the equity interest in its subsidiary, TDL Holding Co., to the Company, for a consideration of AUD 6.3 million (NT\$130,032 thousand), and the settlement date was on November 2, 2022. After the reorganisation of the Group, the Company's equity interest in TDL Holding Co. increased from 51.76% indirect ownership to 100% direct ownership, resulting to a decrease of \$34,273 in the Company's capital surplus.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

Not applicable.

E. Significant restrictions

None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2022 and 2021, the non-controlling interest amounted to \$4,276,986 and \$4,031,716, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
Medigen Vaccine Biologics Corporation	Hsinchu	3,993,585	80.26%	\$ 3,697,687	79.04%
WINSTON MEDICAL SUPPLY CO., LTD.	Tainan	211,457	40.78%	197,725	40.78%
TBG Diagnostics Limited	Australia	71,944	48.24%	136,304	48.24%
		<u>\$ 4,276,986</u>		<u>\$ 4,031,716</u>	

Summarised financial information of the subsidiaries:

Balance sheets

	Medigen Vaccine Biologics Corporation	
	December 31, 2022	December 31, 2021
Current assets	\$ 5,440,501	\$ 3,545,966
Non-current assets	1,852,826	1,753,045
Current liabilities	(355,232)	(439,087)
Non-current liabilities	(1,963,452)	(183,867)
Total net assets (Note)	<u>\$ 4,974,643</u>	<u>\$ 4,676,057</u>

	WINSTON MEDICAL SUPPLY CO., LTD.	
	December 31, 2022	December 31, 2021
Current assets	\$ 432,024	\$ 345,683
Non-current assets	391,906	414,614
Current liabilities	(213,828)	(183,265)
Non-current liabilities	(89,826)	(92,005)
Total net assets (Note)	<u>\$ 520,276</u>	<u>\$ 485,027</u>

	TBG Diagnostics Limited	
	December 31, 2022	December 31, 2021
Current assets	\$ 124,017	\$ 11,455
Non-current assets	28,470	277,110
Current liabilities	(3,349)	(6,010)
Non-current liabilities	-	-
Total net assets	<u>\$ 149,138</u>	<u>\$ 282,555</u>

Note: On December 31, 2022 and 2021, the amounts of advance receipts for shares of Medigen Vaccine Biologics Corporation were \$4,744 and \$8,260, respectively, and belonged to non-controlling interests.

Statements of comprehensive income

	Medigen Vaccine Biologics Corporation	
	Year ended December 31	
	2022	2021
Revenue	\$ 365,042	\$ 3,280,994
(Loss) profit before income tax	(1,476,167)	1,410,258
Income tax expense	-	-
(Loss) profit for the year	(1,476,167)	1,410,258
Other comprehensive income (loss), net of tax	82,488	(105)
Total comprehensive loss	<u>(\$ 1,393,679)</u>	<u>\$ 1,410,153</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 1,114,640)</u>	<u>\$ 1,114,528</u>

	WINSTON MEDICAL SUPPLY CO., LTD.	
	Year ended December 31	
	2022	2021
Revenue	\$ 577,392	\$ 510,979
Profit before income tax	139,500	98,404
Income tax expense	(29,374)	(20,660)
Profit for the year	110,126	77,744
Other comprehensive loss, net of tax	(1,204)	(117)
Total comprehensive income	<u>\$ 108,922</u>	<u>\$ 77,627</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 43,775</u>	<u>\$ 32,645</u>
Dividends paid to non-controlling interest	<u>\$ 30,042</u>	<u>\$ 22,532</u>

	<u>TBG Diagnostics Limited</u>	
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ -	\$ -
Loss before income tax	(248,241)	(50,592)
Income tax expense	-	-
Loss for the year	(248,241)	(50,592)
Other comprehensive loss, net of tax	(2,990)	(34,356)
Total comprehensive loss	<u>(\$ 251,231)</u>	<u>(\$ 84,948)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 121,194)</u>	<u>(\$ 40,635)</u>

Statements of cash flows

	<u>Medigen Vaccine Biologics Corporation</u>	
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net cash (used in) provided by operating activities	(\$ 1,073,011)	\$ 552,872
Net cash provided by (used in) investing activities	(2,244,363)	(1,102,897)
Net cash provided by financing activities	<u>3,323,091</u>	<u>51,176</u>
Increase (decrease) in cash and cash equivalents	5,717	(498,849)
Cash and cash equivalents, beginning of year	<u>1,176,617</u>	<u>1,675,466</u>
Cash and cash equivalents, end of year	<u>\$ 1,182,334</u>	<u>\$ 1,176,617</u>

	<u>WINSTON MEDICAL SUPPLY CO., LTD.</u>	
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net cash provided by operating activities	\$ 120,326	\$ 143,796
Net cash used in investing activities	(8,642)	(6,101)
Net cash provided by (used in) financing activities	<u>(76,394)</u>	<u>(123,898)</u>
Increase in cash and cash equivalents	35,290	13,797
Cash and cash equivalents, beginning of year	<u>116,366</u>	<u>102,569</u>
Cash and cash equivalents, end of year	<u>\$ 151,656</u>	<u>\$ 116,366</u>

	TBG Diagnostics Limited	
	Year ended December 31	
	2022	2021
Net cash used in operating activities	(\$ 17,661)	(\$ 34,786)
Net cash (used in) provided by investing activities	129,968	22,974
Net cash provided by financing activities	-	-
Increase (decrease) in cash and cash equivalents	112,307	(11,812)
Cash and cash equivalents, beginning of year	11,112	22,924
Cash and cash equivalents, end of year	\$ 123,419	\$ 11,112

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

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

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

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

(9) Financial assets at amortised cost

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

(10) Accounts and notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	2 ~ 15 years
Office equipment	3 ~ 20 years
Testing equipment	2 ~ 10 years
Leasehold improvements	The earlier of the lease term or useful life
Other equipment	3 ~ 10 years

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

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(17) Intangible assets

- A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 10 years.

- B. Drug licenses and special technique

Separately acquired drug licenses are stated at cost and amortised on a straight-line basis over its estimated useful lives of 5 years.

Drug licenses acquired in a business combination are the licenses approved and issued by the Food and Drug Administration of the Ministry of Health and Welfare. They are recognised at fair value at the acquisition date and amortised over their estimated useful lives of 15 years.

Special technique is stated initially at its cost and amortised on a straight-line basis over its estimated useful life of 10 ~ 20 years.

- C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

- D. Vaccine patent

Vaccine patent is stated at cost and amortised on a straight-line basis over its estimated useful life of 15 years.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings and other long-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Accounts and notes payable

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

(21) Convertible bonds payable

Convertible bonds payable issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(22) Derecognition of financial liabilities

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Employee restricted shares:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Group will redeem at no consideration and retire those stocks.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods

- (a) The Group is engaged in the manufacture and sells of biopharmaceuticals, Covid-19 vaccines, virus test kits, western medicines, medical instruments, aesthetic medicine products and food products, etc. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales is recognised based on the price specified in the contract, net of sales returns, volume discounts, and sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Some contracts include multiple deliverables, such as storage, custody and delivery of Covid-19 vaccine and other services. The nature of this service is simple. It does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue from providing services is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Accumulated experience is used to estimate such returns using the expected value method.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical service revenue

The Group provides technical services on human leukocyte antigen (HLA) tissue-typing, cellular therapy and test service, cytotherapy technical supporting service and ophthalmic drug development and technical service. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of delivered report relative to the total number of committed report. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and gross profit rate, available tax credits, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the impact of market demand from different channels and short expiration date of medicines, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 1,247	\$ 1,156
Checking accounts and demand deposits	1,984,282	2,143,424
Time deposits	25,042	-
Cash equivalents - bonds sold under repurchase agreement	30,062	-
Total	<u>\$ 2,040,633</u>	<u>\$ 2,144,580</u>

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

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

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

<u>Asset items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares	\$ 16,035	\$ 16,010
Beneficiary certificates	54,400	53,600
Valuation adjustment	(16,210)	(16,011)
Total	<u>\$ 54,225</u>	<u>\$ 53,599</u>

<u>Liability items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Financial liabilities held for trading		
Derivative instruments	\$ 2,800	\$ -
Valuation adjustment	16,450	-
Total	<u>\$ 19,250</u>	<u>\$ -</u>

A. The Group recognised net loss amounting to \$16,656 and \$40 on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. The Group had no financial assets at fair value through profit or loss pledged to others as collateral.

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Foreign unlisted shares	\$ 206,815	\$ 137,406
Valuation adjustment	(1,181)	(83,406)
Total	\$ 205,634	\$ 54,000

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 82,225	(\$ 21,129)

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$205,634 and \$54,000, respectively.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Time deposits (over three months)	\$ 2,979,940	\$ 800,000
Interest rate range	0.965%~4.15%	0.53%

A. The Group recognised interest income of \$2,100 and \$2,338 on financial assets at amortised cost for the years ended December 31, 2022 and 2021.

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$2,979,940 and \$800,000, respectively.

C. The Group has no financial assets at amortised cost pledged to others as collateral.

D. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 120,042	\$ 57,126
Accounts receivable	\$ 263,954	\$ 381,619
Less: Allowance for uncollectible accounts	(35)	(1,347)
	<u>\$ 263,919</u>	<u>\$ 380,272</u>

A. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$141,150.

B. The Group had no notes and accounts receivable pledged to others as collateral.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes and accounts receivable held by the Group was \$383,961 and \$437,398, respectively.

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

(6) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Carrying amount</u>
Goods	\$ 43,496	(\$ 34,325)	\$ 9,171
Raw materials	388,922	(139,491)	249,431
Supplies	317,461	(14,079)	303,382
Work in progress and semi-finished goods	126,773	(30,201)	96,572
Finished goods	329,832	(295,773)	34,059
Total	<u>\$ 1,206,484</u>	<u>(\$ 513,869)</u>	<u>\$ 692,615</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Carrying amount</u>
Goods	\$ 68,527	(\$ 50,608)	\$ 17,919
Raw materials	268,479	(4,102)	264,377
Supplies	120,227	(7,666)	112,561
Work in progress and semi-finished goods	28,067	(479)	27,588
Finished goods	335,936	(5,507)	330,429
Total	<u>\$ 821,236</u>	<u>(\$ 68,362)</u>	<u>\$ 752,874</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 465,808	\$ 1,308,600
Loss on decline in market value	445,507	48,168
Loss on abandonment of inventory	46,848	4,722
	<u>\$ 958,163</u>	<u>\$ 1,361,490</u>

(7) Other current assets

	December 31, 2022	December 31, 2021
Performance guarantees	\$ 60,450	\$ 173,290
Prepayments	382,349	99,586
Excess business tax paid (or Net Input VAT)	57,297	24,174
Current restricted assets	42,316	50,514
Others	16,393	8,157
	<u>\$ 558,805</u>	<u>\$ 355,721</u>

Information about restricted cash classified as current restricted assets is provided in Note 8.

(8) Investments accounted for using equity method

	2022	2021
At January 1	\$ 309,711	\$ 133,395
Addition of investments accounted for using equity method	57,922	20,911
Disposal of investments accounted for using equity method	-	(12,039)
Share of loss of investments accounted for using equity method (Note)	(262,213)	(98,799)
Changes in capital surplus	(4,368)	276,861
Changes in other equity items	644	(11,980)
Realised profit from sales	-	1,362
At December 31	<u>\$ 101,696</u>	<u>\$ 309,711</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates:		
U-GEN BIOTECHNOLOGY INC. (formerly TBG INC.)	\$ 31,884	\$ 214,134
CELLXPRT BIOTECHNOLOGY CORP.	69,812	95,577
	<u>\$ 101,696</u>	<u>\$ 309,711</u>

(Note) It was calculated based on the actual proportion of capital injection for the years ended December 31, 2022 and 2021.

A. In April 2021, the Company's investments accounted for using the equity method, U-GEN, issued new shares, and the Company's subsidiary, TBG Diagnostics Limited, did not acquire shares proportionally to its interest, thereby decreasing the equity interest by 1.16%. In May 2021, the Company's subsidiary, TBG Diagnostics Limited, disposed 8,059 thousand shares in U-GEN for a consideration of \$23,003, thereby decreasing the shareholding ratio from 43.08% to 38.46%. In December 2021, the Company's investments accounted for using the equity method, U-GEN, issued new shares, and the Company's subsidiary, TBG Diagnostics Limited, did not acquire shares proportionally to its interest, thereby decreasing the equity interest by 1.1%. In January 2022, the Company's second-tier subsidiary, MVC Capital Corporation, acquired a 0.48% equity interest in U-GEN for \$27,795. In March 2022, the Company's investments accounted for using the equity method, U-GEN, issued new shares, and the Company's subsidiary, TBG Diagnostics Limited, and second-tier subsidiary, MVC Capital Corporation, did not acquire shares proportionally to its interest, thereby decreasing the equity interest by 0.82%. In December 2022, the Company's investments accounted for using the equity method, U-GEN, issued new shares, the Company's second-tier subsidiary, MVC Capital Corporation, acquired a 0.46% equity interest in U-GEN for \$57,922, and the Company's subsidiary, TBG Diagnostics Limited, did not acquire shares proportionally to its interest, thereby decreasing the equity interest by 0.17%.

B. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2022	December 31, 2021		
CELLXPERT BIOTECHNOLOGY CORP.	China	26.25%	26.25%	Strategic investments	Equity method
U-GEN (formerly TBG INC.)	Cayman islands	37.31%	37.36%	Strategic investments	Equity method

C. The summarised financial information of the associates that are material to the Group is as follows:

Statements of comprehensive income

	TBG Biotechnology (Xiamen) Corp.	
	Period from January 1, 2021 to March 31, 2021	
Revenue	\$	11,773
Profit for the year from continuing operations	\$	22,170
Other comprehensive income, net of tax		-
Total comprehensive income	\$	22,170

Balance sheets

	<u>CELLXPERT BIOTECHNOLOGY CORP.</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 135,667	\$ 113,701
Non-current assets	175,310	231,271
Current liabilities	(92,553)	(48,729)
Non-current liabilities	(45,105)	(86,884)
Total net assets	<u>\$ 173,319</u>	<u>\$ 209,359</u>
Carrying amount of the associate	<u>\$ 69,812</u>	<u>\$ 95,577</u>

Statements of comprehensive income

	<u>CELLXPERT BIOTECHNOLOGY CORP.</u>	
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 41,571	\$ 2,094
Loss for the year from continuing operations	(\$ 63,100)	(\$ 116,157)
Other comprehensive income, net of tax	-	-
Total comprehensive loss	<u>(\$ 63,100)</u>	<u>(\$ 116,157)</u>

Balance sheets

	<u>U-GEN (formerly TBG INC.)</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 254,654	\$ 311,943
Non-current assets	26,069	359,417
Current liabilities	(132,015)	(98,073)
Non-current liabilities	(70,839)	(94)
Total net assets	<u>\$ 77,869</u>	<u>\$ 573,193</u>
Carrying amount of the associate	<u>\$ 31,884</u>	<u>\$ 214,134</u>

Statements of comprehensive income

	<u>U-GEN (formerly TBG INC.)</u>	
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ -	\$ -
Loss for the year from continuing operations	(\$ 637,039)	(\$ 93,308)
Other comprehensive income (loss), net of tax	329	(11,226)
Total comprehensive loss	<u>(\$ 636,710)</u>	<u>(\$ 104,534)</u>

D. In March 2021, after the reorganisation of the Company's subsidiary, TBG Diagnostics Limited, the Group's shareholding ratio in U-GEN decreased. As of December 31, 2022, the Group only held 37.31% equity interests, even though the Group was the single largest shareholder of U-GEN, the total number of shares held by other three major shareholders (not related parties) exceeded the number of shares held by the Group, also, the Group did not hold over 50% of the seats in the Board of Directors in U-GEN, which indicates that the Group has no actual ability to direct the relevant activities of U-GEN, thus, the Group has no control, but only has significant influence, over U-GEN.

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(9) Property, plant and equipment

2022

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Testing equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<u>At January 1</u>									
Cost	\$ 354,039	\$ 1,500,203	\$ 838,218	\$ 37,927	\$ 207,418	\$ 2,552	\$ 94,695	\$ 4,695	\$ 3,039,747
Accumulated depreciation	-	(369,305)	(394,642)	(34,425)	(175,373)	(1,658)	(68,514)	-	(1,043,917)
	<u>\$ 354,039</u>	<u>\$ 1,130,898</u>	<u>\$ 443,576</u>	<u>\$ 3,502</u>	<u>\$ 32,045</u>	<u>\$ 894</u>	<u>\$ 26,181</u>	<u>\$ 4,695</u>	<u>\$ 1,995,830</u>
Opening net book amount	\$ 354,039	\$ 1,130,898	\$ 443,576	\$ 3,502	\$ 32,045	\$ 894	\$ 26,181	\$ 4,695	\$ 1,995,830
Additions - acquired separately	-	5,361	36,840	665	8,023	478	3,501	14,425	69,293
Reclassifications	-	323	11,338	-	2,667	-	1,102	(4,582)	10,848
Depreciation charge	-	(67,024)	(66,880)	(1,827)	(14,247)	(457)	(7,042)	-	(157,477)
Net exchange differences	-	-	-	4	-	-	-	-	4
Closing net book amount	<u>\$ 354,039</u>	<u>\$ 1,069,558</u>	<u>\$ 424,874</u>	<u>\$ 2,344</u>	<u>\$ 28,488</u>	<u>\$ 915</u>	<u>\$ 23,742</u>	<u>\$ 14,538</u>	<u>\$ 1,918,498</u>
<u>At December 31</u>									
Cost	\$ 354,039	\$ 1,505,887	\$ 884,440	\$ 38,599	\$ 218,108	\$ 3,030	\$ 99,022	\$ 14,538	\$ 3,117,663
Accumulated depreciation	-	(436,329)	(459,566)	(36,255)	(189,620)	(2,115)	(75,280)	-	(1,199,165)
	<u>\$ 354,039</u>	<u>\$ 1,069,558</u>	<u>\$ 424,874</u>	<u>\$ 2,344</u>	<u>\$ 28,488</u>	<u>\$ 915</u>	<u>\$ 23,742</u>	<u>\$ 14,538</u>	<u>\$ 1,918,498</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Testing equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1</u>									
Cost	\$ 354,039	\$ 1,494,926	\$ 663,481	\$ 37,154	\$ 206,749	\$ 1,887	\$ 94,926	\$ 17,902	\$ 2,871,064
Accumulated depreciation	-	(302,839)	(337,041)	(31,274)	(165,868)	(1,171)	(61,187)	-	(899,380)
	<u>\$ 354,039</u>	<u>\$ 1,192,087</u>	<u>\$ 326,440</u>	<u>\$ 5,880</u>	<u>\$ 40,881</u>	<u>\$ 716</u>	<u>\$ 33,739</u>	<u>\$ 17,902</u>	<u>\$ 1,971,684</u>
Opening net book amount	\$ 354,039	\$ 1,192,087	\$ 326,440	\$ 5,880	\$ 40,881	\$ 716	\$ 33,739	\$ 17,902	\$ 1,971,684
Additions - acquired separately	-	3,610	100,746	1,661	8,862	665	86	4,695	120,325
Disposals	-	-	(243)	-	-	-	(7)	-	(250)
Reclassifications	-	1,666	76,597	105	-	-	-	(17,902)	60,466
Depreciation charge	-	(66,465)	(59,964)	(4,136)	(17,698)	(487)	(7,637)	-	(156,387)
Net exchange differences	-	-	-	(8)	-	-	-	-	(8)
Closing net book amount	<u>\$ 354,039</u>	<u>\$ 1,130,898</u>	<u>\$ 443,576</u>	<u>\$ 3,502</u>	<u>\$ 32,045</u>	<u>\$ 894</u>	<u>\$ 26,181</u>	<u>\$ 4,695</u>	<u>\$ 1,995,830</u>
<u>At December 31</u>									
Cost	\$ 354,039	\$ 1,500,203	\$ 838,218	\$ 37,927	\$ 207,418	\$ 2,552	\$ 94,695	\$ 4,695	\$ 3,039,747
Accumulated depreciation	-	(369,305)	(394,642)	(34,425)	(175,373)	(1,658)	(68,514)	-	(1,043,917)
	<u>\$ 354,039</u>	<u>\$ 1,130,898</u>	<u>\$ 443,576</u>	<u>\$ 3,502</u>	<u>\$ 32,045</u>	<u>\$ 894</u>	<u>\$ 26,181</u>	<u>\$ 4,695</u>	<u>\$ 1,995,830</u>

A. For the years ended December 31, 2022 and 2021, no interest was capitalised to property, plant and equipment.

B. The significant components of buildings and structures include electromechanical air conditioning and fire protection engineering, which are depreciated over 3 and 15 years, respectively.

C. Reclassifications are transfers from prepayments for business facilities (shown as other non-current assets)

D. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Lease transactions – lessee

- A. The Group leases various assets including land, buildings, business vehicles and photocopiers. Except for land and buildings, for which rental contracts are made for periods of 10 to 48 years, the remaining assets are typically made for periods of 2 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 175,818	\$ 179,569
Buildings	100,374	8,499
Transportation equipment (Business vehicles)	2,619	5,433
Other equipment	375	-
	<u>\$ 279,186</u>	<u>\$ 193,501</u>
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 3,996	\$ 3,990
Buildings	11,720	1,289
Transportation equipment (Business vehicles)	3,687	3,206
Other equipment	374	465
	<u>\$ 19,777</u>	<u>\$ 8,950</u>

The movements of right-of-use assets of the Group during 2022 and 2021 are as follows:

	<u>2022</u>				
	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment (Business vehicles)</u>	<u>Other equipment</u>	<u>Total</u>
At January 1	\$ 179,569	\$ 8,499	\$ 5,433	\$ -	\$ 193,501
Additions	-	103,595	-	749	104,344
Lease modification	245	-	873	-	1,118
Depreciation charge	(3,996)	(11,720)	(3,687)	(374)	(19,777)
At December 31	<u>\$ 175,818</u>	<u>\$ 100,374</u>	<u>\$ 2,619</u>	<u>\$ 375</u>	<u>\$ 279,186</u>

	2021				
	Land	Buildings	Transportation	Other	Total
			equipment	equipment	
		(Business vehicles)			
At January 1	\$ 183,559	\$ 5,419	\$ 4,908	\$ 465	\$ 194,351
Additions	-	-	3,972	-	3,972
Lease modification	-	4,369	(241)	-	4,128
Depreciation charge	(3,990)	(1,289)	(3,206)	(465)	(8,950)
At December 31	\$ 179,569	\$ 8,499	\$ 5,433	\$ -	\$ 193,501

C. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,712	\$ 5,907
Expense on short-term lease contracts	4,187	9,986
Gain arising from lease modifications	4	-

D. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$28,867 and \$22,727, respectively.

(11) Intangible assets

	2022				
	Software	Drug licenses and special technique	Goodwill	Vaccine patent	Total
<u>At January 1</u>					
Cost	\$ 25,382	\$ 292,135	\$ 76,175	\$ 48,987	\$ 442,679
Accumulated amortisation	(20,515)	(267,977)	-	(29,937)	(318,429)
	\$ 4,867	\$ 24,158	\$ 76,175	\$ 19,050	\$ 124,250
Opening net book amount	\$ 4,867	\$ 24,158	\$ 76,175	\$ 19,050	\$ 124,250
Additions-acquired separately	3,214	-	-	-	3,214
Amortisation charge	(2,518)	(8,608)	-	(3,266)	(14,392)
Closing net book amount	\$ 5,563	\$ 15,550	\$ 76,175	\$ 15,784	\$ 113,072
<u>At December 31</u>					
Cost	\$ 28,596	\$ 292,135	\$ 76,175	\$ 48,987	\$ 445,893
Accumulated amortisation	(23,033)	(276,585)	-	(33,203)	(332,821)
	\$ 5,563	\$ 15,550	\$ 76,175	\$ 15,784	\$ 113,072

	2021				
	<u>Software</u>	<u>Drug licenses and special technique</u>	<u>Goodwill</u>	<u>Vaccine patent</u>	<u>Total</u>
<u>At January 1</u>					
Cost	\$ 23,554	\$ 292,135	\$ 76,175	\$ 48,987	\$ 440,851
Accumulated amortisation	(18,436)	(240,231)	-	(26,671)	(285,338)
	<u>\$ 5,118</u>	<u>\$ 51,904</u>	<u>\$ 76,175</u>	<u>\$ 22,316</u>	<u>\$ 155,513</u>
Opening net book amount	\$ 5,118	\$ 51,904	\$ 76,175	\$ 22,316	\$ 155,513
Additions-acquired separately	1,591	-	-	-	1,591
Reclassifications	237	-	-	-	237
Amortisation charge	(2,079)	(27,746)	-	(3,266)	(33,091)
Closing net book amount	<u>\$ 4,867</u>	<u>\$ 24,158</u>	<u>\$ 76,175</u>	<u>\$ 19,050</u>	<u>\$ 124,250</u>
<u>At December 31</u>					
Cost	\$ 25,382	\$ 292,135	\$ 76,175	\$ 48,987	\$ 442,679
Accumulated amortisation	(20,515)	(267,977)	-	(29,937)	(318,429)
	<u>\$ 4,867</u>	<u>\$ 24,158</u>	<u>\$ 76,175</u>	<u>\$ 19,050</u>	<u>\$ 124,250</u>

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

	Year ended December 31	
	2022	2021
Selling expenses	\$ 317	\$ 151
Administrative expenses	1,781	1,420
Research and development expenses	12,294	31,520
	<u>\$ 14,392</u>	<u>\$ 33,091</u>

B. For the years ended December 31, 2022 and 2021, the Group had no interest capitalisation of intangible assets.

C. Goodwill is identified as generic drug segment and aesthetic medicine product segment according to operating segment.

D. The aforementioned drug licenses and special technique primarily include the drug licenses acquired in a business combination, special technique in the research and development of new anti-cancer drugs acquired from licensing, special technique in the research and development of vaccines acquired from licensing and special technique in the research and development of monoclonal antibody acquired externally.

E. For the year ended December 31, 2008, the Group signed a strategic alliance contract with Oncolys Biopharma Inc. who authorised related expertise (primarily used in anticancer) to the Group for use in of human subject research. The Group in jointly responsible for the development expenses, and the Group can share the royalty based on a certain percentage after the expertise generates commercial profit. On April 8, 2019, it was authorised to Chugai Pharmaceutical Co.,

Ltd. by Oncolys Biopharma Inc., and the authorised areas were Japan and Taiwan. On October 19, 2021, the Group received the notice of announcement from Oncolys Biopharma Inc. indicating that Oncolys Biopharma Inc. has informed Chugai Pharmaceutical Co., Ltd. to terminate the authorisation contract earlier. Further, on February 25, 2022, Oncolys Biopharma Inc. formally notified the Group that the effective date of termination of the authorisation contract will be October 15, 2022. Oncolys Biopharma Inc. and the Group will continue to develop OBP-301 and accept the clinical trial which was formerly performed by Chugai Pharmaceutical Co., Ltd.

- F. In February 2017, the Group processed the unblinding of PI-88 Phase III clinical trial data and statistical analysis procedures, and externally announced on February 28, 2017. The data analysis result showed that the drug safety of PI-88 was good and was in the acceptable range. For the whole efficacy, the primary endpoint of the treatment group who applied PI-88 was not significantly better than the control group, however it did not reach the statistical significance which was asked by the clinical trial. In the clinical trial, the efficacy analysis of sub-group was found that, in the group with microvascular invasion, the treatment group who applied PI-88 was better than control group on the primary endpoint of “disease-free survival”, and the difference belongs to a marginally significant level. According to the research analysis result of the aforementioned PI-88 Phase III clinical trial which the Group had published in the European Society for Medical Oncology (ESMO) and consulted the medicines competent authority of each country and searched for international collaboration. On December 18, 2019, the Group had authorised the global (excluding Taiwan) rights of development and commercialisation to CELLXPRT BIOTECHNOLOGY CORP.. Refer to Note 9(2)E for details.
- G. The aforementioned vaccine patents pertain to rights of vaccine production technology, clinical trial and the result of market development obtained from CESCO BIOENGINEERING CO., LTD. and Schweitzer Biotech Company Ltd..

(12) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate	Collateral
Secured bank borrowings	\$ 228,000	1.77%~2.56%	Land, buildings and structures, restricted assets and securities
Unsecured bank borrowings	100,000	1.99%~2.33%	None.
	<u>\$ 328,000</u>		
Type of borrowings	December 31, 2021	Interest rate	Collateral
Secured bank borrowings	\$ 250,000	1.16%~1.90%	Land, buildings and structures, restricted assets and securities
Unsecured bank borrowings	50,000	1.42%	None.
	<u>\$ 300,000</u>		

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Installment-repayment borrowings				
Secured borrowings from Taiwan Cooperative Bank	Interests was repayable monthly from August 2014 to August 2017 while the principal and interests were repayable monthly from September 2017 to August 2029 (however, interest was repayable monthly in the grace period from January 2018 to June 2023).	2.05%	Land, buildings and structures	\$ 48,000
"	Interests was repayable monthly from June 2015 to June 2018 while the principal and interests were repayable monthly from June 2018 to June 2035 (however, interest was repayable monthly in the grace period from July 2018 to June 2023).	1.92%	Land, buildings and structures	178,000
"	Borrowing period is from May 9, 2014 to May 9, 2034; principal grace period is 3 years; interest is repayable monthly and principal is equally amortised in 204 instalments from the fourth year	1.92%	Land, buildings and structures	36,933
"	Borrowing period is from February 2, 2015 to February 2, 2035; principal grace period is 3 years; interest is repayable monthly and principal is equally amortised in 204 instalments from the fourth year	1.92%	Land, buildings and structures	17,893

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Secured borrowings from Shanghai Commercial and Savings Bank	Borrowing period is from November 2020 to November 2023; interest is repayable monthly; principal is repayable monthly and equally amortised	2.50%	Restricted assets	3,055
Installment-repayment borrowings				
Secured borrowings from Sunny Bank Ltd.	The principal and interests were repayable monthly from April 17, 2018 to April 17, 2038 (however, interest was repayable monthly in the grace period from September 2018 to August 2024).	1.99%	Land, buildings and structures	196,288
				480,169
Less: Current portion				(28,862)
				\$ 451,307

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Installment-repayment borrowings				
Secured borrowings from Taiwan Cooperative Bank	Interests was repayable monthly from August 2014 to August 2017 while the principal and interests were repayable monthly from September 2017 to August 2029 (however, interest was repayable monthly in the grace period from January 2018 to June 2022).	1.42%	Land, buildings and structures	\$ 48,000
	Interests was repayable monthly from June 2015 to June 2018 while the principal and interests were repayable monthly from June 2018 to June 2035 (however, interest was repayable monthly in the grace period from July 2018 to June 2022).	1.42%	Land, buildings and structures	181,000
"	Borrowing period is from May 9, 2014 to May 9, 2034; principal grace period is 3 years; interest is repayable monthly and principal is equally amortised in 204 instalments from the fourth year	1.42%	Land, buildings and structures	40,168
"	Borrowing period is from February 2, 2015 to February 2, 2035; principal grace period is 3 years; interest is repayable monthly and principal is equally amortised in 204 instalments from the fourth year	1.50%	Land, buildings and structures	19,363
Secured borrowings from Shanghai Commercial and Savings Bank	Borrowing period is from November 2020 to November 2023; interest is repayable monthly; principal is repayable monthly and equally amortised	2.50%	Restricted assets	6,388

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Secured borrowings from Sunny Bank Ltd.	The principal and interests were repayable monthly from April 17, 2018 to April 17, 2038 (however, interest was repayable monthly in the grace period from September 2018 to August 2022).	1.45%	Land, buildings and structures	197,193
				492,112
Less: Current portion				(21,340)
				\$ 470,772

(14) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable	\$ 1,750,000	\$ -
Less: Discount on bonds payable	(72,150)	-
	\$ 1,677,850	\$ -

A. The issuance of domestic convertible bonds by the Company's subsidiary - Medigen Vaccine Biologics Corporation:

(a) The terms of the first domestic unsecured convertible bonds issued by Medigen Vaccine Biologics Corporation are as follows

- i. Medigen Vaccine Biologics Corporation issued \$1,750,000, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (May 9, 2022 ~ May 9, 2025) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on May 9, 2022.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of Medigen Vaccine Biologics Corporation during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the increase in the number of ordinary shares issued (including private placement) by Medigen Vaccine Biologics Corporation occurs subsequently, including but not limited to issuance of common stock for cash, capital increase out of earnings or capital reserves, company merger, transfer of shares from other companies to issue new shares, stock splits and cash capital increase to participate in the issuance of overseas depositary receipts, etc. The

conversion price was NT\$278 (in dollars) per share on the issue date. In response to Medigen Vaccine Biologics Corporation's capital increase out of cash and earnings, the conversion price was adjusted to NT\$277.5 and NT\$187.1 (in dollars) on July 1, 2022 and August 9, 2022, respectively.

- iv. The bondholders have the right to require Medigen Vaccine Biologics Corporation to redeem any bonds at the price of the bonds' face value upon two years from the issue date.
- v. Medigen Vaccine Biologics Corporation may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of Medigen Vaccine Biologics Corporation's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$89,930 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.7882%.

(15) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its

domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 19,506)	(\$ 18,201)
Fair value of plan assets	<u>8,815</u>	<u>7,368</u>
Net defined benefit liability	<u>(\$ 10,691)</u>	<u>(\$ 10,833)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2022			
At January 1	(\$ 18,201)	\$ 7,368	(\$ 10,833)
Interest (expense) income	(132)	<u>53</u>	(79)
	<u>(18,333)</u>	<u>7,421</u>	<u>(10,912)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	559	559
Change in financial assumptions	1,004	-	1,004
Experience adjustments	(2,177)	<u>-</u>	(2,177)
	<u>(1,173)</u>	<u>559</u>	<u>(614)</u>
Pension fund contribution	-	835	835
Paid pension	<u>-</u>	<u>-</u>	<u>-</u>
At December 31	<u>(\$ 19,506)</u>	<u>\$ 8,815</u>	<u>(\$ 10,691)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	(\$ 18,613)	\$ 7,273	(\$ 11,340)
Interest (expense) income	(74)	23	(51)
	(18,687)	7,296	(11,391)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	111	111
Change in demographic assumptions	(263)	-	(263)
Change in financial assumptions	635	-	635
Experience adjustments	(883)	-	(883)
	(511)	111	(400)
Pension fund contribution	-	958	958
Paid pension	997	(997)	-
At December 31	(\$ 18,201)	\$ 7,368	(\$ 10,833)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2022	2021
Discount rate	1.16%~1.5%	0.69%~0.75%
Future salary increases	1%~2.25%	1~2%

Future mortality rate was all estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 937)	\$ 1,015	\$ 994	(\$ 927)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 956)	\$ 1,042	\$ 1,018	(\$ 943)

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

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$1,915.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 7~11.9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	4,407
1 to 2 year(s)		497
2 to 5 years		5,312
5 to 10 years		3,482
	\$	<u>13,698</u>

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were \$17,571 and \$17,012, respectively.

(16) Share-based payment

A. For the years ended December 31, 2022 and 2021 the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2018.12.12	1,410 thousand shares	6 years	2 to 4 years' service
Employee stock options	2019.3.12	90 thousand shares	6 years	2 to 4 years' service
Restricted stocks to employees	2019.12.31	300 thousand shares	Explanation (a)	Explanation (a)

(a) After the employee restricted shares were distributed to employees, for those employees who have reached the Company’s requirement of “operating performance target”, shares shall be vested several times in accordance with the Company’s regulations on the issuance of employee restricted shares.

After the employee restricted shares were distributed to employees, if there were violations with labor contract and work rules, the Company would collect back the employee restricted shares, which were distributed but the vesting conditions were not reached, without prices and cancelled them.

(b) After the employee restricted shares were distributed to employees, and before reaching the vesting conditions, employees may not sell, pledge, transfer, gift to another person, set real right, or otherwise dispose, excluding inheritance. Before the vesting conditions of employee restricted shares which were issued by the Company were achieved, other rights including but not limited to dividends, bonuses and capital surplus, and share options and voting rights of the cash capital increase, etc., are the same as the Company’s issued ordinary shares.

(c) The abovementioned share-based payment arrangements all are equity-settled.

B. Details of the share-based payment arrangements are as follows:

	2022		2021	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,063	\$ 41.60	1,352	\$ 41.12
Options exercised	(61)	39.35	(286)	39.35
Options expired	(9)	39.35	(3)	39.35
Options outstanding at December 31	<u>993</u>	41.76	<u>1,063</u>	41.60
Options exercisable at December 31	<u>971</u>	41.20	<u>676</u>	41.12

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

	Year ended December 31	
	2022	2021
Equity-settled	<u>\$ 6,457</u>	<u>\$ 8,582</u>

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2022		December 31, 2021	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2018.11.29	2024.12.11	903	\$ 39.35	973	\$ 39.35
2018.11.29	2025.03.11	90	65.90	90	65.90

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2018.12.12	39.35	39.35	45.84%	4 years	0%	0.7194%	14.27
Employee stock options	2018.12.12	39.35	39.35	48.84%	4.5 years	0%	0.7487%	15.97
Employee stock options	2018.12.12	39.35	39.35	48.86%	5 years	0%	0.7759%	16.78
Employee stock options	2019.03.12	65.9	65.90	46.42%	4 years	0%	0.6383%	24.10
Employee stock options	2019.03.12	65.9	65.90	48.61%	4.5 years	0%	0.6542%	26.54
Employee stock options	2019.03.12	65.9	65.90	49.95%	5 years	0%	0.6697%	28.55
Restricted stocks to employees	2019.12.31	61.97	-	-	-	-	-	61.97

Note: The Company's expected price volatility of granted share-based payments adopted the average volatility of the Company's monthly average price which was announced by Taipei Exchange.

F. Details of the share-based payment arrangements of the Company's subsidiary - Medigen Vaccine Biologics Corporation are as follows:

(a) The share-based payment arrangements of Medigen Vaccine Biologics Corporation for the years ended December 31, 2022 and 2021 are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock option:	2017.07.19	2,135 thousand shares	6 years	2 to 4 years' service
Employee stock options	2018.04.18	365 thousand shares	6 years	2 to 4 years' service
Employee stock options	2018.11.05	3,035 thousand shares	6 years	2 to 4 years' service
Employee stock options	2019.08.13	465 thousand shares	6 years	2 to 4 years' service
Employee stock options	2021.03.23	2,500 thousand shares	6 years	2 to 4 years' service
Cash capital increase reserved for employee preemption	2022.05.31	508 thousand shares	0.074 years	Vested immediately

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

	<u>2022</u>		<u>2021</u>	
	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at January 1	4,501	\$ 140.45	3,715	\$ 34.47
Options granted	-	-	2,500	226.50
Options exercised	(1,187)	33.20	(1,664)	33.46
Options expired	(179)	118.55	(50)	129.81
Options outstanding at December 31	<u>3,135</u>	121.76	<u>4,501</u>	140.45
Options exercisable at December 31	<u>657</u>	24.03	<u>1,044</u>	35.55

(c) On March 1, 2022, the Board of Directors of Medigen Vaccine Biologics Corporation has resolved to increase capital and reserved 10% for employee preemption. The compensation cost recognised for the year ended December 31, 2022 was \$7,474.

- (d) The compensation cost recognised by Medigen Vaccine Biologics Corporation due to options granted amounted \$68,135 and \$68,815 for the years ended December 31, 2022 and 2021, respectively.
- (e) Expenses incurred on share-based payment transactions of Medigen Vaccine Biologics Corporation are shown below:

	Year ended December 31	
	2022	2021
Equity-settled	\$ 75,609	\$ 68,815

- (f) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2022		December 31, 2021	
		No. of shares (in thousands)	Exercise price (Note) (in dollars)	No. of shares (in thousands)	Exercise price (Note) (in dollars)
2017.07.19	2023.07.18	17	19.90	191	29.50
2018.04.18	2024.04.17	75	26.60	279	39.50
2018.11.05	2024.11.04	475	24.80	1,306	36.75
2019.08.13	2025.08.12	185	18.60	250	27.65
2021.03.23	2027.03.22	2,383	152.80	2,475	226.50

Note: The price of employee stock option certificates issued has been adjusted in accordance with the stock subscription regulations with August 9, 2022 as the ex-rights base date.

- (g) The fair value of stock options granted by the Company's subsidiary - Medigen Vaccine Biologics Corporation on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Fair value of stocks (in dollars)	Exercise price (in dollars)	Expected volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock	2017.7.19	25.82	29.50	40.77%	4 years	-	0.7128%	7.27
Employee stock	2017.7.19	25.82	29.50	42.35%	4.5 years	-	0.7383%	8.12
Employee stock	2017.7.19	25.82	29.50	42.40%	5 years	-	0.7643%	8.64
Employee stock	2018.4.18	39.45	39.50	40.05%	4 years	-	0.6595%	12.62
Employee stock	2018.4.18	39.45	39.50	39.65%	4.5 years	-	0.6909%	13.26
Employee stock	2018.4.18	39.45	39.50	40.14%	5 years	-	0.7242%	14.12
Employee stock	2018.11.5	36.75	36.75	40.55%	4 years	-	0.7180%	11.94

Type of arrangement	Grant date	Fair value of stocks (in dollars)	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock	2018.11.5	36.75	36.75	40.60%	4.5 years	-	0.7530%	12.66
Employee stock	2018.11.5	36.75	36.75	40.16%	5 years	-	0.7939%	13.22
Employee stock	2019.8.13	27.65	27.65	39.13%	4 years	-	0.5253%	8.62
Employee stock	2019.8.13	27.65	27.65	39.15%	4.5 years	-	0.5308%	9.13
Employee stock	2019.8.13	27.65	27.65	39.16%	5 years	-	0.5395%	9.61
Employee stock	2021.3.23	226.50	226.50	41.05%	4 years	-	0.2921%	73.00
Employee stock	2021.3.23	226.50	226.50	39.74%	4.5 years	-	0.3055%	75.00
Employee stock	2021.3.23	226.50	226.50	39.65%	5 years	-	0.3172%	78.70
Cash capital increase reserved for employee preemption	2022.5.31	223.50	220.00	53.63%	0.074 years	-	0.7326%	14.70

Note: The expected price volatility rate was estimated based on the stock volatility of the same industry or the volatility of the monthly average price announced by the Taipei Exchange.

G. Details of the share-based payment arrangements of the Company's subsidiary - WINSTON MEDICAL SUPPLY CO., LTD. are as follows:

(a) The share-based payment arrangements of WINSTON MEDICAL SUPPLY CO., LTD. for the years ended December 31, 2022 and 2021 are as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2015.06.10	1,205 thousand shares	6 years	2 to 4 years' service

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

	2021	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	250	\$ 20
Options exercised	(250)	20
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

(c) As at December 31, 2022 and 2021, there were no options outstanding.

(d) The fair value of stock options granted by the Company's subsidiary - WINSTON MEDICAL

SUPPLY CO., LTD. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Fair value (in dollars)	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015.6.10	11.18	10	36.36%	4 years	-	0.960%	3.79
Employee stock options	2015.6.10	11.18	10	35.87%	4.5 years	-	1.020%	3.95
Employee stock options	2015.6.10	11.18	10	35.89%	5 years	-	1.090%	4.14

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

- (e) On June 10, 2015, the original exercise price of the employee stock options granted by WINSTON MEDICAL SUPPLY CO., LTD. was NT\$10 (in dollars). WINSTON MEDICAL SUPPLY CO., LTD. reduced capital to offset accumulated deficits, and the ratio of capital reduction was 50%. After adjustment, the exercise price was NT\$20 (in dollars).

H. Details of the share-based payment arrangements of the Company's subsidiary - TBG Diagnostics Limited are as follows:

- (a) The share-based payment arrangements of TBG Diagnostics Limited for the years ended December 31, 2022 and 2021 are as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.05.13	2,000 thousand shares	5 years	2 years' service
		1,000 thousand shares	5 years	3 years' service
		1,000 thousand shares	5 years	4 years' service
		950 thousand shares	5 years	Meet KPI targets

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

	2022		2021	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1 and December 31	<u>1,500</u>	\$ 7.79	<u>1,500</u>	\$ 7.79
Options exercisable at December 31	<u>1,500</u>	-	<u>1,500</u>	7.79

- (c) Among the employee stock options granted by the Company's subsidiary, TBG Diagnostics Limited, on May 13, 2016, 3,400 thousand shares were granted to employees of the second-tier subsidiary, TBG Biotechnology Corp., and the second-tier subsidiary did not recognise compensation costs both for the years ended December 31, 2022 and 2021.
- (d) There were no expenses incurred on share-based payment transactions of TBG Diagnostics Limited both for years ended December 31, 2022 and 2021.
- (e) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2022		December 31, 2021	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.05.13	2021.05.13	1,125	\$ 7.19	1,125	\$ 7.19
2016.05.13	2021.05.13	375	9.59	375	9.59

- (f) The fair value of stock options granted by the Company's subsidiary -TBG Diagnostics Limited on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock	2016.5.13	4.8	7.19	105%	5 years	-	1.780%	2.637
Employee stock	2016.5.13	4.8	7.19	105%	5 years	-	1.780%	3.117
Employee stock	2016.5.13	4.8	9.59	105%	5 years	-	1.780%	3.117
Employee stock	2016.5.13	4.8	7.19	105%	5 years	-	1.780%	3.117

Note: Expected price volatility rate was calculated by using the stock prices announced by the Australian Securities Exchange.

(17) Share capital

A. As of December 31, 2022, the Group's authorised capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock (including 21,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,394,463 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2022	2021
At January 1	139,363	138,986
Employee options which were executed in the previous year and were registered in the current period	22	113
Employee stock options exercised	61	286
Employee options exercised but unregistered	-	(22)
At December 31	139,446	139,363

(18) Capital surplus

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

(19) Retained earnings (accumulated deficits to be covered)

- A. Under the Group's Articles of Incorporation, the current years' earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and then, the Group appropriates or reverses special reserve as requirements or regulations when necessary. The remainder, if any, should be combined with beginning undistributed earnings (including adjusted undistributed earnings amounts) to be retained or to be appropriated which shall be proposed by the Board of Directors and resolved by the stockholders at their meetings.
- B. The Group's dividend policies were that dividends should be distributed in the forms of shares (including retained earnings or capital surplus) or cash. The Board of Directors proposed the appropriation of earnings with reference to the operating status, capital requirement and earnings of current year (reducing the provision in accordance with regulations and appropriation of directors' and supervisors' remuneration and employees' bonus), and the appropriation of earnings should be approved by the shareholders. The amount of cash dividends should not exceed 50% of distributable dividends, however, if there will be significant capital expenditure plans in the future, the dividends could all be distributed in shares after obtaining approval from the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

- D. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On June 6, 2022 and August 2, 2021, the shareholders of the Group approved the offset of deficits for the years ended December 31, 2021 and 2020, and the 2020 deficit was offset with capital surplus in the amount of \$631,375.
- F. The Group's accumulated deficits to be covered exceeded half of paid-in capital, in accordance with the Group Act. On March 30, 2023, the Board of Directors resolved and approved the deficit compensation for the year ended December 31, 2022 to adopt a resolution to use capital surplus to offset deficit of \$541,716, which would be reported to the shareholders for admission on June 26, 2023.

(20) Other equity items

	2022			
	Unrealised gains (losses) on valuation	Currency translation	Unearned compensation	Total
At January 1	(\$ 35,352)	(\$ 10,950)	(\$ 8,882)	(\$ 55,184)
Revaluation – gross	16,231	-	-	16,231
–Group	-	(30)	-	(30)
–Tax on Group	-	6	-	6
Unearned compensation	-	-	4,854	4,854
–Recognised as costs of share-based payments	-	-	4,854	4,854
At December 31	<u>(\$ 19,121)</u>	<u>(\$ 10,974)</u>	<u>(\$ 4,028)</u>	<u>(\$ 34,123)</u>
	2021			
	Unrealised gains (losses) on valuation	Currency translation	Unearned compensation	Total
At January 1	(\$ 26,603)	(\$ 5,161)	(\$ 13,737)	(\$ 45,501)
Revaluation – gross	(10,936)	-	-	(10,936)
Revaluation – tax	2,187	-	-	2,187
Currency translation differences:	-	-	-	-
–Group	-	(7,236)	-	(7,236)
–Tax on Group	-	1,447	-	1,447
Unearned compensation	-	-	4,855	4,855
–Recognised as costs of share-based payments	-	-	4,855	4,855
At December 31	<u>(\$ 35,352)</u>	<u>(\$ 10,950)</u>	<u>(\$ 8,882)</u>	<u>(\$ 55,184)</u>

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

<u>Year ended December 31, 2022</u>	<u>Test reagents, instruments and testing services</u>	<u>Vaccine products</u>	<u>Cytherapy technology service</u>	<u>Generic drugs</u>	<u>Aesthetic medicine products</u>	<u>Dietary supplement</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 77,828</u>	<u>\$ 365,042</u>	<u>\$ 600</u>	<u>\$ 313,000</u>	<u>\$ 231,243</u>	<u>\$ 45,486</u>	<u>\$ 22,748</u>	<u>\$ 1,055,947</u>
Timing of revenue recognition								
At a point in time	\$ 77,828	\$ 313,585	\$ 600	\$ 313,000	\$ 231,243	\$ 45,486	\$ 5,960	\$ 987,702
Over time	<u>-</u>	<u>51,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,788</u>	<u>68,245</u>
Total	<u>\$ 77,828</u>	<u>\$ 365,042</u>	<u>\$ 600</u>	<u>\$ 313,000</u>	<u>\$ 231,243</u>	<u>\$ 45,486</u>	<u>\$ 22,748</u>	<u>\$ 1,055,947</u>
<u>Year ended December 31, 2021</u>	<u>Test reagents, instruments and testing services</u>	<u>Vaccine products</u>	<u>Cytherapy technology service</u>	<u>Generic drugs</u>	<u>Aesthetic medicine products</u>	<u>Dietary supplement</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 89,452</u>	<u>\$ 3,275,166</u>	<u>\$ 11,982</u>	<u>\$ 280,048</u>	<u>\$ 205,359</u>	<u>\$ 34,974</u>	<u>\$ 25,031</u>	<u>\$ 3,922,012</u>
Timing of revenue recognition								
At a point in time	\$ 85,959	\$ 3,249,862	\$ 5,446	\$ 280,048	\$ 205,359	\$ 34,974	\$ 8,886	\$ 3,870,534
Over time	<u>3,493</u>	<u>25,304</u>	<u>6,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,145</u>	<u>51,478</u>
Total	<u>\$ 89,452</u>	<u>\$ 3,275,166</u>	<u>\$ 11,982</u>	<u>\$ 280,048</u>	<u>\$ 205,359</u>	<u>\$ 34,974</u>	<u>\$ 25,031</u>	<u>\$ 3,922,012</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets:			
Contract assets - sales contracts	\$ -	\$ 339,148	\$ -
Contract assets - service contracts	8,638	8,637	4,040
	<u>\$ 8,638</u>	<u>\$ 347,785</u>	<u>\$ 4,040</u>
Contract liabilities:			
Contract liabilities - advance sales receipts	\$ 104,094	\$ 218,119	\$ 113,920
Contract liabilities - advance royalty receipts	26,304	26,304	-
	<u>\$ 130,398</u>	<u>\$ 244,423</u>	<u>\$ 113,920</u>

The contract assets of \$339,148 and contract liabilities of \$111,412 as at December 31, 2021 mainly arose from the contract between the Company's subsidiary - Medigen Vaccine Biologics Corporation and the Centers for Disease Control of the Ministry of Health and Welfare for the procurement of domestic COVID-19 vaccine. In addition, the liquidated damages related to the delay in the delivery of vaccines were considered as a deduction of revenue. The deductions recognised in 2022 and 2021 were \$88,164 and \$109,723, respectively.

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>\$ 199,039</u>	<u>\$ 65,792</u>

(22) Interest income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 6,750	\$ 743
Interest income from financial assets measured at amortised cost	2,100	2,338
Other interest income	33	79
	<u>\$ 8,883</u>	<u>\$ 3,160</u>

(23) Other income

	Year ended December 31	
	2022	2021
Government grant income	\$ 19,864	\$ 442,358
Other income	55,999	5,363
	<u>\$ 75,863</u>	<u>\$ 447,721</u>

The Group's subsidiary, Medigen Vaccine Biologics Corporation, signed a "COVID-19 vaccine development" subsidy contract with Taiwan CDC on October 13, 2020. The execution of the contract begins from the approval of funding to June 30, 2021. Taiwan CDC releases the subsidy based on the milestones achieved during the Phase I and Phase II trials as specified in the contract. Medigen Vaccine Biologics Corporation guarantees to supply the Taiwan government preferentially in order to fulfill the requirement for epidemic prevention.

(24) Other gains and losses

	Year ended December 31	
	2022	2021
Losses on disposal of property, plant and equipment	\$ -	(\$ 250)
(Losses) gains on disposal of investments	(7)	11,025
Gains arising from lease modifications	4	-
Currency exchange gains	29,491	3,387
Losses on financial assets at fair value through profit or loss	(16,649)	(101)
Other (losses) gains	(1,556)	155
	<u>\$ 11,283</u>	<u>\$ 14,216</u>

(25) Finance costs

	Year ended December 31	
	2022	2021
Interest expense:		
Bank borrowings	\$ 12,386	\$ 12,927
Lease liability	7,712	5,907
Discount on bonds payable	19,355	-
Others	-	234
	<u>\$ 39,453</u>	<u>\$ 19,068</u>

(26) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense	\$ 514,399	\$ 617,906
Depreciation charges on property, plant and equipment	157,477	156,387
Depreciation charges on right-of-use assets	19,777	8,950
Amortisation charges on intangible assets	14,392	33,091
	<u>\$ 706,045</u>	<u>\$ 816,334</u>

(27) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 372,892	\$ 477,779
Share-based payments	82,066	77,397
Labour and health insurance fees	30,960	30,995
Pension costs	17,650	17,063
Other personnel expenses	10,831	14,672
	<u>\$ 514,399</u>	<u>\$ 617,906</u>

A. The profit of the current year shall be distributed by not lower than 2% as employees' compensation and not higher than 2% as directors' and supervisors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated based on the aforementioned ratios.

Employees' compensation can be distributed to subsidiaries who meet certain specific requirements in the form of shares or cash. If the Company's current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and then, the Company appropriates or reverses special reserve as requirements or regulations when necessary. The remainder, if any, should be combined with beginning undistributed earnings (including adjusted undistributed earnings amounts) to be retained or to be appropriated which shall be proposed by the Board of Directors and resolved by the stockholders at their meetings.

B. For the years ended December 31, 2022 and 2021, the Company still had accumulated deficit, and thus did not accrue employees' compensation and directors' remuneration.

C. For the year ended December 31, 2021, the Company still had accumulated deficit, and thus did not distribute employees' compensation and directors' remuneration.

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

(28) Income tax

A. Tax (expense) benefit

(a) Components of income tax (expense) benefit:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	(\$ 28,386)	(\$ 13,408)
Tax on undistributed surplus earnings	(345)	(875)
Prior year income tax over (under) estimation	11,115	(18,037)
Total current tax	(\$ 17,616)	(\$ 32,320)
Deferred tax:		
Origination and reversal of temporary differences	(41,258)	(33,413)
Income tax expense	(\$ 58,874)	(\$ 65,733)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Changes in fair value of financial assets at fair value through other comprehensive income	\$ -	\$ 2,187
Currency translation differences	6	1,447
Remeasurement of defined benefit obligations	122	80
	<u>\$ 128</u>	<u>\$ 3,714</u>

B. Reconciliation between income tax expense (benefit) and accounting profit

	Year ended December 31	
	2022	2021
Tax calculated based on (loss) profit before tax and statutory tax rate (Note)	(\$ 89,400)	\$ 306,339
Expenses disallowed by tax regulation	85,618	9,876
Tax exempt income by tax regulation	(13,903)	(68,653)
Change in assessment of realisation of deferred tax assets	42,308	(237,207)
Taxable loss not recognised as deferred tax assets	45,223	40,063
Prior year income tax (over) underestimation	(11,115)	18,037
Temporary difference not recognised as deferred tax assets	83	-
Tax on undistributed surplus earnings	345	875
Others	(285)	(3,597)
Income tax expense	<u>\$ 58,874</u>	<u>\$ 65,733</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised gross profit from sales	\$ 3,545	(\$ 608)	\$ -	\$ 2,937
Unrealised foreign exchange loss	4	185	-	189
Loss on investments accounted for using the equity method	94,173	16	-	94,189
Impairment loss on financial instruments	45,609	-	-	45,609
Currency translation differences	2,738	-	6	2,744
Changes in fair value of financial assets at fair value through other comprehensive income	8,838	-	-	8,838
Loss on market value decline and obsolete and slow-moving inventories	13,102	43	-	13,145
Others	3,448	925	300	4,673
Tax losses	82,759	(42,104)	-	40,655
Investment tax credits	267,959	-	-	267,959
Subtotal	<u>\$ 522,175</u>	<u>(\$ 41,543)</u>	<u>\$ 306</u>	<u>\$ 480,938</u>
– Deferred tax liabilities:				
Others	<u>(\$ 14,348)</u>	<u>\$ 285</u>	<u>(\$ 178)</u>	<u>(\$ 14,241)</u>
Subtotal	<u>(\$ 14,348)</u>	<u>\$ 285</u>	<u>(\$ 178)</u>	<u>(\$ 14,241)</u>
Total	<u>\$ 507,827</u>	<u>(\$ 41,258)</u>	<u>\$ 128</u>	<u>\$ 466,697</u>

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised gross profit from sales	\$ 4,153	(\$ 608)	\$ -	\$ 3,545
Unrealised foreign exchange loss	-	4	-	4
Loss on investments accounted for using the equity method	78,803	15,370	-	94,173
Impairment loss on financial instruments	45,609	-	-	45,609
Currency translation differences	1,291	-	1,447	2,738
Changes in fair value of financial assets at fair value through other comprehensive income	6,651	-	2,187	8,838
Loss on market value decline and obsolete and slow-moving inventories	3,311	9,791	-	13,102
Others	3,598	(179)	29	3,448
Tax losses	144,303	(61,544)	-	82,759
Investment tax credits	267,959	-	-	267,959
Subtotal	<u>\$ 555,678</u>	<u>(\$ 37,166)</u>	<u>\$ 3,663</u>	<u>\$ 522,175</u>
– Deferred tax liabilities:				
Unrealised exchange gain	(\$ 156)	\$ 156	\$ -	\$ -
Others	(17,996)	3,597	51	(14,348)
Subtotal	<u>(\$ 18,152)</u>	<u>\$ 3,753</u>	<u>\$ 51</u>	<u>(\$ 14,348)</u>
Total	<u>\$ 537,526</u>	<u>(\$ 33,413)</u>	<u>\$ 3,714</u>	<u>\$ 507,827</u>

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

December 31, 2022				
Legal basis	Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act for the Development of Biotech and Pharmaceutical Industry	Research and development	\$ 267,959	\$ -	Note

December 31, 2021				
Legal basis	Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act for the Development of Biotech and Pharmaceutical Industry	Research and development	\$ 267,959	\$ -	Note

Note: On June 10, 2011, the Company was approved as a biotechnology and new medicine Company by the Ministry of Economic Affairs. Consequently, the Company and the Company's are entitled to incentives under the 'Act for the Development of Biotech and Pharmaceutical Industry'. The approval letter of the Ministry of Economic Affairs approved the credit to business income tax for each year, within 5 years starting from the year the Company should pay business income tax. As of December 31, 2022, the Company had no profits.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	\$ 390,187	\$ 390,187	\$ 390,187	2023
2014	551,819	551,819	551,819	2024
2015	435,038	435,038	435,038	2025
2016	290,254	290,254	290,254	2026
2017	223,002	223,002	223,002	2027
2018	198,593	198,593	198,071	2028
2021	192,591	192,591	96,296	2031
2022	212,916	212,916	106,458	2031
	<u>\$ 2,494,400</u>	<u>\$ 2,494,400</u>	<u>\$ 2,291,125</u>	
December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	\$ 390,187	\$ 390,187	\$ 390,187	2023
2014	551,819	551,819	551,819	2024
2015	435,038	435,038	435,038	2025
2016	290,254	290,254	183,553	2026
2017	223,002	223,002	111,501	2027
2018	198,593	198,593	99,297	2028
2021	192,591	192,591	96,296	2031
	<u>\$ 2,281,484</u>	<u>\$ 2,281,484</u>	<u>\$ 1,867,691</u>	

F. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the Company's subsidiary - Medigen Vaccine Biologics Corporation are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2019	\$ 609,285	\$ 589,909	\$ 589,909	2029
2020	675,680	675,680	675,680	2030
2022	1,021,935	1,021,935	1,021,935	2032
	<u>\$ 2,306,900</u>	<u>\$ 2,287,524</u>	<u>\$ 2,287,524</u>	

December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2019	\$ 609,285	\$ 589,909	\$ 589,909	2029
2020	675,680	675,680	675,680	2030
	<u>\$ 1,284,965</u>	<u>\$ 1,265,589</u>	<u>\$ 1,265,589</u>	

G. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the Company's second-tier subsidiary - TBG Biotechnology Corp. are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2015	\$ 25,327	\$ 25,327	\$ 25,327	2025
2016	41,487	41,487	41,487	2026
2017	18,432	18,432	18,432	2027
2018	17,661	17,661	17,661	2028
2019	9,106	9,106	9,106	2029
2020	8,761	8,761	8,761	2030
2021	7,725	7,725	7,725	2031
	<u>\$ 128,499</u>	<u>\$ 128,499</u>	<u>\$ 128,499</u>	

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	\$ 25,327	\$ 25,327	\$ 25,327	2025
2016	41,487	41,487	41,487	2026
2017	18,432	18,432	18,432	2027
2018	17,661	17,661	17,661	2028
2019	9,106	9,106	9,106	2029
2020	8,761	8,761	8,761	2030
2021	7,725	7,725	7,725	2031
	<u>\$ 128,499</u>	<u>\$ 128,499</u>	<u>\$ 128,499</u>	

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

(29) Loss per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>675,874</u>)	139,126	(\$ <u>4.86</u>)
	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>52,614</u>)	138,970	(\$ <u>0.38</u>)

The potential ordinary shares have anti-dilutive effect due to net loss for the years ended December 31, 2022 and 2021, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(30) Transactions with non-controlling interest

A. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

- (a) During the period from January 2022 to March 2022, the Group disposed of 560 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$145,212, resulting in a decrease in the original shareholding ratio from 20.96% to 20.69%. The transaction resulted in an increase in the non-controlling interest by \$12,603 and an increase in the equity attributable to owners of the parent by \$132,609. During the period from April 2022 to May 2022, the Group disposed of 400 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$92,697, resulting in a decrease in the original shareholding ratio from 20.67% to 20.48%. The transaction resulted in an increase in the non-controlling interest by \$8,608 and an increase in the equity attributable to owners of the parent by \$84,089. In June 2022, the Group disposed of 210 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$50,175, resulting in a decrease in the original shareholding ratio from 20.45% to 20.35%. The transaction resulted in an increase in the non-controlling interest by \$4,543 and an increase in the equity attributable to owners of the parent by \$45,632. During the period from July 2022 to September 2022, the Group disposed of 650 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$94,424, resulting in a decrease in the original shareholding ratio from 20.23% to 19.98%. The transaction resulted in an increase in the non-controlling interest by \$14,729 and an increase in the equity attributable to owners of the parent by \$79,695. During the period from October 2022 to November 2022, the Group disposed of 420 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$30,377, resulting in a decrease in the original shareholding ratio from 19.98% to 19.85%. The transaction resulted in an increase in the non-controlling interest by \$7,282 and an increase in the equity attributable to owners of the parent by \$23,095. In December 2022, the Group disposed of 220 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$16,857, resulting in a decrease in the original shareholding ratio from 19.81% to 19.74%. The transaction resulted in an increase in the non-controlling interest by \$3,937 and an increase in the equity attributable to owners of the parent by \$12,920.

(b) During the period from January 2021 to February 2021, the Group disposed of 290 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$31,311, resulting in a decrease in the original shareholding ratio from 22.03% to 21.89%. The transaction resulted in an increase in the non-controlling interest by \$4,381 and an increase in the equity attributable to owners of the parent by \$26,930. In March 2021, the Group disposed of 220 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$50,963, resulting in a decrease in the original shareholding ratio from 21.86% to 21.75%. The transaction resulted in an increase in the non-controlling interest by \$3,456 and an increase in the equity attributable to owners of the parent by \$47,507. In April 2021, the Group disposed of 150 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$42,700, resulting in a decrease in the original shareholding ratio from 21.75% to 21.68%. The transaction resulted in an increase in the non-controlling interest by \$2,095 and an increase in the equity attributable to owners of the parent by \$40,605. During the period from May 2021 to June 2021, the Group disposed of 210 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$69,890, resulting in a decrease in the original shareholding ratio from 21.59% to 21.49%. The transaction resulted in an increase in the non-controlling interest by \$3,024 and an increase in the equity attributable to owners of the parent by \$66,866. In August 2021, the Group disposed of 190 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$58,678, resulting in a decrease in the original shareholding ratio from 21.49% to 21.41%. The transaction resulted in an increase in the non-controlling interest by \$2,293 and an increase in the equity attributable to owners of the parent by \$56,385. In September 2021, the Group disposed of 210 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$60,012, resulting in a decrease in the original shareholding ratio from 21.39% to 21.29%. The transaction resulted in an increase in the non-controlling interest by \$2,871 and an increase in the equity attributable to owners of the parent by \$57,141. During the period from October 2021 to November 2021, the Group disposed of 401 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$84,138, resulting in a decrease in the original shareholding ratio from 21.29% to 21.10%. The transaction resulted in an increase in the non-controlling interest by \$6,784 and an increase in the equity attributable to owners of the parent by \$77,354. In December 2021, the Group disposed of 220 thousand shares in the subsidiary, Medigen Vaccine Biologics Corporation, for a consideration of \$66,390, resulting in a decrease in the original shareholding ratio from 21.06% to 20.96%. The transaction resulted in an increase in the non-controlling interest by \$3,583 and an increase in the equity attributable to owners of the parent by \$62,807.

- (c) The effect of changes in interests in Medigen Vaccine Biologics Corporation on the equity attributable to owners of the parent for the years ended December 31, 2022 and 2021 is shown below:

	Year ended December 31	
	2022	2021
Carrying amount of non-controlling interest disposed	(\$ 51,702)	(\$ 28,487)
Consideration received from non-controlling interest (Note)		
Capital surplus	429,742	464,082
- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>\$ 378,040</u>	<u>\$ 435,595</u>

Note: It included the receivables from shares sold but not yet settled of \$1,320 and \$5,842 (shown as other receivables) on December 31, 2022 and 2021, respectively

- (d) In February 2021, the Group disposed of 547 thousand shares in the subsidiary - WINSTON MEDICAL SUPPLY CO., LTD. for a consideration of \$19,692, resulting in a decrease in the original shareholding ratio from 63.05% to 60.03%. This transaction resulted in an increase in the non-controlling interest by \$13,821 and an increase in the equity attributable to owners of the parent by \$5,871.
- (e) The effect of changes in interests in WINSTON MEDICAL SUPPLY CO., LTD. on the equity attributable to owners of the parent for the years ended December 31, 2022 and 2021 is shown below:

	Year ended December 31	
	2022	2021
Carrying amount of non-controlling interest disposed	\$ -	(\$ 13,821)
Consideration received from non-controlling interest (Note)		
Capital surplus	-	19,692
- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>\$ -</u>	<u>\$ 5,871</u>

Note: Based on the receivables from shares actually settled.

B. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

- (a) On March 1, 2022, the Group's subsidiary, Medigen Vaccine Biologics Corporation, issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.02%. The transaction resulted in an increase in the non-controlling interest by \$7,486 and an increase in the equity attributable to owners of the parent by \$774. On May 3, 2022, Medigen Vaccine Biologics Corporation issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.03%. The transaction resulted in an increase in the non-controlling interest by \$11,367 and an increase in the equity attributable to owners of the parent by \$1,214. On July 1, 2022, Medigen Vaccine Biologics Corporation carried out a cash capital increase by issuing 7,000 thousand ordinary shares with a par value of NT\$10 (in dollars) per share and a premium issuance price of NT\$220 (in dollars) per share, and the total shares amounted to \$1,540,000. The Company participated in the capital increase in the amount of \$253,220, and the Group's equity interest decreased by 0.12% because the Group did not acquire shares proportionally to its interest and a portion was reserved for employee preemption. The transaction resulted in an increase in the non-controlling interest by \$1,233,680 and an increase in the equity attributable to owners of the parent by \$306,320. On November 7, 2022, Medigen Vaccine Biologics Corporation issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.04%. The transaction resulted in an increase in the non-controlling interest by \$19,946 and an increase in the equity attributable to owners of the parent by \$2,133.
- (b) On March 5, 2021, the Group's subsidiary, Medigen Vaccine Biologics Corporation, issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.03%. The transaction resulted in an increase in the non-controlling interest by \$10,464 and an increase in the equity attributable to owners of the parent by \$1,726. On May 7, 2021, Medigen Vaccine Biologics Corporation issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.09%. The transaction resulted in an increase in the non-controlling interest by \$27,169 and an increase in the equity attributable to owners of the parent by \$4,045. On September 1, 2021, Medigen Vaccine Biologics Corporation issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.02%. The transaction resulted in an increase in the non-controlling interest by \$4,060 and an increase in the equity attributable to owners of the parent by \$376.

- (c) The effect of changes in interests in Medigen Vaccine Biologics Corporation on the equity attributable to owners of the parent for the years ended December 31, 2022 and 2021 is shown below:

	Year ended December 31	
	2022	2021
Cash	\$ 1,582,921	\$ 59,609
Increase in the carrying amount of non-controlling interest		
Capital surplus	(1,272,480)	(52,412)
- recognition of changes in ownership interest in subsidiaries	<u>\$ 310,441</u>	<u>\$ 7,197</u>

- (d) In 2022 and 2021, employees of the Group's subsidiary, Medigen Vaccine Biologics Corporation, exercised options. On December 31, 2022 and 2021, the amounts of advance receipts for shares of Medigen Vaccine Biologics Corporation were \$4,744 (191,300 shares) and \$8,260 (238,250 shares), respectively, and all of advance receipt amounts belonged to non-controlling interests.
- (e) On January 18, 2021, the Group's subsidiary, WINSTON MEDICAL SUPPLY CO., LTD., issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 2.40%. The transaction resulted in an increase in the non-controlling interest by \$15,593 and a decrease in the equity attributable to owners of the parent by \$2,253. On August 6, 2021, WINSTON MEDICAL SUPPLY CO., LTD. issued new shares because employees exercised options. Since the Group did not acquire shares proportionally to its interest, the equity interests decreased by 0.81%. The transaction resulted in an increase in the non-controlling interest by \$6,188 and a decrease in the equity attributable to owners of the parent by \$1,188.
- (f) The effect of changes in interests in WINSTON MEDICAL SUPPLY CO., LTD. on the equity attributable to owners of the parent for the years ended December 31, 2022 and 2021 is shown below:

	Year ended December 31	
	2022	2021
Cash	\$ -	\$ 18,340
Increase in the carrying amount of non-controlling interest		
Capital surplus	-	(21,781)
- recognition of changes in ownership interest in subsidiaries	<u>\$ -</u>	<u>(\$ 3,441)</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment	\$ 69,293	\$ 120,325
Add: Opening balance of payables	6,282	16,458
Less: Ending balance of payables	(20,700)	(6,282)
Cash paid during the year	<u>\$ 54,875</u>	<u>\$ 130,501</u>

B. Investing activities with partial cash returns

	Year ended December 31	
	2022	2021
Disposal of property, plant and equipment	\$ -	\$ 250
Losses on disposal	-	(250)
Add: Opening balance of other receivables	-	126,000
	<u>\$ -</u>	<u>\$ 126,000</u>

(32) Changes in liabilities from financing activities

	2022			
	Short-term borrowings	Long-term borrowings (including current portion)	Bonds payable	Lease liability
At January 1	\$ 300,000	\$ 492,112	\$ -	\$ 199,955
Changes in cash flow from financing activities	28,000	(11,943)	1,755,250	(16,968)
Changes in other non-cash items	-	-	(77,400)	105,458
At December 31	<u>\$ 328,000</u>	<u>\$ 480,169</u>	<u>\$ 1,677,850</u>	<u>\$ 288,445</u>

	2021			
	Short-term borrowings	Long-term borrowings (including current portion)	Bonds payable	Lease liability
At January 1	\$ 475,000	\$ 507,763	\$ -	\$ 198,689
Changes in cash flow from financing activities	(175,000)	(15,651)	(6,834)	
Changes in other non-cash items	-	-		8,100
At December 31	<u>\$ 300,000</u>	<u>\$ 492,112</u>	<u>\$ 199,955</u>	

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Chang Shi Chung	The Company's chairman
Chang Tse Ling	The Company's director
Schweitzer Biotech Company Ltd.	Director of the Company's subsidiary
Taiwan Bio Therapeutics Co., Ltd.	The Company's subsidiary is the juristic person director of the entity (Note)
CELLXPRT BIOTECHNOLOGY CORP.	Associate
TBG Biotechnology (Xiamen) Corp.	Associate
U-GEN (formerly TBG INC.)	Associate

Note: The Group's subsidiary, Medigen Vaccine Biologics Corporation, became the juristic person director of the entity on June 24, 2021.

(2) Significant related party transactions

A. Operating revenue

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Associates	\$ 21,087	\$ 26,287
Sales of services:		
Associates	-	7,019
	<u>\$ 21,087</u>	<u>\$ 33,306</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
TBG Biotechnology (Xiamen) Corp.	\$ 41,009	\$ 27,886
Less: Allowance for uncollectible accounts	(35,294)	(12,849)
	<u>\$ 5,715</u>	<u>\$ 15,037</u>

The receivables from related parties arise mainly from sales of goods and provision of services.

The receivables are unsecured in nature and bear no interest.

C. Prepayments to suppliers (shown as other current assets)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Medigen Biotechnology (Xiamen) Corporation	\$ -	\$ 8,299

D. Contract liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
CELLXPRT BIOTECHNOLOGY CORP.	\$ 26,304	\$ 26,304

Contract liabilities arise mainly from royalty revenue received in advance.

E. Loans to/from related parties:

Loans to related parties (including interest receivable)

(a) Outstanding balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
TBG Biotechnology (Xiamen) Corp.	\$ 1	\$ 4,313
U-Gen	40	40
	<u>\$ 41</u>	<u>\$ 4,353</u>

(b) Interest income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
U-Gen	\$ -	\$ 40
TBG Biotechnology (Xiamen) Corp.	8	32
	<u>\$ 8</u>	<u>\$ 72</u>

The loans to associates are repayable within a year and carry interest at 1% ~ 3.5% per annum for the years ended December 31, 2022 and 2021.

F. Professional service fees

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
TBG Biotechnology (Xiamen) Corp.	\$ 2,183	\$ -

G. For the years ended December 31, 2022 and 2021, the Group participated in the cash capital increase of the associate, U-Gen, for \$30,127 and \$27,795, respectively.

H. For the years ended December 31, 2022 and 2021, the Group participated in the cash capital increase of the associate, CELLXPRT BIOTECHNOLOGY CORP., for \$17,731 and \$20,911, respectively. As of December 31, 2022, the Group accounted prepayments for investment in the amount of \$17,731 (shown as “other non-current assets”).

I. For the years ended December 31, 2022 and 2021, the joint guarantor of the Group’s loan from financial institutions was the related party, Chang Shi Chung.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 53,427	\$ 50,651
Post-employment benefits	1,026	1,022
Share-based payment	20,394	15,932
Total	<u>\$ 74,847</u>	<u>\$ 67,605</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Land	\$ 258,968	\$ 258,968	Guarantees for borrowings
Buildings and structures	243,521	252,879	"
Restricted assets - other current assets	42,316	50,514	Guarantees for borrowings, planned security deposit and security deposit for lease
Restricted assets - other non-current assets	13,626	13,626	Guarantees for material procurement and security deposit for lease
	<u>\$ 558,431</u>	<u>\$ 575,987</u>	

On December 31, 2022 and 2021, the Group had 12,600 thousand equity shares in Medigen Vaccine Biologics Corporation which were pledged as collateral for short-term borrowings.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

- A. In November 2011, the Company obtained the grant from Industry - Technology Development Programs of Ministry of Economic Affairs - Fast Track "PI-88 treatment after curative resection for hepatocellular carcinoma global phase III clinical trial development plan". In the plan, commitments were as follows: (1) After the beginning of the plan, if the plan product, PI-88, externally authorised successfully, the Company committed to appropriate 5% of the signing bonus and milestones as feedbacks, and 2% of the feedback should be donated to the research foundations with the nature of charity and work in the biomedical related research, in order to fulfil the research and development expenditures of domestic biomedical research institutes with the nature of charity. Additionally, 3% will be the collaborative research and development expenditure of the Company and domestic academic research institutes or legal entity, the amount of feedbacks was not limited to the grants. (2) If "PI-88" which would be developed in the plan was approved to sell in the market in the country, before obtaining payment from national health insurance, the Company needed to provide this medicine to 15 post-operative hepatocellular carcinoma patients in the underprivileged or low-income family.
- B. According to the transference contract of monoclonal antibody expertise, the Company committed that after signing the contract in July 2012, the Company should pay milestone payments according to the result of research and development phase within 10 years, and pays 7% of royalty for all the profit from uses or disposal of platform technology, platform antibody or platform medicines within 11 years started from the date of signature.

- C. In August 2012, the Company communicated with one hospital for collaborative research and development plan for 6 years, according to the agreement, both parties have to distribute \$3,000 each for the expenditures of collaborative plan in the collaborative period which ended in August 2018. Additionally, except for the first collaborative sub-project, after the marketing of researched and developed products which had been generated from the collaborative research and development plan, the Company should feedback 1% of the sales amount of the product to the hospital. The ceiling of accumulated feedbacks of the sub-project of collaborative research and development plan was 150% of the research and development period multiplying \$3 million per year.
- D. On October 7, 2019, the Company and a listed Japan Group, MEDINET Co., Ltd. (collectively referred to herein as the “MEDINET”) entered into an exclusive authorisation contract for obtaining MEDINET’s exclusive authorisation of immunocyte, Gamma Delta T cell (collectively referred to herein as the “GDT cell”), in Taiwan. In the future, the Company would collaborate with medical institutions in accordance with “Regulations Governing the Application or Use of Specific Medical Techniques or Examinations, or Medical Devices” to use GDT cell in the immunotherapy and pays royalties at certain proportion in accordance with the contract.
- E. On December 18, 2019, the Company signed the PI-88 authorisation contract with CELLXPRT BIOTECHNOLOGY CORP. to exclusively authorised the global rights (excluding Taiwan) of development and commercialisation to CELLXPRT BIOTECHNOLOGY CORP., who could research, develop, manufacture, sales, reauthorise and other commercialisation activities in the authorised area. The Company would receive upfront payment after signing the authorisation contract and receive milestone payments based on each stage. Additionally, the Company could proportionately share profits from incomes of sales and reauthorisation of PI-88.
- F. The Group’s capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 29,058</u>	<u>\$ 10,514</u>

- G. The Company’s subsidiary, Medigen Vaccine Biologics Corporation, signed a three party technical license agreement with Centers for Disease Control, Department of Health, Executive Yuan (now Taiwan Centers for Disease Control, CDC) and National Health Research Institute (NHRI) on June 28, 2013 for the development of Enterovirus Vaccine 71 (EV71). Under the contract, the subsidiary shall pay milestone payments as the research progresses and net sales royalty when products are launched in the future. The final data from the Phase III multi-region clinical trial for EV71 vaccine were unblinded on June 20, 2022, and the results were as expected. Accordingly, the subsidiary requested a new drug application (NDA) for EV71 vaccine from the Food and Drug Administration on October 1, 2022. As of December 31, 2022, it is still under review by the Food and Drug Administration.
- H. The Company’s subsidiary, Medigen Vaccine Biologics Corporation, signed the license agreement

with NHRI for the H7N9 novel influenza vaccine. The contract period is from April 25, 2014 through April 24, 2029. The contract includes authorized H7N9 novel influenza virus strains, vaccine manufacturing process, pre-clinical animal trials and other intellectual properties, and the complete rights to manufacture and sell the vaccine products in Taiwan. The subsidiary has made payments as specified in the contract. The phase I and phase II clinical trials have passed the review by Taiwan CDC and approved for future reference.

- I. The Company's subsidiary, Medigen Vaccine Biologics Corporation, contracted with United States National Institute of Health (NIH) on November 17, 2016 regarding the license agreement for the dengue fever vaccine, which granted the subsidiary complete rights of R&D, manufacture, selling and re-authorization. There were 17 countries included in the original authorized region. On September 17, 2017, the rights for 9 additional countries were obtained, which has expanded the total authorized region to 26 countries. The subsidiary is required to make a certain amount of royalty and milestone payment under the contract. The subsidiary has completed phase II clinical trials and retrieved clinical trial reports.
- J. The Company's subsidiary, Medigen Vaccine Biologics Corporation, signed a global commercial COVID-19 vaccine license agreement with US NIH on May 5, 2022 in order to attain the complete rights for the R&D, manufacture, and sales of COVID-19 vaccine. Under the contract, the subsidiary is required to pay a certain amount of royalty, milestone payment and sales royalty payment. On June 10, 2022, the subsidiary performed the unblinding of the analytical data during the Phase II clinical trial. The unblinding results were as expected, and after applying with the Ministry of Health and Welfare for an Emergency Use Authorization (EUA) on June 15, 2022 with the relevant documents for the clinical trial and manufacturing, the application was approved by the Ministry of Health and Welfare on July 19, 2022, and the subsidiary has obtained the approval for the project manufacturing.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- A. On November 30, 2022, the Board of Directors of the Company resolved to gradually invest in the associate, U-GEN, with an amount no higher than USD 5 million (approximate \$158,000). And, on January 17, 2023, March 6, 2023 and March 23, 2023, the Company gradually remitted investments in the total amount of \$152,952 (USD 5 million).
- B. On March 30, 2023, the Board of Directors approved the deficit compensation for the year ended December 31, 2022, refer to Note 6(15) F. for details.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group

may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments

Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 54,225	\$ 53,599
Financial assets at fair value through other comprehensive income	205,634	54,000
Financial assets at amortised cost	<u>5,557,959</u>	<u>3,499,123</u>
	<u>\$ 5,817,818</u>	<u>\$ 3,606,722</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 19,250	\$ -
Financial liabilities at amortised cost	3,000,702	1,285,092
Lease liability	<u>288,445</u>	<u>199,955</u>
	<u>\$ 3,308,397</u>	<u>\$ 1,485,047</u>

Note: Financial assets at amortised cost included cash and cash equivalents, time deposits (over three months), accounts and notes receivable, other receivables, restricted assets, performance guarantees and guarantee deposits paid; financial liabilities at amortised cost included short-term borrowings, accounts and notes payable, other payables, bonds payable, long-term borrowings (including current portion) and guarantee deposits received.

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on the Group's financial status and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, AUD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB; other certain subsidiaries' functional currency: AUD). The information on assets and liabilities.

December 31, 2022					
		Foreign currency amount (In thousands)	Exchange rate	Carrying amount (New Taiwan dollar)	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
	\$	12,892	30.710	\$	395,913
USD:NTD		4,662	4.408		20,550
RMB:NTD		5,908	20.830		133,064
AUD:NTD					

December 31, 2021					
		Foreign currency amount (In thousands)	Exchange rate	Carrying amount (New Taiwan dollar)	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
	\$	8,729	27.680	\$	241,619
USD:NTD		5,948	4.344		25,838
RMB:NTD					

- iii. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$29,491 and \$3,387, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,167	\$ -
RMB:NTD	1%	164	-
AUD:NTD	1%	985	-

	December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,933	\$ -
RMB:NTD	1%	207	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise listed equity instruments and open-end funds issued by foreign and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$542 and \$536, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,056 and \$540, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$960 and \$984, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. According to the Group's credit policy, each operation unit in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set by the credit controlling manager based on internal or external factors. The utilisation of credit limits is regularly monitored.
- iv. For banks and financial institutions, only institutions with good credit rating are accepted.
- v. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 90 days.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

- vii. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.
- viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- ix. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable and notes receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	<u>Not past due</u>	<u>1~ 90 days past due</u>	<u>91~180 days past due</u>
<u>December 31, 2022</u>			
Expected loss rate	0.03%~3.75%	0.03%~44.15%	0.03%~55.6%
Total book value	\$ 379,351	\$ 4,532	\$ 113
Loss allowance	\$ 27	\$ 6	\$ 2
		<u>Over 181 days past due</u>	<u>Total</u>
Expected loss rate		100%	
Total book value		\$ -	\$ 383,996
Loss allowance		\$ -	\$ 35
	<u>Not past due</u>	<u>1~ 90 days past due</u>	<u>91~180 days past due</u>
<u>December 31, 2021</u>			
Expected loss rate	0.03%~1.28%	13.2%~44.15%	28.86%~100%
Total book value	\$ 431,497	\$ 6,982	\$ 232
Loss allowance	\$ 324	\$ 922	\$ 67
		<u>Over 181 days past due</u>	<u>Total</u>
Expected loss rate		100%	
Total book value		\$ 34	\$ 438,745
Loss allowance		\$ 34	\$ 1,347

On December 31, 2022 and 2021, the Group performed individual impairment assessment on accounts receivable which were \$41,009 and \$27,886, and recognised impairment losses of \$35,294 and \$12,849, respectively.

- x. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2022	
	Accounts receivable	Other receivables
At January 1	\$ 14,196	\$ -
Provision for impairment	21,133	-
At December 31	<u>\$ 35,329</u>	<u>\$ -</u>

	2021	
	Accounts receivable	Other receivables
At January 1	\$ 26,692	\$ 9,248
Reversal of impairment loss	(11,246)	(9,248)
Write-offs during the year	(49)	-
Effect of exchange rate changes	(1,201)	-
At December 31	<u>\$ 14,196</u>	<u>\$ -</u>

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 260,879	\$ 120,042	\$ 381,373	\$ 57,126
1 to 90 day(s)	7,860	-	11,715	-
91 to 180 days	6,963	-	5,888	-
Over 180 days	29,261	-	10,529	-
	<u>\$ 304,963</u>	<u>\$ 120,042</u>	<u>\$ 409,505</u>	<u>\$ 57,126</u>

The above ageing analysis was based on past due date.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions and Investment Commission related regulations.

- ii. When residual cash held by each operating entity exceeded the requirement of managing operating capital, Group treasury would supervise or integrate each operating entity, and invested the residual capital in the interest bearing demand deposits, time deposits, deposits in currency market and securities, the instrument it chose contained adequate due date and sufficient liquidity to response to aforementioned forecast and provide sufficient headroom. As at December 31, 2022 and 2021, the Group held money market position of \$2,040,633 and \$2,144,580, respectively, and current financial assets at fair value through profit or loss of \$54,225 and \$53,599, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2022 and 2021, the Group has undrawn borrowing facilities amounting to \$227,000 and \$230,000, respectively.
- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	December 31, 2022		December 31, 2021	
	<u>Within 1 year</u>	<u>Over 1 years</u>	<u>Within 1 year</u>	<u>Over 1 years</u>
Bonds payable	\$ -	\$ 1,750,000	\$ -	\$ -
Lease liability	\$ 23,275	\$ 432,791	\$ 12,517	\$ 345,221
Long-term borrowings (including current portion)	\$ 37,586	\$ 504,133	\$ 28,368	\$ 516,129

Except for the above, all of the Group's non-derivative financial liabilities mature within 1 year.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in

corporate bonds is included in Level 2.

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, time deposits (over three months), accounts and notes receivable, other receivables, restricted assets, performance guarantees, guarantee deposits paid, short-term borrowings, accounts and notes payable, other payables, bonds payable, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 54,225	\$ -	\$ -	\$ 54,225
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	205,634	205,634
Total	\$ 54,225	\$ -	\$ 205,634	\$ 259,859
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 19,250	\$ -	\$ 19,250
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 53,599	\$ -	\$ -	\$ 53,599
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	54,000	54,000
Total	\$ 53,599	\$ -	\$ 54,000	\$ 107,599

The methods and assumptions the Group used to measure fair value are as follows:

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- (c) The valuation of derivative financial instruments is based on option pricing models widely accepted by market participants.
- (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (e) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 54,000	\$ 23,097
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	82,225	(21,129)
Acquired in the year	69,409	54,000
Effect of exchange rate changes	-	(1,968)
At December 31	<u>\$ 205,634</u>	<u>\$ 54,000</u>

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

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	<u>\$ 175,634</u>	Market comparable companies	Price to book ratio Discount for lack of marketability	4.38% 30.00%
	<u>\$ 30,000</u>	Most recent non-active market price	N/A	N/A

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ <u>54,000</u>	Discounted cash flow	Long-term revenue growth rate	The higher the long-term revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value
			Discount rate	

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

		December 31, 2022		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to book ratio multiple	±1%	\$ 1,756	(\$ 1,756)
	Discount for lack of marketability	±1%	(753)	753
		December 31, 2021		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Long-term revenue growth rate	±1%	\$ 335	(\$ 335)
	Discount rate	±1%	766	(424)

(4) Other matter

Due to the outbreak of Covid-19 pandemic and pandemic prevention measures prompted by government, the Group has taken reactions and continuously managed related event. For the year ended December 31, 2022, there were no significant impacts on the Group's operation and business.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital : Refer to table 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2).
- J. Significant inter-Group transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

(4) Major shareholders information

Major shareholders information: Refer to table 8.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group is primarily engaged in the research and development of new drugs and vaccines, cytotherapy, advanced nucleic acid testing, generic drugs, aesthetic medicine products. The chief operating decision maker considers the business from a product and service type perspective and develops products to expand business according to the customers' attributes and needs on various types of products. Currently, it is divided into new drug and vaccine research and development segment, nucleic acid testing segment, cytotherapy segment and generic drug and aesthetic medicine product segment.

The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment. The accounting policies of each operating segment are in agreement with the significant accounting policies summarised in Note 4.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Information about segment assets, liabilities and profit or loss.

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	<u>Nucleic acid testing segment</u>	<u>New drug and vaccine research and development segment</u>	<u>Cytotherapy segment</u>	<u>Generic drug, aesthetic medicine product and dietary supplement segment</u>	<u>Total</u>
<u>Year ended December 31, 2022</u>					
Revenue from external customers	\$ 83,788	\$ 365,042	\$ 600	\$ 606,517	\$ 1,055,947
Inter-segment revenue	-	-	-	-	-
Total segment revenue	<u>\$ 83,788</u>	<u>\$ 365,042</u>	<u>\$ 600</u>	<u>\$ 606,517</u>	<u>\$ 1,055,947</u>
Segment income (loss)	<u>(\$ 263,599)</u>	<u>(\$ 1,653,455)</u>	<u>(\$ 95,534)</u>	<u>\$ 139,975</u>	<u>(\$ 1,872,613)</u>
Segment income (loss), including:					
Depreciation and amortisation	<u>\$ 12,402</u>	<u>\$ 126,916</u>	<u>\$ 14,609</u>	<u>\$ 37,719</u>	<u>\$ 191,646</u>
Income tax expenses	<u>\$ 29,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,851</u>	<u>\$ 58,874</u>

	Nucleic acid testing segment	New drug and vaccine research and development segment	Cytotherapy segment	Generic drug, aesthetic medicine product and dietary supplement segment	Total
<u>Year ended December 31,</u>					
<u>2021</u>					
Revenue from external custom	\$ 98,338	\$ 3,275,166	\$ 11,982	\$ 536,526	\$ 3,922,012
Inter-segment revenue	-	-	-	-	-
Total segment revenue	<u>\$ 98,338</u>	<u>\$ 3,275,166</u>	<u>\$ 11,982</u>	<u>\$ 536,526</u>	<u>\$ 3,922,012</u>
Segment income (loss)	<u>(\$ 167,731)</u>	<u>\$ 1,324,932</u>	<u>(\$ 119,371)</u>	<u>\$ 98,604</u>	<u>\$ 1,136,434</u>
Segment income (loss), including:					
Depreciation and amortisation	\$ 14,020	\$ 114,206	\$ 16,094	\$ 54,108	\$ 198,428
Income tax expenses	\$ 44,873	\$ -	\$ -	\$ 20,860	\$ 65,733

(3) Reconciliation for segment assets, liabilities and income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. There was no significant difference between the reportable segment revenue and total revenue, and reportable segment income or loss and total income or loss before tax, and thus the reconciliation is not required.

(4) Reconciliation for segment income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. There was no significant difference between the reportable segment revenue and total revenue, and reportable segment income or loss and total income or loss before tax, and thus the reconciliation is not required.

(5) Information on products and services

Refer to Note 6(21).

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 39,587	\$ -	\$ 53,039	\$ -
Taiwan	1,005,387	2,406,778	3,848,184	2,327,129
Others	<u>10,973</u>	<u>146</u>	<u>20,789</u>	<u>94</u>
Total	<u>\$ 1,055,947</u>	<u>\$ 2,406,924</u>	<u>\$ 3,922,012</u>	<u>\$ 2,327,223</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

Year ended December 31			
2022		2021	
Revenue	Segment	Revenue	Segment
A \$ 365,042	New drug and vaccine research and development segment	\$ 3,275,166	New drug and vaccine research and development segment
B 176,805	Generic drug and aesthetic medicine product segment	157,757	Generic drug and aesthetic medicine product segment

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2022 (Note 3)	Balance at December 31, 2022 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Collateral		Allowance for Creditor Counterparty doubtful accounts	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
												Item	Value				
1	TBG Biotechnology Corp.	TBG Biotechnology (Xiamen) Corp.	Other receivables due from related parties	Y	\$ 4,281	\$ -	\$ -	1%	Short-term financing	\$ -	Revolving funds	-	-	\$ -	\$ 4,939	\$ 19,756	-
2	Medigen Biotechnology (Beijing) Corporation	TBG Biotechnology (Xiamen) Corp.	Other receivables due from related parties	Y	5,686	8,816	-	4%	Short-term financing	-	Revolving funds	-	-	-	9,947	39,787	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2022.

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Note 9: 1. The Company's ceiling of total loan to others could not exceed 40% of net equity, and the ceiling of total loan to single business could not exceed 10% of net equity.

2. For the foreign companies which the Company holds 100% of the voting rights directly or indirectly, limit on loans is not restricted.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				
				Number of shares (thousand shares)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
The Company	Lanka Graphite Limited	-	Financial assets at fair value through profit or loss - current	3,000	\$ -	2.77%	\$ -	-
"	CytoPharm Inc.	-	Financial assets at fair value through profit or loss - current	537	-	0.95%	-	-
"	Neuberger Berman Global Strategic Income Securities Investment Trust Fund Class TWD T Accumulating	-	Financial assets at fair value through profit or loss - current	30	473	-	473	-
"	Cathay US ESG Fund TWD	-	Financial assets at fair value through profit or loss - current	50	462	-	462	-
"	Taishin Future Health Fund A-USD	-	Financial assets at fair value through profit or loss - current	30	297	-	297	-
Medigen Vaccine Biologics Corporation	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,030	50,850	-	50,850	-
"	Franklin Templeton SinoAm Emerging Markets Bond Fund A-TWD	-	Financial assets at fair value through profit or loss - current	303	2,143	-	2,143	-
Medigen Capital Corporation	TAIWAN BIO THERAPEUTICS CO., LTD.	Other related party	Financial assets at fair value through other comprehensive income - non-current	5,176	175,634	10.05%	175,634	-
"	Thermolysis Co.,Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	30,000	6.06%	30,000	-
TBG Diagnostics Limited	Lanka Graphite Limited	-	Financial assets at fair value through profit or loss - current	3,750	-	3.46%	-	-
"	Zucero Therapeutics Limited	-	Financial assets at fair value through other comprehensive income	12,500	-	9.62%	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instrument: recognition and measurement.'

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	Medigen Vaccine Biologics Corporation	Investments accounted for using equity method	-	This company was the Company's subsidiary (Note 5)	44,616,811	\$ 960,642	1,151,000	\$ 253,220	2,460,000	\$ 429,742	\$ 51,702	Note 5	64,728,844	\$ 966,369

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions, thus gains (losses) on disposal were not recognised.

Note 6: The ending balance was not in agreement with the beginning balance after reducing the current cash amount of disposal because of the current gains (losses) on investment accounted for using equity method and the accumulated translation adjustment.

Note 7: The ending number of shares was not in agreement with the beginning number of shares after adding the number of shares of additions in the year and reducing the number of shares of disposal in the year because of the current stock dividends which were distributed by the investee.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	2(3)	Sales revenue	\$ 23,025	No significant difference with general customers	2.18%
2	TBG Biotechnology Corp.	The Company	2(2)	Sales revenue	28,053	According to the agreement between the two parties	2.66%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	TBG Diagnostics Limited	Australia	Biotechnology service and retail and wholesale business of medical instruments	\$ 599,056	\$ 599,056	112,615,938	51.76%	\$ 77,193	(\$ 248,241)	(\$ 128,490)	-
The Company	Medigen Vaccine Biologics Corporation	Taiwan	Research and development and wholesale business of vaccines and biopharmaceutical, and retail and wholesale business of medical instruments	992,734	771,147	64,728,844	19.74%	966,369	(1,476,167)	(295,327)	-
The Company	WINSTON MEDICAL SUPPLY CO., LTD.	Taiwan	Manufacturing and marketing of chemistry medicine, ophthalmic anti-infectives, aesthetic medicine, dietary supplement and other medicines and products	205,716	411,433	10,906,400	59.22%	308,821	110,126	65,145	-
The Company	TDL HOLDING	Cayman Islands	Investments business	219,437	-	1,700,508	100%	54,514	(5,648)	(4,331)	Note 3
TBG Diagnostics Limited	U-GEN	Cayman Islands	Biotechnology service and retail and wholesale business of medical instrument	529,522	529,522	67,129,159	36.37%	28,324	(637,039)	-	Note 4 and 5
TBG Diagnostics Limited	TDL Holding Co.	Cayman Islands	Investments business	-	219,437	-	-	-	5,648	-	Note 3 and 4
WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	Taiwan	Retail and wholesale of skincare products and makeup	10,000	10,000	1,000,000	100%	17,311	5,813	-	Note 4
WINSTON MEDICAL SUPPLY CO., LTD.	SHINY LILY CO., LTD.	Taiwan	Retail and wholesale of western medicine	3,271	3,271	-	100%	3,297	29	-	Note 4
TBG INC./TDL Holding Co.	Texas BioGene, Inc.	USA	Biotechnology service and retail and wholesale business of medical instrument	19,682	19,682	739,328	100%	169	(59)	-	Note 4
TBG INC./TDL Holding Co.	TBG Biotechnology Corp.	Taiwan	Biotechnology service and retail and wholesale business of medical instrument	199,755	199,755	20,000,000	100%	49,390	(8,579)	-	Note 4
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Cayman Islands	Investments business	7,081	7,081	50,000	100%	3,510	(83)	-	Note 4
Medigen Vaccine Biologics Corporation	Medigen Capital Corporation	Taiwan	Investments business	200,000	200,000	20,000,000	100%	282,152	(74)	-	Note 4
Medigen Capital Corporation	U-GEN	Cayman Islands	Biotechnology service and retail and wholesale business of medical instrument	57,922	-	1,727,893	0.94%	3,560	(637,039)	-	Note 4 and 5

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Refer to Note 4(3) note 4 for details.

Note 4: According to the related regulations, it was not required to disclose gains (losses) on investment recognised by the Company.

Note 5: Refer to Note 6(8) note 2 for details.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Medigen Biotechnology (Xiamen) Corporation	Research and development of clinical new medicine, supports of production technology and consult of related technology and after-sale service	\$ 3,026	1	\$ 3,026	\$ -	\$ -	\$ 3,026	\$ 91	100%	\$ 91	\$ 2,543	\$ -	Note 2(2) B.
Medigen Biotechnology (Beijing) Corporation	Investments business	182,686	1	152,076	30,610	-	182,686	(28,431)	100%	(28,431)	102,234	-	Note 2(2)B.
CELLXPRT BIOTECHNOLOGY CORP.	Cytotherapy business	323,775	3	-	-	-	-	(63,100)	26.25%	(28,807)	69,812	-	Note 2(2)B.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
The Company	\$ 185,712 (USD 6,361 thousand)	\$ 533,423 (USD 17,628 thousand)	\$ 3,882,607

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

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

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

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

Note 3: According to the MOEA Regulation No. 09704604680, "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", announced on August 29, 2008, limit on accumulated amount of investment in Mainland China is the higher of 60% of net assets and consolidated net assets. The ultimate limit of investment is 60% of the consolidated net assets (6,471,013x 60% =3,882,607).

Note 4: The accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was disclosed based on the amounts of subsidiaries included in the consolidated financial statements and investees accounted for using the equity method.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Others	
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate		Interest during the year ended December 31, 2022
CELLXPRT BIOTECHNOLOGY CORP.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	Note

Note: The royalties income received in advance in the year was \$26,304 (shown as current contract liabilities), which presented 0.75% in the consolidated total liabilities.

MEDIGEN BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES

Major shareholders information

December 31, 2022

Table 8

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
EVERSPRING INDUSTRY CO.,LTD.	14,093,380	10.10%

Note: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

**Appendix B. Individual Financial Statements for 2022 Audited
by a Certified Public Accountant**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Medigen Biotechnology Corp.

Opinion

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

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

Basis for opinion

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

Key audit matters

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

On December 31, 2022, the Company's subsidiaries, Medigen Vaccine Biologics Corporation and WINSTON MEDICAL SUPPLY CO., LTD., were the Group's primary operating entities, which were shown as investments accounted for using equity method. Refer to Note 6(5) for details. As the subsidiaries' financial status and financial performance had significant impact on the Company's parent company only financial statements, these subsidiaries' key audit matters, including impairment assessment on property, plant and equipment, right-of-use assets and intangible assets, assessment of loss allowance for inventory decline and the existence of sales revenue from major customers, were also included as key audit matters of the Company.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Realisability assessment of deferred income tax assets

Description

Refer to Note 4(20) for accounting policies on income taxes, Note 5(2) for accounting estimates and assumptions of deferred income tax assets, and Note 6(24) for details of significant accounting items of deferred income tax assets.

As of December 31, 2022, the Company had deferred income tax assets generated from the tax credit and loss carry forwards applicable for Act for the Development of Biotech and Pharmaceutical Industry in the amount of NT\$308,614 thousand.

The Company assesses the realisability of deferred income tax assets by using expected future sales revenue growth rate, gross profit rate, usable tax credit and other assumptions. As these assumptions contain a high degree of uncertainty and involves management's significant accounting judgement and estimates, we considered the realisability assessment of deferred income tax a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on management's estimation procedures and basis of the Company's financial forecast of future operations.
2. Discussed financial forecast of future operations with management, and compared with historical results for the reasonableness.
3. Reviewed the reasonableness of sales revenue growth rate, gross profit rate and other significant assumptions used by management, and whether the usable tax credit was met with related regulations, and examined the accuracy of tax credit amount.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

Description

Refer to Note 4(15) for accounting policies on non-financial assets impairment, Note 5(2) for accounting estimates and assumptions of impairment assessment of property, plant and equipment, right-of-use assets and intangible assets, Notes 6(6) and 6(7) for details of property, plant and equipment and right-of-use assets, and Note 6(8) for details of intangible assets.

The Company and Medigen Vaccine Biologics Corporation assesses the recoverable amount using value in use. As the assessment of cash-generating units involves management's subjective judgement, including the estimation of future cash flows and discount rate, the aforementioned assumptions contain a high degree of uncertainty, and the estimated results have a significant impact on the valuation of value in use, we considered the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the reasonableness of the Company's and Medigen Vaccine Biologics Corporation's future cash flows estimation procedures.
2. Discussed financial forecast of future operations with management, and compared with historical results for the reasonableness.
3. Reviewed the reasonableness of sales revenue growth rate, gross profit rate and other significant assumptions used by management, as well as the parameters of discount rate used, including the reasonableness of the risk-free rate for cost of equity capital, industry risk coefficient and the rate of return of similar assets in the market.

Investments accounted for using equity method - the existence of WINSTON MEDICAL SUPPLY CO., LTD.'s sales revenue from major customer

Description

WINSTON MEDICAL SUPPLY CO., LTD. is engaged in the sales of generic drug and aesthetic medicine products, and has a large number of customers including hospitals, clinics, pharmacies, medicine companies and channel vendors in the country. As the revenue from major customers for the current year comprised a significant portion of the consolidated operating revenue of WINSTON MEDICAL SUPPLY CO., LTD. and revenue has a high inherent risk in nature, we considered the existence of sales revenue from major customers a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood, assessed and performed sampling test on the consistency and effectiveness of internal controls over sales revenue recognition from major customers, including inspecting customers' credit data, controls of credit facility, basis of sales revenue recognition and collection procedures.
2. Obtained the basic information of sales revenue from major customers, including the representative and major shareholders, established address, capital amount, primary operating items, and confirmed the reality of major customers and the reasonableness of transactions.
3. Obtained details of revenue from major customers in the current year, performed sampling test on related contracts, orders, delivery documents, invoice and collections, etc. in order to confirm whether the transactions indeed occurred.

4. Performed sampling test and examined whether the subsequent sales returns and discounts and subsequent collection were abnormal.

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

Description

Medigen Vaccine Biologics Corporation and WINSTON MEDICAL SUPPLY CO., LTD. is primarily engaged in the manufacture and sales of vaccines, generic drugs and aesthetic medicine products. Such inventories are subject to normal depletion, obsolescence or lack of market value, thus there is a risk of inventory valuation loss or obsolescence. Inventories are measured at the lower of cost and net realisable value. The net realisable value is identified using the item by item approach. Taking into consideration that the amounts of inventory and allowance for inventory valuation loss have a significant impact on the financial statements of Medigen Vaccine Biologics Corporation and WINSTON MEDICAL SUPPLY CO., LTD. and the determination of net realisable value at the balance sheet date is subject to management's judgement and estimation, we considered the assessment of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Medigen Vaccine Biologics Corporation's and WINSTON MEDICAL SUPPLY CO., LTD.'s operations and industry nature and assessed the provision policy on allowance for inventory valuation loss.
2. Obtained an understanding of the warehouse management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Verified the accuracy of inventory age attribution to ensure the consistency in the report statement information and its policies.
4. Tested the report statement used in the inventory valuation and assessed the adequacy of allowance for inventory valuation loss.

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

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

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

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

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

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

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

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

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

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

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

Juanlu, Man-Yu

Lin, Ya-Hui

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 30, 2023

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

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

MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 418,967	14	\$ 553,132	18
1110	Financial assets at fair value through profit or loss - current	6(2)	1,232	-	502	-
1140	Current contract assets	6(17) and 7	8,638	-	8,638	-
1170	Accounts receivable, net	6(3)	424	-	4,861	-
1180	Accounts receivable due from related parties, net	7	1,356	-	1,937	-
1220	Current income tax assets		4,673	-	4	-
130X	Inventory	6(4)	9,638	1	15,824	1
1470	Other current assets	7 and 8	47,613	2	70,295	2
11XX	Total current assets		<u>492,541</u>	<u>17</u>	<u>655,193</u>	<u>21</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5) and 8	1,511,674	51	1,493,554	48
1600	Property, plant and equipment	6(6) and 8	434,939	15	447,587	14
1755	Right-of-use assets	6(7)	2,993	-	5,433	-
1780	Intangible assets	6(8)	2,948	-	9,102	-
1840	Deferred income tax assets	6(24)	474,230	16	516,796	17
1900	Other non-current assets	7	41,842	1	10,708	-
15XX	Total non-current assets		<u>2,468,626</u>	<u>83</u>	<u>2,483,180</u>	<u>79</u>
1XXX	Total assets		<u>\$ 2,961,167</u>	<u>100</u>	<u>\$ 3,138,373</u>	<u>100</u>

(Continued)

MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9) and 8	\$ 268,000	9	\$ 240,000	8
2130	Current contract liabilities	6(17) and 7	26,385	1	26,385	1
2150	Notes payable		815	-	3,767	-
2170	Accounts payable		149	-	4	-
2200	Other payables		43,733	1	25,337	1
2230	Current tax liabilities		-	-	4,958	-
2320	Long-term liabilities, current portion	6(10) and 8	21,100	1	13,301	-
2399	Other current liabilities		1,348	-	727	-
21XX	Total current liabilities		<u>361,530</u>	<u>12</u>	<u>314,479</u>	<u>10</u>
Non-current liabilities						
2540	Long-term borrowings	6(10) and 8	401,188	14	412,892	13
2560	Current tax liabilities-non-current		-	-	8,924	1
2570	Deferred income tax liabilities	6(24)	665	-	487	-
2580	Non-current lease liabilities		3,026	-	5,480	-
2640	Net defined benenit liability, non-current	6(11)	731	-	1,723	-
25XX	Total non-current liabilities		<u>405,610</u>	<u>14</u>	<u>429,506</u>	<u>14</u>
2XXX	Total liabilities		<u>767,140</u>	<u>26</u>	<u>743,985</u>	<u>24</u>
Equity						
Share capital		6(13)				
3110	Common stock		1,394,463	47	1,393,625	44
3140	Advance receipts for share capital		-	-	225	-
Capital surplus		6(5)(12)(14)				
3200	Capital surplus		1,561,666	53	1,108,539	35
Accumulated deficit		6(15)				
3350	Accumulated deficit		(727,979)	(25)	(52,817)	(2)
Other equity interest		6(16)				
3400	Other equity interest		(34,123)	(1)	(55,184)	(1)
3XXX	Total equity		<u>2,194,027</u>	<u>74</u>	<u>2,394,388</u>	<u>76</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 2,961,167</u>	<u>100</u>	<u>\$ 3,138,373</u>	<u>100</u>

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

MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17) and 7	\$ 30,655	100	\$ 36,312	100
5000	Operating costs	6(4) and 7	(42,371)	(138)	(62,594)	(172)
5900	Net operating margin		(11,716)	(38)	(26,282)	(72)
5920	Realized profit from sales	6(5)	3,039	10	3,039	8
5950	Net operating margin		(8,677)	(28)	(23,243)	(64)
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(760)	(2)	(2,791)	(8)
6200	General and administrative expenses		(70,356)	(230)	(69,599)	(192)
6300	Research and development expenses		(160,164)	(522)	(171,155)	(471)
6450	Impairment loss determined in accordance with IFRS 9		(151)	(1)	-	-
6000	Total operating expenses		(231,431)	(755)	(243,545)	(671)
6900	Operating loss		(240,108)	(783)	(266,788)	(735)
	Non-operating income and expenses					
7100	Interest income	6(18)	605	2	139	-
7010	Other income	6(19)	1,725	6	5,469	15
7020	Other gains and losses	6(20)	(7,618)	(25)	(771)	(2)
7050	Finance costs	6(21)	(10,113)	(33)	(9,947)	(27)
7070	Share of (loss) profit of associates and joint ventures accounted for using equity method, net	6(5)	(391,343)	(1277)	264,151	728
7000	Total non-operating income and expenses		(406,744)	(1327)	259,041	714
7900	Loss before income tax		(646,852)	(2110)	(7,747)	(21)
7950	Income tax expense	6(24)	(29,022)	(95)	(44,867)	(124)
8200	Loss for the year		(\$ 675,874)	(2205)	(\$ 52,614)	(145)
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans	6(11)	\$ 890	3	(\$ 254)	-
8330	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(16)	16,231	53	(10,936)	(30)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(178)	(1)	2,238	6
8310	Other comprehensive income that will not be reclassified to profit or loss		16,943	55	(8,952)	(24)
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(16)	(30)	-	(7,236)	(20)
8399	Income tax relating to the components of other comprehensive income	6(16)(24)	6	-	1,447	4
8360	Other comprehensive loss that will be reclassified to profit or loss		(24)	-	(5,789)	(16)
8300	Other comprehensive income (loss) for the year		\$ 16,919	55	(\$ 14,741)	(40)
8500	Total comprehensive loss for the year		(\$ 658,955)	(2150)	(\$ 67,355)	(185)
	Basic and diluted loss per share					
9750	Basic and diluted loss per share	6(25)	(\$ 4.86)		(\$ 0.38)	

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

MEDIGEN BIOTECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Capital		Capital Reserves						Other equity interest				Total equity
		Share capital - common stock	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Capital Surplus, changes in ownership interests in subsidiaries	Employee stock warrants	Capital Surplus, restricted stock	Capital surplus, others	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity, others	
2021														
Balance at January 1		\$ 1,389,856	\$ 1,130	\$ 3,317	\$ 325,954	\$ 472,376	\$ 18,567	\$ 15,591	\$ 265,503	(\$ 631,375)	(\$ 5,161)	(\$ 26,603)	(\$ 13,737)	\$ 1,815,418
Loss for the year		-	-	-	-	-	-	-	-	(52,614)	-	-	-	(52,614)
Other comprehensive loss	6(16)	-	-	-	-	-	-	-	-	(203)	(5,789)	(8,749)	-	(14,741)
Total comprehensive income		-	-	-	-	-	-	-	-	(52,817)	(5,789)	(8,749)	-	(67,355)
Capital surplus used to offset accumulated deficit	6(15)	-	-	-	(325,954)	(39,918)	-	-	(265,503)	631,375	-	-	-	-
Changes in ownership interests in subsidiaries	6(5)	-	-	-	-	18,424	-	-	-	-	-	-	-	18,424
Changes in equity of associates accounted for using equity method, net	6(5)	-	-	-	-	-	-	-	166,581	-	-	-	-	166,581
Issuance of new shares due to the exercise of stock options by employees		3,769	(905)	14,109	-	-	(5,701)	-	-	-	-	-	-	11,272
Compensation costs of employee stock options	6(12)	-	-	-	-	-	3,727	-	-	-	-	-	-	3,727
Compensation cost of restricted stocks	6(12)(16)	-	-	-	-	-	-	-	-	-	-	-	4,855	4,855
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(5)	-	-	-	441,466	-	-	-	-	-	-	-	-	441,466
Balance at December 31		\$ 1,393,625	\$ 225	\$ 17,426	\$ 441,466	\$ 450,882	\$ 16,593	\$ 15,591	\$ 166,581	(\$ 52,817)	(\$ 10,950)	(\$ 35,352)	(\$ 8,882)	\$ 2,394,388
2022														
Balance at January 1		\$ 1,393,625	\$ 225	\$ 17,426	\$ 441,466	\$ 450,882	\$ 16,593	\$ 15,591	\$ 166,581	(\$ 52,817)	(\$ 10,950)	(\$ 35,352)	(\$ 8,882)	\$ 2,394,388
Loss for the year		-	-	-	-	-	-	-	-	(675,874)	-	-	-	(675,874)
Other comprehensive income (loss)	6(16)	-	-	-	-	-	-	-	-	712	(24)	16,231	-	16,919
Total comprehensive income		-	-	-	-	-	-	-	-	(675,162)	(24)	16,231	-	(658,955)
Changes in ownership interests in subsidiaries	6(5)	-	-	-	-	90,834	-	-	-	-	-	-	-	90,834
Changes in equity of associates accounted for using equity method, net	6(5)	-	-	-	-	-	-	-	15,126	-	-	-	-	15,126
Issuance of new shares due to the exercise of stock options by employees		838	(225)	2,748	-	-	(951)	-	-	-	-	-	-	2,410
Compensation costs of employee stock options	6(12)	-	-	-	-	-	1,603	-	-	-	-	-	-	1,603
Compensation cost of restricted stocks	6(12)(16)	-	-	-	-	-	-	-	-	-	-	-	4,854	4,854
Acquisition of subsidiaries	6(5)	-	-	-	(34,273)	-	-	-	-	-	-	-	-	(34,273)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(5)	-	-	-	378,040	-	-	-	-	-	-	-	-	378,040
Balance at December 31		\$ 1,394,463	\$ -	\$ 20,174	\$ 785,233	\$ 541,716	\$ 17,245	\$ 15,591	\$ 181,707	(\$ 727,979)	(\$ 10,974)	(\$ 19,121)	(\$ 4,028)	\$ 2,194,027

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

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

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 646,852)	(\$ 7,747)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(22)	14,528	16,262
Depreciation charges on right-of-use assets	6(7)(22)	4,061	3,670
Amortisation expense	6(8)(22)	6,154	8,950
Excepted credit loss		151	-
Net (gain) loss on financial assets at fair value through profit or loss	6(20)	(70)	28
Interest expense	6(21)	10,044	9,853
Interest expense on lease liabilities	6(7)(21)	69	94
Interest income	6(18)	(605)	(139)
Share-based payments	6(12)(23)	6,457	8,582
Share of loss (profit) of subsidiary - associates and joint ventures accounted for using equity method	6(5)	391,343	(264,151)
Property, plant and equipment transferred to expenses		-	365
Loss (gain) on disposals of investments	6(20)	7	(61)
Gain arising from lease modifications		(4)	-
Cash dividends from investments accounted for using equity method	6(5)	43,626	32,719
Unrealised gain on inter-affiliate accounts	6(5)	(3,039)	(3,039)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(667)	561
Current contract assets		-	(4,598)
Accounts receivable		4,286	(3,123)
Accounts receivable due from related parties		581	(1,937)
Inventory		6,186	14,635
Other current assets		25,992	43,230
Changes in operating liabilities			
Current contract liabilities		-	26,304
Notes payable		(2,952)	(5,635)
Accounts payable		145	(622)
Other payables		19,512	10,388
Other current liabilities		621	208
Net defined benefit liability, non-current		(992)	120
Cash outflow generated from operations		(121,418)	(115,083)
Interest received		573	111
Interest paid		(10,113)	(9,947)
Income taxes paid		(5,001)	(8,039)
Net cash flows used in operating activities		(135,959)	(132,958)

(Continued)

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

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(26)	(\$ 2,106)	(\$ 1,417)
Increase in refundable deposits		(280)	(1,170)
Acquisition of intangible assets	6(8)	-	(169)
Increase in prepayments for business facilities		(854)	(750)
(Increase) decrease in restricted assets		(7,800)	24,500
Net cash flows (used in) from investing activities		(11,040)	20,994
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term debt	6(27)	218,000	250,000
Repayments of short-term debt	6(27)	(190,000)	(360,000)
Repayments of long-term debt	6(27)	(3,905)	(3,000)
Disposal of ownership interests in subsidiaries (without losing control)	6(26)	434,264	480,073
Acquisition of investments accounted for using equity method - increase in capital in subsidiaries	6(5)	(413,864)	(21,452)
Increase in prepayments for investments		(30,000)	-
Payments of lease liabilities	6(27)	(4,071)	(3,655)
Exercise of employee share options		2,410	11,272
Net cash flows from financing activities		12,834	353,238
Net (decrease) increase in cash and cash equivalents		(134,165)	241,274
Cash and cash equivalents at beginning of year		553,132	311,858
Cash and cash equivalents at end of year		\$ 418,967	\$ 553,132

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

MEDIGEN BIOTECHNOLOGY CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organisation

Medigen Biotechnology Corporation (the “Company”) was established on December 31, 1999, and started operations on September 1, 2000. The Company is primarily engaged in the research and development of biopharmaceutical business, cytotherapy business, retail and wholesale of veterinary drugs, wholesale and retail of medical instruments business. The Company’s shares were listed in the Taipei Exchange starting from November 2011.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 30, 2023.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

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

(6) Accounts and notes receivable

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

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

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

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

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

(10) Inventories

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

(11) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries were in consistent with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with the profit or loss and the amortisation of other comprehensive income attributable to owners of the parent company presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only financial statements is consistent with equity attributable to owners of parent presented in the consolidated financial statements.

(12) Property, plant and equipment

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

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	25 to 49 years
Testing equipment	3 to 5 years
Office equipment	3 to 5 years
Other equipment	4 to 5 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Acquired special technology

Special technique is stated initially at its cost and amortised on a straight-line basis over their estimated useful life of 10~15 years.

(15) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts and notes payable

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

(18) Derecognition of financial liabilities

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(20) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Employee restricted shares:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

(21) Income tax

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

E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

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

(24) Revenue recognition

A. Sales of goods

- (a) The Company is engaged in manufacture and sales of biopharmaceutical and virus reagent related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales is recognised based on the price specified in the contract, net of sales returns, volume discounts, and sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Accumulated experience is used to estimate such returns using the expected value method.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical service revenue

The Company provides cytotherapy technical supporting services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of delivered report relative to the total number of committed report. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and gross profit rate, available tax credits, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

6. Details of Significant Accounts

(1) Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 156	\$ 68
Checking accounts and demand deposits	<u>418,811</u>	<u>553,064</u>
Total	<u>\$ 418,967</u>	<u>\$ 553,132</u>

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

B. The Company has no cash pledged to others.

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

Items	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares	\$ 14,505	\$ 14,505
Beneficiary certificates	1,300	500
Valuation adjustment	(14,573)	(14,503)
Total	\$ 1,232	\$ 502

A. The Company recognised net (loss) gain amounting to (\$77) and \$33 on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. The Company had no financial assets at fair value through profit or loss pledged to others as collateral.

(3) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 424	\$ 4,861
Less: Allowance for uncollectible accounts	-	-
	\$ 424	\$ 4,861

A. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$2,580.

B. The Company had no accounts receivable pledged to others as collateral.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable held by the Company was \$424 and \$4,861, respectively.

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

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Carrying amount
Goods	\$ 34,322	(\$ 31,975)	\$ 2,347
Raw materials	24,569	(17,709)	6,860
Work in progress	476	(45)	431
Total	\$ 59,367	(\$ 49,729)	\$ 9,638

	December 31, 2021		
	Cost	Allowance for valuation loss	Carrying amount
Goods	\$ 58,769	(\$ 47,963)	\$ 10,806
Raw materials	5,000	(369)	4,631
Work in progress and semi-finished goods	791	(404)	387
Total	<u>\$ 64,560</u>	<u>(\$ 48,736)</u>	<u>\$ 15,824</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 15,931	\$ 13,858
Loss on decline in market value	993	48,736
Loss on abandonment of inventory	25,447	-
	<u>\$ 42,371</u>	<u>\$ 62,594</u>

(5) Investments accounted for using equity method

	Year ended December 31	
	2022	2021
At January 1	\$ 1,493,554	\$ 1,113,106
Addition of investments accounted for using equity method	413,864	21,452
Disposal of investments accounted for using equity method	(429,742)	(483,774)
Cash dividends from investments accounted for using equity method	(43,626)	(32,719)
Share of (loss) profit of investments accounted for using equity method	(391,343)	264,151
Realised gain on inter-affiliate accounts	3,039	3,039
Changes in capital surplus	449,727	626,471
Changes in other equity items (Note 6(16))	16,201	(18,172)
At December 31	<u>\$ 1,511,674</u>	<u>\$ 1,493,554</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
TBG Diagnostics Limited	\$ 77,193	\$ 146,251
TDL Holding Co.	54,514	-
Medigen Vaccine Biologics Corporation	966,369	960,642
Medigen Biotechnology (Xiamen) Corporation	2,543	2,416
WINSTON MEDICAL SUPPLY CO., LTD.	308,821	287,302
Medigen Biotechnology (Beijing) Corporation	102,234	96,943
	<u>\$ 1,511,674</u>	<u>\$ 1,493,554</u>

resulting to an increase in capital surplus of A. Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

B. For the years ended December 31, 2022 and 2021, share of profit (loss) of subsidiaries accounted for using equity method is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
TBG Diagnostics Limited	(\$ 128,490)	(\$ 25,818)
TDL Holding Co.	(4,331)	-
Medigen Vaccine Biologics Corporation	(295,327)	295,643
Medigen Biotechnology (Xiamen) Corporation	91	(72)
WINSTON MEDICAL SUPPLY CO., LTD.	65,145	44,982
Medigen Biotechnology (Beijing) Corporation	(28,431)	(50,584)
	<u>(\$ 391,343)</u>	<u>\$ 264,151</u>

C. Because the Company was optimistic about the prospects of the future development of molecular diagnostics business, on April 21, 2022, the Board of Directors of the Company approved to carry out a reorganisation of the Group and planned to acquire all of the equity interest in TDL Holding Co., which was wholly owned by the subsidiary, TBG Diagnostics Limited, in the amount no higher than AUD 6.5 million by cash. Additionally, on October 28, 2022, the shareholders during the extraordinary general meeting of TBG Diagnostics Limited approved to dispose all of the equity interest in its subsidiary, TDL Holding Co., to the Company, for a consideration of AUD 6.3 million (NT\$130,032 thousand), and the settlement date was on November 2, 2022. After the reorganisation of the Group, the Company's equity interest in TDL Holding Co. increased from 51.76% indirect ownership to 100% direct ownership, resulting to a decrease of \$34,273 in the Company's capital surplus.

D. For the year ended December 31, 2022, the increases in investments accounted for using the equity method were the acquisitions of the cash capital increase of Medigen Biotechnology (Beijing) Corporation and Medigen Vaccine Biologics Corporation in the amount of \$30,612 and \$253,220, respectively.

E. For the year ended December 31, 2021, the increase in investments accounted for using equity method pertains to the acquisition of the equity interest in Medigen Biotechnology (Beijing)

Corporation for the consideration of \$21,452.

- F. The Company's subsidiary issued employee stock options. Company recognised capital surplus according to the shareholding ratio in the amounts of \$13,792 and \$14,668 for the years ended December 31, 2022 and 2021, respectively.
- G. On March 1, 2022, the Board of Directors of the Company's subsidiary, Medigen Vaccine Biologics Corporation, approved the capital increase, however, the Company did not participate in the capital increase in proportion to its shareholding ratio. Further, for the years ended December 31, 2022 and 2021, the Company converted employee stock options into common shares, resulting to an increase in capital surplus of \$58,742 and \$7,197, respectively.
- H. On May 9, 2022, the Company's subsidiary, Medigen Vaccine Biologics Corporation, issued domestic convertible bonds, and the Company recognised capital surplus according to the shareholding ratio in the amount of \$18,300.
- I. For the year ended December 31, 2021, the Company's subsidiary, WINSTON MEDICAL SUPPLY CO., LTD., converted employee stock options into common shares. As a result, the capital surplus decreased by \$3,441.
- J. For the years ended December 31, 2022 and 2021, the Company disposed equity shares in the subsidiary, Medigen Vaccine Biologics Corporation, in the amounts of 2,460 thousand shares and 1,891 thousand shares, and the differences between the actual disposal price of equity interest and the book value were \$378,040 and \$435,595, respectively, which were recognised as capital surplus.
- K. For the year ended December 31, 2021, the Company disposed equity shares in the subsidiary, WINSTON MEDICAL SUPPLY CO., LTD., in the amount of 547 thousand shares, and the difference between the actual disposal price of equity interest and the book value was \$5,871, which was recognised as capital surplus.

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(6) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 246,214	\$ 221,022	\$ 91,329	\$ 22,639	\$ 50,103	\$ 631,307
Accumulated depreciation	-	(44,113)	(85,223)	(20,509)	(33,875)	(183,720)
	<u>\$ 246,214</u>	<u>\$ 176,909</u>	<u>\$ 6,106</u>	<u>\$ 2,130</u>	<u>\$ 16,228</u>	<u>\$ 447,587</u>
<u>2022</u>						
Opening net book amount	\$ 246,214	\$ 176,909	\$ 6,106	\$ 2,130	\$ 16,228	\$ 447,587
Additions	-	-	1,504	376	-	1,880
Depreciation charge	-	(5,044)	(4,264)	(1,253)	(3,967)	(14,528)
Closing net book amount	<u>\$ 246,214</u>	<u>\$ 171,865</u>	<u>\$ 3,346</u>	<u>\$ 1,253</u>	<u>\$ 12,261</u>	<u>\$ 434,939</u>
<u>At December 31, 2022</u>						
Cost	\$ 246,214	\$ 221,022	\$ 92,833	\$ 23,015	\$ 50,103	\$ 633,187
Accumulated depreciation	-	(49,157)	(89,487)	(21,762)	(37,842)	(198,248)
	<u>\$ 246,214</u>	<u>\$ 171,865</u>	<u>\$ 3,346</u>	<u>\$ 1,253</u>	<u>\$ 12,261</u>	<u>\$ 434,939</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 246,214	\$ 221,022	\$ 90,467	\$ 22,032	\$ 50,017	\$ 365	\$ 630,117
Accumulated depreciation	-	(39,069)	(80,085)	(18,951)	(29,441)	-	(167,546)
	<u>\$ 246,214</u>	<u>\$ 181,953</u>	<u>\$ 10,382</u>	<u>\$ 3,081</u>	<u>\$ 20,576</u>	<u>\$ 365</u>	<u>\$ 462,571</u>
<u>2021</u>							
Opening net book amount	\$ 246,214	\$ 181,953	\$ 10,382	\$ 3,081	\$ 20,576	\$ 365	\$ 462,571
Additions	-	-	950	607	86	-	1,643
Disposal - cost	-	-	(88)	-	-	-	(88)
Disposal - Accumulated depreciation	-	-	88	-	-	-	88
Reclassifications	-	-	-	-	-	(365)	(365)
Depreciation charge	-	(5,044)	(5,226)	(1,558)	(4,434)	-	(16,262)
Closing net book amount	<u>\$ 246,214</u>	<u>\$ 176,909</u>	<u>\$ 6,106</u>	<u>\$ 2,130</u>	<u>\$ 16,228</u>	<u>\$ -</u>	<u>\$ 447,587</u>
<u>At December 31, 2021</u>							
Cost	\$ 246,214	\$ 221,022	\$ 91,329	\$ 22,639	\$ 50,103	\$ -	\$ 631,307
Accumulated depreciation	-	(44,113)	(85,223)	(20,509)	(33,875)	-	(183,720)
	<u>\$ 246,214</u>	<u>\$ 176,909</u>	<u>\$ 6,106</u>	<u>\$ 2,130</u>	<u>\$ 16,228</u>	<u>\$ -</u>	<u>\$ 447,587</u>

- A. For the years ended December 31, 2022 and 2021, no interest was capitalised property, plant and equipment.
- B. There were no significant components in property, plant and equipment.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Lease transactions – lessee

A. The Company leases various assets including business vehicles and computer and communication equipment. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment (Business vehicles)	\$ 2,619	\$ 5,433
Other equipment	374	-
	<u>\$ 2,993</u>	<u>\$ 5,433</u>
	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Transportation equipment (Business vehicles)	\$ 3,687	\$ 3,206
Other equipment	374	464
	<u>\$ 4,061</u>	<u>\$ 3,670</u>

The movements of right-of-use assets of the Company during 2022 and 2021 are as follows:

	<u>2022</u>		
	<u>Transportation</u>	<u>Other equipment</u>	<u>Total</u>
	<u>equipment</u>		
At January 1	\$ 5,433	\$ -	\$ 5,433
Additions	1,129	748	1,877
Modification	(256)	-	(256)
Depreciation charge	(3,687)	(374)	(4,061)
At December 31	<u>\$ 2,619</u>	<u>\$ 374</u>	<u>\$ 2,993</u>
	<u>2021</u>		
	<u>Transportation</u>	<u>Other equipment</u>	<u>Total</u>
	<u>equipment</u>		
At January 1	\$ 4,908	\$ 464	\$ 5,372
Additions	3,972	-	3,972
Modification	(241)	-	(241)
Depreciation charge	(3,206)	(464)	(3,670)
At December 31	<u>\$ 5,433</u>	<u>\$ -</u>	<u>\$ 5,433</u>

C. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 69	\$ 94
Expense on short-term lease contracts	721	525
Gain arising from lease modifications	4	-

D. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$4,861 and \$4,274, respectively.

(8) Intangible assets

	2022		
	Software	Acquired special technology	Total
<u>At January 1, 2022</u>			
Cost	\$ 12,919	\$ 116,289	\$ 129,208
Accumulated amortisation	(11,651)	(108,455)	(120,106)
	<u>\$ 1,268</u>	<u>\$ 7,834</u>	<u>\$ 9,102</u>
<u>2022</u>			
Opening net book amount	\$ 1,268	\$ 7,834	\$ 9,102
Amortisation charge	(496)	(5,658)	(6,154)
Closing net book amount	<u>\$ 772</u>	<u>\$ 2,176</u>	<u>\$ 2,948</u>
<u>At December 31, 2022</u>			
Cost	\$ 12,919	\$ 116,289	\$ 129,208
Accumulated amortisation	(12,147)	(114,113)	(126,260)
	<u>\$ 772</u>	<u>\$ 2,176</u>	<u>\$ 2,948</u>

	2021		
	Software	Acquired special technology	Total
<u>At January 1, 2021</u>			
Cost	\$ 12,750	\$ 116,289	\$ 129,039
Accumulated amortisation	(11,045)	(100,111)	(111,156)
	<u>\$ 1,705</u>	<u>\$ 16,178</u>	<u>\$ 17,883</u>
<u>2021</u>			
Opening net book amount	\$ 1,705	\$ 16,178	\$ 17,883
Additions	169	-	169
Amortisation charge	(606)	(8,344)	(8,950)
Closing net book amount	<u>\$ 1,268</u>	<u>\$ 7,834</u>	<u>\$ 9,102</u>
<u>At December 31, 2022</u>			
Cost	\$ 12,919	\$ 116,289	\$ 129,208
Accumulated amortisation	(11,651)	(108,455)	(120,106)
	<u>\$ 1,268</u>	<u>\$ 7,834</u>	<u>\$ 9,102</u>

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

	Year ended December 31	
	2022	2021
Administrative expenses	\$ 238	\$ 271
Research and development expenses	5,916	8,679
	<u>\$ 6,154</u>	<u>\$ 8,950</u>

- B. For the years ended December 31, 2022 and 2021, the Company had no interest capitalisation of intangible assets.
- C. Aforementioned expertise primarily includes acquisition of research and development expertise authorisation of new anticancer agents, and acquisition by outsourcing the expertise in relation to monoclonal antibody.
- D. For the year ended December 31, 2008, the Company signed a strategic alliance contract with Oncolys Biopharma Inc. who authorised related expertises (primarily used in anticancer) to the Company for use in human subject research. The Company is jointly responsible for the development expenses, and the Company can share the royalty based on a certain percentage after the expertise generates commercial profit. On April 8, 2019, it was authorised to Chugai Pharmaceutical Co., Ltd. by Oncolys Biopharma Inc., and the authorised areas were Japan and Taiwan. On October 19, 2021, the Company received the notice of announcement from Oncolys Biopharma Inc. indicating that Oncolys Biopharma Inc. has informed Chugai Pharmaceutical Co., Ltd. to terminate the authorisation contract earlier. Further, on February 25, 2022, Oncolys Biopharma Inc. formally notified the Company that the effective date of termination of the authorisation contract will be October 15, 2022. Oncolys Biopharma Inc. and the Company will

continue to develop OBP-301 and accept the clinical trial which was formerly performed by Chugai Pharmaceutical Co., Ltd.

- E. In February 2017, the Company processed the unblinding of PI-88 Phase III clinical trial data and statistical analysis procedures, and externally announced on February 28, 2017. The data analysis result showed that the drug safety of PI-88 was good and was in the acceptable range. For the whole efficacy, the primary endpoint of the treatment group who applied PI-88 was not significantly better than the control group, however it did not reach the statistical significance which was asked by the clinical trial. In the clinical trial, the efficacy analysis of sub-group was found that, in the group with microvascular invasion, the treatment group who applied PI-88 was better than control group on the primary endpoint of “disease-free survival”, and the difference belongs to a marginally significant level. According to the research analysis result of the aforementioned PI-88 Phase III clinical trial which the Company had published in the European Society for Medical Oncology (ESMO) and consulted the medicines competent authority of each country and searched for international collaboration. Additionally, on December 18, 2019, the Company had authorised the global (excluding Taiwan) rights of development and commercialisation to CELLXPRT BIOTECHNOLOGY CORP.. Refer to Note 9(2)E for details.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 193,000	1.77%~2.28%	Land, buildings and structures, restricted assets and securities
Unsecured bank borrowings	75,000	1.99%~2.33%	None.
	<u>\$ 268,000</u>		
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 190,000	1.16%~1.75%	Land, buildings and structures, restricted assets and securities
Unsecured bank borrowings	50,000	1.42%	None.
	<u>\$ 240,000</u>		

(10) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Installment-repayment borrowings				
Secured borrowings from Taiwan Cooperative Bank	Interests was repayable monthly from August 2014 to August 2017 while the principal and interests were repayable monthly from September 2017 to August 2029 (however, interest was repayable monthly in the grace period from January 2018 to June 2023).	2.05%	Land, buildings and structures	\$ 48,000
Secured borrowings from Taiwan Cooperative Bank	Interests was repayable monthly from June 2015 to June 2018 while the principal and interests were repayable monthly from June 2018 to June 2035 (however, interest was repayable monthly in the grace period from July 2018 to June 2023).	1.92%	Land, buildings and structures	178,000
Secured borrowings from Sunny Bank Ltd.	The principal and interests were repayable monthly from April 17, 2018 to April 17, 2038 (however, interest was repayable monthly in the grace period from Sptember 2018 to August 2024).	1.99%	Land, buildings and structures	196,288
				<hr/> 422,288
Less: Current portion				(21,100)
				<hr/> \$ 401,188

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Installment-repayment borrowings				
Secured borrowings from Taiwan Cooperative Bank	Interests was repayable monthly from August 2014 to August 2017 while the principal and interests were repayable monthly from September 2017 to August 2029 (however, interest was repayable monthly in the grace period from January 2018 to June 2022).	1.42%	Land, buildings and structures	\$ 48,000
Secured borrowings from Taiwan Cooperative Bank	Interests was repayable monthly from June 2015 to June 2018 while the principal and interests were repayable monthly from June 2018 to June 2035 (however, interest was repayable monthly in the grace period from July 2018 to June 2022).	1.42%	Land, buildings and structures	181,000
Secured borrowings from Sunny Bank Ltd.	The principal and interests were repayable monthly from April 17, 2018 to April 17, 2038 (however, interest was repayable monthly in the grace period from Sptember 2018 to August 2022).	1.45%	Land, buildings and structures	197,193
				426,193
Less: Current portion				(13,301)
				\$ 412,892

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last

6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 8,337)	(\$ 8,649)
Fair value of plan assets	<u>7,606</u>	<u>6,926</u>
Net defined benefit liability	<u>(\$ 731)</u>	<u>(\$ 1,723)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2022			
At January 1	(\$ 8,649)	\$ 6,926	(\$ 1,723)
Interest (expense) income	<u>(60)</u>	<u>47</u>	<u>(13)</u>
	<u>(8,709)</u>	<u>6,973</u>	<u>(1,736)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	518	518
Change in financial assumptions	305	-	305
Experience adjustments	<u>67</u>	<u>-</u>	<u>67</u>
	<u>372</u>	<u>518</u>	<u>890</u>
Pension fund contribution	-	115	115
Paid pension	<u>-</u>	<u>-</u>	<u>-</u>
At December 31	<u>(\$ 8,337)</u>	<u>\$ 7,606</u>	<u>(\$ 731)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	(\$ 8,271)	\$ 6,668	(\$ 1,603)
Interest (expense) income	(22)	18	(4)
	(8,293)	6,686	(1,607)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	102	102
Change in financial assumptions	314	-	314
Experience adjustments	(670)	-	(670)
	(356)	102	(254)
Pension fund contribution	-	138	138
Paid pension	-	-	-
At December 31	(\$ 8,649)	\$ 6,926	(\$ 1,723)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2022	2021
Discount rate	1.16%	0.69%
Future salary increases	1.00%	1.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 299)	\$ 325	\$ 324	(\$ 301)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 344)	\$ 376	\$ 373	(\$ 345)

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

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$115.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	4,271
1 to 2 year(s)		-
2 to 5 years		4,051
5 to 10 years		445
	\$	<u>8,767</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$2,592 and \$2,931, respectively.

(12) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2018.12.12	1,410 thousand shares	6 years	2 to 4 years' service
Employee stock options	2019.3.12	90 thousand shares	6 years	2 to 4 years' service
Restricted stocks to employees	2019.12.31	300 thousand shares	Explanation (a)	Explanation (a)

(a) After employees were distributed employee restricted shares, for whom were working and reached the Company's requirement of "operating performance target", employees could be vested shares in several times according to the conditions in the Company's regulations on the issuance of employee restricted shares.

After employees were distributed employee restricted shares from the Company, if there were violations with labour contract and work rules, the Company would collect back employee restricted shares, which were distributed but the vesting conditions were not reached, without prices and cancelled them.

(b) After employees were distributed employee restricted shares, and before reaching the vesting conditions, employees may not sell, pledge, transfer, gift to another person, set real right, or otherwise disposal, excluding inheritance. Before that the vesting conditions of employee restricted shares which were issued by the Company this time were reached, other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of the cash capital increase, etc., are the same as the Company's issued ordinary shares.

(c) The abovementioned share-based payment arrangements all are equity-settled.

B. Details of the share-based payment arrangements are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at January 1	1,063	\$ 41.60	1,352	\$ 41.12
Options expired	(9)	39.35	(3)	39.35
Options exercised	(61)	39.35	(286)	39.35
Options outstanding at December 31	<u>993</u>	41.76	<u>1,063</u>	41.60
Options exercisable at December 31	<u>971</u>	41.20	<u>676</u>	41.12

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

	Year ended December 31	
	2022	2021
Equity-settled	\$ 6,457	\$ 8,582

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2022		December 31, 2021	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2018.11.29	2024.12.11	903	\$ 39.35	973	\$ 39.35
2018.11.29	2025.03.11	90	65.90	90	65.90

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2018.12.12	39.35	39.35	45.84%	4 years	0%	0.72%	14.27
Employee stock options	2018.12.12	39.35	39.35	48.84%	4.5 years	0%	0.75%	15.97
Employee stock options	2018.12.12	39.35	39.35	48.86%	5 years	0%	0.78%	16.78
Employee stock options	2019.03.12	65.9	65.9	46.42%	4 years	0%	0.64%	24.1
Employee stock options	2019.03.12	65.9	65.9	48.61%	4.5 years	0%	0.65%	26.54
Employee stock options	2019.03.12	65.9	65.9	49.95%	5 years	0%	0.67%	28.55
Restricted stocks to employees	2019.12.31	61.97	-	-	-	-	-	61.97

Note: The Company's expected price volatility of granted share-based payments adopted the average volatility of the Company's monthly average price which was announced by Taipei Exchange.

(13) Share capital

A. As of December 31, 2022, the Company's authorised capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock (including 21,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,394,463 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2022	2021
At January 1	139,363	138,986
Employee options which were executed in the previous period and were registered in the current period	22	113
Employee stock options exercised	61	286
Employee options exercised but unregistered	-	(22)
At December 31	139,446	139,363

(14) Capital surplus

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

(15) Retained earnings

- A. 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 year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and then, the Company appropriates or reverses special reserve as requirements or regulations when necessary. The remainder, if any, should be combined with beginning undistributed earnings (including adjusted undistributed earnings amounts) to be retained or to be appropriated which shall be proposed by the Board of Directors and be resolved by the stockholders at their meetings.
- B. The Company's dividend policies were that dividends should be distributed in the forms of shares (including retained earnings or capital surplus) or cash. The Board of Directors proposed the appropriation of earnings with reference to the operating status, capital requirement and earnings of current year (reducing the provision in accordance with regulations and appropriation of directors' and supervisors' remuneration and employees' bonus), and the appropriation of earnings should be approved by the shareholders. The amount of cash dividends should not exceed 50% of distributable dividends, however, if there will be significant capital expenditure plans in the future, the dividends could all be distributed in shares after obtaining approval from the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On June 6, 2022 and August 2, 2021, the shareholders of the Company approved the offset of deficits for the years ended December 31, 2021 and 2020, and the deficits was offset with capital surplus in the amounts of \$0 and \$631,375, respectively.
- F. The Company's accumulated deficits to be covered exceeded half of paid-in capital, in accordance with the Company Act, on March 30, 2023, the Board of Directors resolved and approved the deficit compensation for the year ended December 31, 2022 to adopt a resolution to use capital surplus to offset deficit in \$541,716, which would be reported to the shareholders for admission on June 26, 2023.

(16) Other equity items

	2022			
	Unrealised gains (losses) on valuation	Currency translation	Unearned compensation	Total
At January 1	(\$ 35,352)	(\$ 10,950)	(\$ 8,882)	(\$ 55,184)
Valuation adjustments - subsidiaries	16,231	-	-	16,231
Currency translation differences:				
– Subsidiaries	- (30)	- (30)
– Tax on subsidiaries	-	6	-	6
Unearned compensation	-	-	4,854	4,854
At December 31	<u>(\$ 19,121)</u>	<u>(\$ 10,974)</u>	<u>(\$ 4,028)</u>	<u>(\$ 34,123)</u>
	2021			
	Unrealised gains (losses) on valuation	Currency translation	Unearned compensation	Total
At January 1	(\$ 26,603)	(\$ 5,161)	(\$ 13,737)	(\$ 45,501)
Valuation adjustments - subsidiaries	(10,936)	-	-	(10,936)
Valuation adjustments - tax on subsidiaries	2,187	-	-	2,187
Currency translation differences:				
– Subsidiaries	- (7,236)	- (7,236)
– Tax on subsidiaries	-	1,447	-	1,447
Unearned compensation	-	-	4,855	4,855
At December 31	<u>(\$ 35,352)</u>	<u>(\$ 10,950)</u>	<u>(\$ 8,882)</u>	<u>(\$ 55,184)</u>

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

<u>Year ended December 31, 2022</u>	<u>Test reagents and instruments</u>	<u>Cytotherapy technology services</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 24,663</u>	<u>\$ 600</u>	<u>\$ 5,392</u>	<u>\$ 30,655</u>
Timing of revenue recognition				
At a point in time	24,663	600	5,392	30,655
Over time	-	-	-	-
Total	<u>\$ 24,663</u>	<u>\$ 600</u>	<u>\$ 5,392</u>	<u>\$ 30,655</u>
<u>Year ended December 31, 2021</u>	<u>Test reagents and instruments</u>	<u>Cytotherapy technology services</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 15,444</u>	<u>\$ 11,982</u>	<u>\$ 8,886</u>	<u>\$ 36,312</u>
Timing of revenue recognition				
At a point in time	15,444	5,446	8,886	29,776
Over time	-	6,536	-	6,536
Total	<u>\$ 15,444</u>	<u>\$ 11,982</u>	<u>\$ 8,886</u>	<u>\$ 36,312</u>

B. Contract assets and liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets:			
Contract assets - technology	\$ 8,638	\$ 8,638	\$ 4,040
service contract			
Contract liabilities:			
Contract liabilities-advance sales	\$ 81	\$ 81	\$ 81
receipts			
Contract liabilities-advance royalty			
receipts	26,304	26,304	-
	<u>\$ 26,385</u>	<u>\$ 26,385</u>	<u>\$ 81</u>

(18) Interest income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 573	\$ 111
Other interest income	32	28
Total interest income	<u>\$ 605</u>	<u>\$ 139</u>

(19) Other income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Rent income	\$ -	\$ 3,733
Other income	1,725	1,736
	<u>\$ 1,725</u>	<u>\$ 5,469</u>

(20) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net loss on financial assets at fair value through profit or loss	(\$ 70)	(\$ 28)
Net currency exchange loss	(2,307)	(804)
(Loss) gain on disposals of investments	(7)	61
Other loss	(5,234)	-
	<u>(\$ 7,618)</u>	<u>(\$ 771)</u>

(21) Finance costs

	Year ended December 31	
	2022	2021
Interest expense:		
Bank borrowings	\$ 10,044	\$ 9,853
Lease liability	69	94
	<u>\$ 10,113</u>	<u>\$ 9,947</u>

(22) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense	\$ 72,286	\$ 82,904
Depreciation charges on property, plant and equipment	14,528	16,262
Depreciation charges on right-of-use assets	4,061	3,670
Amortisation charges on intangible assets	6,154	8,950
	<u>\$ 97,029</u>	<u>\$ 111,786</u>

(23) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 55,980	\$ 63,942
Share-based payments	6,457	8,582
Labour and health insurance fees	4,728	5,368
Pension costs	2,605	2,935
Other personnel expenses	2,516	2,077
	<u>\$ 72,286</u>	<u>\$ 82,904</u>

A. The profit of the current year shall be distributed by no lower than 2% as employees' compensation and distributed no higher than 2% as directors' and supervisors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated based on the aforementioned ratios.

Employees' compensation can be distributed to subsidiaries who meet certain specific requirements in the form of shares or cash. If the Company's current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and then, the Company appropriates or reverses special reserve as requirements or regulations when necessary. The remainder, if any, should be combined with beginning undistributed earnings (including adjusted undistributed earnings amounts) to be retained or to be appropriated which shall be proposed by the Board of Directors and be resolved by the stockholders at their meetings.

- B. For the years ended December 31, 2022 and 2021, the Company still had accumulated deficit, and thus did not accrue employees' compensation and directors' and supervisors' remuneration.
- C. For the year ended December 31, 2021, the Company still had accumulated deficit, and thus did not distribute employees' bonus and directors' and supervisors' remuneration.

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

(24) Income tax

A. Tax (expense) benefit

(a) Components of income tax (expense) benefit:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ -	(\$ 4,105)
Prior year income tax under (over) estimation	13,550	(17,829)
Total current tax	\$ 13,550	(\$ 21,934)
Deferred tax:		
Origination and reversal of temporary differences	(42,572)	(22,933)
Income tax expense	(\$ 29,022)	(\$ 44,867)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Share of other comprehensive income of subsidiaries	\$ -	\$ 2,187
Currency translation differences	6	1,447
Remeasurement of defined benefit obligations	(178)	51
	(\$ 172)	\$ 3,685

B. Reconciliation between income tax expense (benefit) and accounting profit

	Year ended December 31	
	2022	2021
Tax calculated based on (loss) profit before tax and statutory tax rate (note)	(\$ 130,404)	\$ 2,555
Expenses disallowed by tax regulation	101,318	6,626
Tax exempt income by tax regulation	(13,029)	(68,137)
Prior year income tax underestimation	(13,550)	17,829
Change in assessment of realisation of deferred tax assets	42,104	47,476
Taxable loss not recognised as deferred tax assets	42,583	38,518
Income tax expenses	\$ 29,022	\$ 44,867

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Company entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised gross profit from sales	\$ 3,545	(\$ 608)	\$ -	\$ 2,937
Unrealised foreign exchange loss	4	185	-	189
Impairment loss on financial instruments	45,609	-	-	45,609
Losses on investments accounted for under equity method	93,995	-	-	93,995
Share of other comprehensive income of subsidiaries	8,838	-	-	8,838
Currency translation differences	2,738	-	6	2,744
Loss on market value decline and obsolete and slow-moving inventories	9,748	-	-	9,748
Others	1,601	(45)	-	1,556
Tax losses	82,759	(42,104)	-	40,655
Investment tax credits	267,959	-	-	267,959
Subtotal	516,796	(42,572)	6	474,230
– Deferred tax liabilities:				
Others	(\$ 487)	\$ -	(\$ 178)	(\$ 665)
Subtotal	(487)	-	(178)	(665)
Total	\$ 516,309	(\$ 42,572)	(\$ 172)	\$ 473,565

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised gross profit from sales	\$ 4,153	(\$ 608)	\$ -	\$ 3,545
Unrealised foreign exchange loss	-	4	-	4
Impairment loss on financial instruments	45,609	-	-	45,609
Losses on investments accounted for under equity method	78,700	15,295	-	93,995
Share of other comprehensive income of subsidiaries	6,651	-	2,187	8,838
Currency translation differences	1,291	-	1,447	2,738
Loss on market value decline and obsolete and slow-moving inventories	-	9,748	-	9,748
Others	1,652	(51)	-	1,601
Tax losses	130,235	(47,476)	-	82,759
Investment tax credits	267,959	-	-	267,959
Subtotal	536,250	(23,088)	3,634	516,796
– Deferred tax liabilities:				
Unrealised exchange gain	(\$ 156)	\$ 156	\$ -	\$ -
Others	(537)	(1)	51	(487)
Subtotal	(693)	155	51	(487)
Total	\$ 535,557	(\$ 22,933)	\$ 3,685	\$ 516,309

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

December 31, 2022				
Legal basis	Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act for the Development of Biotech and Pharmaceutical Industry	Research and development	\$ 267,959	\$ -	Note

December 31, 2021				
Legal basis	Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act for the Development of Biotech and Pharmaceutical Industry	Research and development	\$ 267,959	\$ -	Note

Note: On June 10, 2011, the Company was approved as a biotechnology and new medicine company by the Ministry of Economic Affairs, the Company and the Company's shareholders were applicable for the related reward measures of 'Act for the Development of Biotech and Pharmaceutical Industry'. The approval letter of the Ministry of Economic Affairs approved the credit to business income tax of each year, within 5 years started from the year should pay business income tax. As of December 31, 2022, the Company had no profits.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	\$ 390,187	\$ 390,187	\$ 390,187	2023
2014	551,819	551,819	551,819	2024
2015	435,038	435,038	435,038	2025
2016	290,254	290,254	290,254	2026
2017	223,002	223,002	223,002	2027
2018	198,593	198,593	198,071	2028
2021	192,591	192,591	96,296	2031
2022	212,916	212,916	106,458	2032
	<u>\$ 2,494,400</u>	<u>\$ 2,494,400</u>	<u>\$ 2,291,125</u>	
December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	390,187	390,187	390,187	2023
2014	551,819	551,819	551,819	2024
2015	435,038	435,038	435,038	2025
2016	290,254	290,254	183,553	2026
2017	223,002	223,002	111,501	2027
2018	198,593	198,593	99,297	2028
2021	192,591	192,591	96,296	2031
	<u>\$ 2,281,484</u>	<u>\$ 2,281,484</u>	<u>\$ 1,867,691</u>	

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

(25) Loss per share

	<u>Year ended December 31, 2022</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>675,874</u>)	<u>139,126</u>	(\$ <u>4.86</u>)

	<u>Year ended December 31, 2021</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>52,614</u>)	<u>138,970</u>	(\$ <u>0.38</u>)

The potential ordinary shares have anti-dilutive effect due to net loss for the years ended December 31, 2022 and 2021, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 1,880	\$ 1,643
Add: Opening balance of payable on equipment	226	-
Less: Ending balance of payable on equipment	-	(226)
Cash paid during the year	<u>\$ 2,106</u>	<u>\$ 1,417</u>

B. Financing activities with partial cash returns

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Disposal of investments accounted for using equity method	\$ 429,742	\$ 483,774
Add: Opening balance of receivables from stocks	5,842	2,141
Less: Ending balance of receivables from stocks	(1,320)	(5,842)
Cash collected during the year	<u>\$ 434,264</u>	<u>\$ 480,073</u>

(27) Changes in liabilities from financing activities

	2022		
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liability
At January 1	\$ 240,000	\$ 426,193	\$ 5,480
Changes in cash flow from financing activities	28,000	(3,905)	(4,071)
Changes in other non-cash items	-	-	1,617
At December 31	<u>\$ 268,000</u>	<u>\$ 422,288</u>	<u>\$ 3,026</u>

	2021		
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liability
At January 1	\$ 350,000	\$ 429,193	\$ 5,404
Changes in cash flow from financing activities	(110,000)	(3,000)	(3,655)
Changes in other non-cash items	-	-	3,731
At December 31	<u>\$ 240,000</u>	<u>\$ 426,193</u>	<u>\$ 5,480</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Chang Shi Chung	The Company's chairman
Chang Tse Ling	The Company's director
EVERSPRING INDUSTRY CO., LTD.	The Company's director
TBG Biotechnology Corp.	The Company is the ultimate parent company of this company
UMO INTERNATIONAL CO., LTD.	The Company is the ultimate parent company of this company
Medigen Vaccine Biologics Corporation	The Company is the ultimate parent company of this company
CELLXPRT BIOTECHNOLOGY CORP.	Associate
TBG Biotechnology (Xiamen) Corp.	Associate
U-GEN	Associate

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2022	2021
Sales of services:		
CELLXPRT BIOTECHNOLOGY CORP.		
(technical supporting service)	\$ -	\$ 5,082
TBG Biotechnology (Xiamen) Corp.	-	1,937
	<u>\$ -</u>	<u>\$ 7,019</u>

B. Purchases:

	Year ended December 31	
	2022	2021
Purchases of goods:		
TBG Biotechnology Corp.	<u>\$ 28,053</u>	<u>\$ 41,930</u>

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

C. Receivables from related parties:

	December 31, 2022	December 31, 2021
Accounts receivable:		
TBG Biotechnology (Xiamen) Corp.	\$ 1,507	\$ 1,937
Less: Allowance for accounts receivable due from related parties	(151)	-
	<u>\$ 1,356</u>	<u>\$ 1,937</u>

Accounts receivable due from related parties primary came from technical supporting service. The receivables are unsecured in nature and bear no interest.

D. Prepayments

	December 31, 2022	December 31, 2021
TBG Biotechnology Corp.	<u>\$ -</u>	<u>\$ 24,436</u>

E. Contract assets and liabilities

	December 31, 2022	December 31, 2021
Contract assets:		
CELLXPRT BIOTECHNOLOGY CORP.	<u>\$ 8,638</u>	<u>\$ 8,638</u>
Contract liabilities:		
CELLXPRT BIOTECHNOLOGY CORP.	<u>\$ 26,304</u>	<u>\$ 26,304</u>

F. Professional service fees

	Year ended December 31	
	2022	2021
TBG Biotechnology (Xiamen) Corp.	\$ 2,183	\$ -

G. Acquisition of financial assets:

(a) For the years ended December 31, 2022 and 2021, the amounts of the Company's cash capital increase in subsidiaries were \$283,832 and \$21,452, respectively. Refer to Note 6(5) for details.

(b) For the year ended December 31, 2022, the Company acquired 100% of equity interest in TDL Holding Co. from the subsidiary, TBG Diagnostics Limited, for \$130,032, the settlement date was on November 2, 2022, and proceeds were paid in the full amount on November 4, 2022. Refer to Note 6(5) for details.

(c) On December 29, 2022, the Company participated in the cash capital increase of the subsidiary, TDL Holding Co., with \$30,000 which was accounted as prepayments for investment (shown as "other non-current assets").

H. Others

Fro the years ended December 31, 2022 and 2021, the joint guarantor of the Company's loan from financial institutions was the related party, Chang Shi Chung.

(3) Key management compensation

	Year ended December 31	
	2022	2021
Short-term employee benefits	\$ 22,723	\$ 19,950
Post-employment benefits	615	432
Share-based payment	-	1,370
Total	\$ 23,338	\$ 21,752

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Land	\$ 246,214	\$ 246,214	Guarantees for borrowings
Buildings and structures	171,865	176,909	"
Restricted assets - other current assets	12,800	5,000	"
	\$ 430,879	\$ 428,123	

On December 31, 2022 and 2021, the Company had 12,600 thousand equity shares in Medigen Vaccine Biologics Corporation as the collateral for short-term borrowings.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

- A. In November 2011, the Company obtained the grant from Industry - Technology Development Programs of Ministry of Economic Affairs - Fast Track “PI-88 treatment after curative resection for hepatocellular carcinoma global phase III clinical trial development plan”. In the plan, commitments were as follows: (1) After the beginning of the plan, if the plan product, PI-88, externally authorised successfully, the Company committed to appropriate 5% of the signing bonus and milestones as feedbacks, and 2% of the feedback should be donated to the research foundations with the nature of charity and work in the biomedical related research, in order to fulfil the research and development expenditures of domestic biomedical research institutes with the nature of charity. Additionally, 3% will be the collaborative research and development expenditure of the Company and domestic academic research institutes or legal entity, the amount of feedbacks was not limited to the grants. (2) If “PI-88” which would be developed in the plan was approved to sell in the market in the country, before obtaining payment from national health insurance, the Company needed to provide this medicine to 15 post-operative hepatocellular carcinoma patients in the underprivileged or low-income family.
- B. According to the transference contract of monoclonal antibody expertise, the Company committed that after signing the contract in July 2012, the Company should pay milestone payments according to the result of research and development phase within 10 years, and pays 7% of royalty for all the profit from uses or disposal of platform technology, platform antibody or platform medicines within 11 years started from the date of signature.
- C. In August 2012, the Company communicated with one hospital for collaborative research and development plan for 6 years, according to the agreement, both parties have to distribute \$3,000 each for the expenditures of collaborative plan in the collaborative period which ended in August 2018. Additionally, except for the first collaborative sub-project, after the marketing of researched and developed products which had been generated from the collaborative research and development plan, the Company should feedback 1% of the sales amount of the product to the hospital. The ceiling of accumulated feedbacks of the sub-project of collaborative research and development plan was 150% of the research and development period multiplying \$3 million per year.

- D. On October 7, 2019, the Company and a listed Japan company, MEDINET Co., Ltd. (collectively referred to herein as the “MEDINET”) entered into an exclusive authorisation contract for obtaining MEDINET’s exclusive authorisation of immunocyte, Gamma Delta T cell (collectively referred to herein as the “GDT cell”), in Taiwan. In the future, the Company would collaborate with medical institutions in accordance with “Regulations Governing the Application or Use of Specific Medical Techniques or Examinations, or Medical Devices” to use GDT cell in the immunotherapy and pays royalties at certain proportion in accordance with the contract.
- E. On December 18, 2019, the Company signed the PI-88 authorisation contract with CELLXPRT BIOTECHNOLOGY CORP. to exclusively authorised the global rights (excluding Taiwan) of development and commercialisation to CELLXPRT BIOTECHNOLOGY CORP., who could research, develop, manufacture, sales, reauthorise and other commercialisation activities in the authorised area. The Company would receive upfront payment after signing the authorisation contract and receive milestone payments based on each stage. Additionally, the Company could proportionately share profits from incomes of sales and reauthorisation of PI-88.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) On November 30, 2022, the Board of Directors of the Company resolved to gradually invest in the associate, U-GEN, with an amount no higher than USD 5 million (approximate \$158,000). And, on January 17, 2023, March 6, 2023 and March 23, 2023, the Company gradually remitted investments in the total amount of \$152,952 (USD 5 million).
- (2) On March 30, 2023, the Board of Directors approved the deficit compensation for the year ended December 31, 2022. Refer to Note 6(15) F. for details.

12. Others

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments

Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 1,232	\$ 502
Financial assets at amortised cost	444,904	581,146
	<u>\$ 446,136</u>	<u>\$ 581,648</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 734,985	\$ 695,301
Lease liability	3,026	5,480
	<u>\$ 738,011</u>	<u>\$ 700,781</u>

Note: Financial assets at amortised cost included cash, accounts receivable (including related parties), other receivables, restricted assets, guarantee deposits paid; financial liabilities at amortised cost included short-term borrowings, notes and accounts payable, other payables, long-term borrowings (including current portion).

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on the Company's financial status and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Exchange rate risk

(i) The Company operates internationally and is exposed to foreign exchange risk arising from various currency, primarily with respect to the USD, JPY and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

(ii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency amount <u>(In thousands)</u>	<u>Exchange rate</u>	Carrying amount <u>(New Taiwan dollar)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,483	30.71	\$ 76,253

December 31, 2021			
	Foreign currency amount <u>(In thousands)</u>	<u>Exchange rate</u>	Carrying amount <u>(New Taiwan dollar)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 250	27.68	\$ 6,920

(iii) The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to (\$2,307) and (\$804), respectively.

(iv) Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022			
Sensitivity analysis			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 610	\$ -

	December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 55	\$ -

ii. Price risk

- (i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company's investments in equity securities comprise listed equity instruments and open-end funds issued by foreign and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$12 and \$5, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

iii. Cash flow and fair value interest rate risk

- (i) The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- (ii) The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- (iii) If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$845 and \$852, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. According to the Company's credit policy, each operation unit in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set by the credit controlling manager based on internal or external factors. The utilisation of credit limits is regularly monitored.
- iv. For banks and financial institutions, only institutions with good credit rating are accepted.
- v. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 90 days.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Company classifies customer's accounts receivable in accordance with customer types. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.
- viii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

ix. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	<u>Not past due</u>	<u>1~ 90 days past due</u>	<u>91~180 days past due</u>
<u>December 31, 2022</u>			
Expected loss rate	1.06%	32.51%	100%
Total book value	\$ 121	\$ 303	\$ 1,507
Loss allowance	\$ -	\$ -	\$ 151
		<u>Over 181 days past due</u>	<u>Total</u>
Expected loss rate		100%	
Total book value		\$ -	\$ 1,931
Loss allowance		\$ -	\$ 151
	<u>Not past due</u>	<u>1~ 90 days past due</u>	<u>91~180 days past due</u>
<u>December 31, 2021</u>			
Expected loss rate	1.28%	39.26%	100%
Total book value	\$ 5,189	\$ 1,477	\$ 132
Loss allowance	\$ -	\$ -	\$ -
		<u>Over 181 days past due</u>	<u>Total</u>
Expected loss rate		100%	
Total book value		\$ -	\$ 6,798
Loss allowance		\$ -	\$ -

x. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>Accounts receivable</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ -	\$ 842
Impairment loss determined in accordance with IFRS 9	151	-
Write-offs	-	(842)
At December 31	\$ 151	\$ -

- xi. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	Accounts receivable	
	December 31, 2022	December 31, 2021
Not past due	\$ 121	\$ 5,189
1 to 90 days	303	1,477
91 to 180 days	1,507	132
Over 181 days	-	-
	<u>\$ 1,931</u>	<u>\$ 6,798</u>

The above ageing analysis was based on past due date.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating units of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions and Investment Commission related regulations.
- ii. When residual cash held by each operating unit exceeded the requirement of managing operating capital, Company treasury would supervise or integrate each operating unit, and invested the residual capital in the interest bearing demand deposits, time deposits, deposits in currency market and securities, the instrument it chose contained adequate due date and sufficient liquidity to response to aforementioned forecast and provide sufficient headroom. As at December 31, 2022 and 2021, the Company held money market position of \$418,967 and \$553,132, respectively, and current financial assets at fair value through profit or loss of \$1,232 and \$502, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2022 and 2021, the Company has undrawn borrowing facilities amounting to \$2,200 and \$80,000, respectively.
- iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Within 1 year</u>	<u>Over 1 years</u>	<u>Within 1 year</u>	<u>Over 1 years</u>
Long-term borrowings (including current portion)	\$ 28,992	\$ 450,114	\$ 19,377	\$ 453,551
Lease liability	2,737	311	3,452	2,099
	<u>\$ 31,729</u>	<u>\$ 450,425</u>	<u>\$ 22,829</u>	<u>\$ 455,650</u>

Except for the above, all of the Company's non-derivative financial liabilities mature within 1 year.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in corporate bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables, lease liabilities and long-term borrowings (including current portion) are approximate to their fair values.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 1,232	\$ -	\$ -	\$ 1,232
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 502	\$ -	\$ -	\$ 502

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the

Company's credit quality.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

(4) Other matter

Due to the outbreak of Covid-19 pandemic and pandemic prevention measures prompted by government, the Company has taken reactions and continuously managed related event. For the years ended December 31, 2022, there were no significant impacts on the Company's operation and business.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital : Refer to table 3.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 5.

(3) Information on investments in Mainland China

Basic information: Refer to table 6.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. Segment Information

Not applicable.

MEDIGEN BIOTECHNOLOGY CORPORATION

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2022 (Note 3)	Balance at December 31, 2022 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Collateral		Allowance for Creditor Counterparty doubtful accounts	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
												Item	Value				
1	TBG Biotechnology Corp.	TBG Biotechnology (Xiamen) Corp.	Other receivables due from related parties	Y	\$ 4,281	\$ -	\$ -	1%	Short-term financing	\$ -	Revolving funds	-	-	\$ -	\$ 4,939	\$ 19,756	-
2	Medigen Biotechnology (Beijing) Corporation	TBG Biotechnology (Xiamen) Corp.	Other receivables due from related parties	Y	5,686	8,816	-	4%	Short-term financing	-	Revolving funds	-	-	-	9,947	39,787	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2022.

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Note 9: 1. The Company's ceiling of total loan to others could not exceed 40% of net equity, and the ceiling of total loan to single business could not exceed 10% of net equity.

2. For the foreign companies which the Company holds 100% of the voting rights directly or indirectly, limit on loans is not restricted.

MEDIGEN BIOTECHNOLOGY CORPORATION

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				
				Number of shares (thousand shares)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
The Company	Lanka Graphite Limited	-	Financial assets at fair value through profit or loss - current	3,000	\$ -	2.77%	\$ -	-
"	CytoPharm Inc.	-	Financial assets at fair value through profit or loss - current	537	-	0.95%	-	-
"	Neuberger Berman Global Strategic Income Securities Investment Trust Fund Class TWD T Accumulating	-	Financial assets at fair value through profit or loss - current	30	473	-	473	-
"	Cathay US ESG Fund TWD	-	Financial assets at fair value through profit or loss - current	50	462	-	462	-
"	Taishin Future Health Fund A-USD	-	Financial assets at fair value through profit or loss - current	30	297	-	297	-
Medigen Vaccine Biologics Corporation	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,030	50,850	-	50,850	-
"	Franklin Templeton SinoAm Emerging Markets Bond Fund A-TWD	-	Financial assets at fair value through profit or loss - current	303	2,143	-	2,143	-
Medigen Capital Corporation	TAIWAN BIO THERAPEUTICS CO., LTD.	Other related party	Financial assets at fair value through other comprehensive income - non-current	5,176	175,634	10.05%	175,634	-
"	Thermolysis Co.,Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	30,000	6.06%	30,000	-
TBG Diagnostics Limited	Lanka Graphite Limited	-	Financial assets at fair value through profit or loss - current	3,750	-	3.46%	-	-
"	Zucero Therapeutics Limited	-	Financial assets at fair value through other comprehensive income	12,500	-	9.62%	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instrument: recognition and measurement.'

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

MEDIGEN BIOTECHNOLOGY CORPORATION

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Gain (loss) on disposal Note 5	Balance as at December 31, 2022	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
The Company	Medigen Vaccine Biologics Corporation	Investments accounted for using equity method	-	This company was the Company's subsidiary (Note 5)	44,616,811	\$ 960,642	1,151,000	\$ 253,220	2,460,000	\$ 429,742	\$ 51,702		64,728,844	\$ 966,369

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions, thus gains (losses) on disposal were not recognised.

Note 6: The ending balance was not in agreement with the beginning balance after reducing the current cash amount of disposal because of the current gains (losses) on investment accounted for using equity method and the accumulated translation adjustment.

Note 7: The ending number of shares was not in agreement with the beginning number of shares after adding the number of shares of additions in the year and reducing the number of shares of disposal in the year because of the current stock dividends which were distributed by the investee.

MEDIGEN BIOTECHNOLOGY CORPORATION
Significant inter-company transactions during the reporting period
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	2(3)	Sales revenue	\$ 23,025	No significant difference with general customers	2.18%
2	TBG Biotechnology Corp.	The Company	2(2)	Sales revenue	28,053	According to the agreement between the two parties	2.66%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

MEDIGEN BIOTECHNOLOGY CORPORATION

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	TBG Diagnostics Limited	Australia	Biotechnology service and retail and wholesale business of medical instruments	\$ 599,056	\$ 599,056	112,615,938	51.76%	\$ 77,193	(\$ 248,241)	(\$ 128,490)	-
The Company	Medigen Vaccine Biologics Corporation	Taiwan	Research and development and wholesale business of vaccines and biopharmaceutical, and retail and wholesale business of medical instruments	992,734	771,147	64,728,844	19.74%	966,369	(1,476,167)	(295,327)	-
The Company	WINSTON MEDICAL SUPPLY CO., LTD.	Taiwan	Manufacturing and marketing of chemistry medicine, ophthalmic anti-infectives, aesthetic medicine, dietary supplement and other medicines and products	205,716	411,433	10,906,400	59.22%	308,821	110,126	65,145	-
The Company	TDL HOLDING	Cayman Islands	Investments business	219,437	-	1,700,508	100%	54,514	(5,648)	(4,331)	Note 3
TBG Diagnostics Limited	U-GEN	Cayman Islands	Biotechnology service and retail and wholesale business of medical instrument	529,522	529,522	67,129,159	36.37%	28,324	(637,039)	-	Note 4 and 5
TBG Diagnostics Limited	TDL Holding Co.	Cayman Islands	Investments business	-	219,437	-	-	-	5,648	-	Note 3 and 4
WINSTON MEDICAL SUPPLY CO., LTD.	UMO INTERNATIONAL CO., LTD.	Taiwan	Retail and wholesale of skincare products and makeup	10,000	10,000	1,000,000	100%	17,311	5,813	-	Note 4
WINSTON MEDICAL SUPPLY CO., LTD.	SHINY LILY CO., LTD.	Taiwan	Retail and wholesale of western medicine	3,271	3,271	-	100%	3,297	29	-	Note 4
TBG INC./TDL Holding Co.	Texas BioGene, Inc.	USA	Biotechnology service and retail and wholesale business of medical instrument	19,682	19,682	739,328	100%	169	(59)	-	Note 4
TBG INC./TDL Holding Co.	TBG Biotechnology Corp.	Taiwan	Biotechnology service and retail and wholesale business of medical instrument	199,755	199,755	20,000,000	100%	49,390	(8,579)	-	Note 4
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Cayman Islands	Investments business	7,081	7,081	50,000	100%	3,510	(83)	-	Note 4
Medigen Vaccine Biologics Corporation	Medigen Capital Corporation	Taiwan	Investments business	200,000	200,000	20,000,000	100%	282,152	(74)	-	Note 4
Medigen Capital Corporation	U-GEN	Cayman Islands	Biotechnology service and retail and wholesale business of medical instrument	57,922	-	1,727,893	0.94%	3,560	(637,039)	-	Note 4 and 5

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Refer to Note 4(3) note 4 for details.

Note 4: According to the related regulations, it was not required to disclose gains (losses) on investment recognised by the Company.

Note 5: Refer to Note 6(8) note 2 for details.

MEDIGEN BIOTECHNOLOGY CORPORATION

Information on investments in Mainland China

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Medigen Biotechnology (Xiamen) Corporation	Research and development of clinical new medicine, supports of production technology and consult of related technology and after-sale service	\$ 3,026	1	\$ 3,026	\$ -	\$ -	\$ 3,026	\$ 91	100%	\$ 91	\$ 2,543	\$ -	Note 2(2) B.
Medigen Biotechnology (Beijing) Corporation	Investments business	182,686	1	152,076	30,610	-	182,686	(28,431)	100%	(28,431)	102,234	-	Note 2(2)B.
CELLXPRT BIOTECHNOLOGY CORP.	Cytotherapy business	323,775	3	-	-	-	-	(63,100)	26.25%	(28,807)	69,812	-	Note 2(2)B.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
The Company	\$ 185,712 (USD 6,361 thousand)	\$ 533,423 (USD 17,628 thousand)	\$ 3,882,607

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

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

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

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

Note 3: According to the MOEA Regulation No. 09704604680, "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", announced on August 29, 2008, limit on accumulated amount of investment in Mainland China is the higher of 60% of net assets and consolidated net assets. The ultimate limit of investment is 60% of the consolidated net assets (6,471,013x 60% =3,882,607).

Note 4: The accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was disclosed based on the amounts of subsidiaries included in the consolidated financial statements and investees accounted for using the equity method.

MEDIGEN BIOTECHNOLOGY CORPORATION

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Others	
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate		Interest during the year ended December 31, 2022
CELLXPRT BIOTECHNOLOGY CORP.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	Note

Note: The royalties income received in advance in the year was \$26,304 (shown as current contract liabilities), which presented 0.75% in the consolidated total liabilities.

MEDIGEN BIOTECHNOLOGY CORPORATION

Major shareholders information

December 31, 2022

Table 8

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
EVERSPRING INDUSTRY CO.,LTD.	14,093,380	10.10%

Note: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF CASH
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand and revolving funds		\$ 156
Checking accounts		730
Demand deposits		323,033
Foreign currency deposits	USD 2,483 thousand, conversion rate: 30.71; CAD 4 thousand, conversion rate: 22.67; RMB 4,168 thousand, conversion rate: 4.41; HKD 52 thousand, conversion rate: 3.94;	95,048
		<u>\$ 418,967</u>

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 2

Item	Beginning Balance		Addition (Note 1)		Decrease (Note 2)		Ending Balance			Market Value or Net Assets Value			
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
TBG Diagnostics Limited	112,616	\$ 146,251	-	\$ 60,980	-	(\$ 130,038)	112,616	51.76%	\$ 77,193	-	\$ -	None	-
TDL Holding Co.	-	-	1,700,508	130,032	-	(75,518)	1,700,508	100%	54,514	-	-	"	-
Medigen Vaccine Biologics Corporation	44,617	960,642	22,572	352,756	(2,460)	(347,029)	64,729	19.74%	966,369	-	-	Refer to Note 8	-
Medigen Biotechnology (Xiamen) Corporation	-	2,416	-	127	-	-	-	100%	2,543	-	-	None	-
WINSTON MEDICAL SUPPLY CO., LTD.	10,906	287,302	-	65,145	-	(43,626)	10,906	59.22%	308,821	-	-	"	-
Medigen Biotechnology (Beijing) Corporation	-	96,943	-	32,174	-	(26,883)	-	100%	102,234	-	-	"	-
		<u>\$ 1,493,554</u>		<u>\$ 641,214</u>		<u>(\$ 623,094)</u>			<u>\$ 1,511,674</u>		<u>\$ -</u>		

Note 1: Additions included cash capital increase, gain or loss on investment, realised income between affiliated company, capital surplus and changes in other equity interest.

Note 2: Decreases included disposal of investments, gain or loss on investment, cash dividends, capital surplus and changes in other equity interest.

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Beginning Balance	Addition	Decrease	Ending Balance	Collateral	Note
Land	\$ 246,214	\$ -	\$ -	\$ 246,214	Refer to Note 8 for details of pledged collaterals.	-
Buildings and structures	221,022	-	-	221,022	"	-
Testing equipment	91,329	1,504	-	92,833	None	-
Office equipment	22,639	376	-	23,015	"	-
Other equipment	50,103	-	-	50,103	"	-
	<u>\$ 631,307</u>	<u>\$ 1,880</u>	<u>\$ -</u>	<u>\$ 633,187</u>		

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 4

Item	Beginning Balance	Addition	Decrease	Ending Balance	Note
Buildings and structures	\$ 44,113	\$ 5,044	-	\$ 49,157	-
Testing equipment	85,223	4,264	-	89,487	-
Office equipment	20,509	1,253	-	21,762	-
Other equipment	33,875	3,967	-	37,842	-
	<u>\$ 183,720</u>	<u>\$ 14,528</u>	<u>-</u>	<u>\$ 198,248</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 5

Nature	Description	Ending Balance	Contract Period	Range of Interest		Collateral	Note
				Rate	Credit Line		
Unsecured borrowings	SUNNY BANK.	\$ 50,000	2022.10.11-2023.10.11	1.99%	\$ 50,000	None	-
"	TAICHUNG COMMERCIAL BANK Co., Ltd.	25,000	2022.6.2-2023.6.2	2.33%	25,000	"	-
Secured borrowings	SUNNY BANK.	30,000	2022.10.11-2023.10.11	1.99%	30,000	Collateral	-
"	The Shanghai Commercial & Savings Bank, Ltd.	50,000	2022.1.10-2023.1.10	2.14%	50,000	"	-
"	Taiwan Cooperative Financial Holding Co. Ltd.	30,000	2022.6.27-2023.6.27	1.77%	30,000	"	-
"	International Bills Finance Corporation	30,000	2022.2.9-2023.2.8	1.85%	30,000	"	-
"	CHANG HWA COMMERCIAL BANK, LTD.	28,000	2022.6.13-2023.6.13	2.28%	50,000	"	-
"	First Commercial Bank	25,000	2022.9.15-2023.3.15	2.14%	25,000	"	-
		<u>\$ 268,000</u>			<u>\$ 290,000</u>		

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue	944	\$ 24,663	-
Technical service revenue		600	-
Other operating revenue		5,392	-
Operating revenue, net		<u>\$ 30,655</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 7

Items	Amount
<u>Cost of goods sold from manufacturing</u>	
Direct raw materials	
Add: Beginning balance of raw materials	\$ 5,000
Raw materials purchased	26,262
Less: Ending balance of raw materials	(24,569)
Less: Others	(4,359)
Raw materials used in the year	2,334
Direct labor	642
Manufacturing expense	3,252
Manufacturing cost	6,228
Add: Beginning work in progress and the semi-finished goods	791
Less: Ending work in progress and semi-finished goods	(476)
Less: Others	(4,052)
Cost of finished goods	2,491
Less: Others	(2,082)
Cost of finished goods sold	409
<u>Cost of goods sold from purchase</u>	
Add: Beginning goods	\$ 58,769
Net purchases for the year	7,958
Less: Ending goods	(34,322)
Others	(26,202)
Cost of goods sold	6,203
Total cost of sales	6,612
Other operating costs	9,319
Loss on inventory valuation and obsolescence	993
Loss on abandonment of inventory	25,447
Total operating costs	\$ 48,574

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 8

Item	Amount	Note
Wages and salaries	\$ 30,333	
Cost of services	14,101	
Depreciation	6,597	
Others	<u>19,325</u>	Balance of individual accounts has not exceeded 5% of total account balance
	<u>\$ 70,356</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 9

Item	Amount	Note
Clinical trials cost	\$ 74,526	
Wages and salaries	32,764	
Depreciation	10,757	
Research and development expense	12,147	
Amortisations	5,916	
Others	24,054	Balance of individual accounts has not exceeded 5% of total account balance
	<u>\$ 160,164</u>	

MEDIGEN BIOTECHNOLOGY CORPORATION
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 10

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	\$ 642	\$ 60,493	\$ 61,135	\$ 676	\$ 70,744	\$ 71,420
Labour and health insurance fees	-	4,728	4,728	-	5,368	5,368
Pension costs	-	2,605	2,605	-	2,935	2,935
Directors' remuneration	-	1,302	1,302	-	1,104	1,104
Other personnel expenses	-	2,516	2,516	-	2,077	2,077
Depreciation	1,235	17,354	18,589	1,236	18,696	19,932
Amortisation	-	6,154	6,154	-	8,950	8,950

Note:

1. As at December 31, 2022 and 2021, the Company had 53 and 53 employees, respectively, including 6 non-employee directors for both years.
- 2.(1) For the years ended December 31, 2022 and 2021, average employee benefit expense are \$1,510 thousand and \$1,740 thousand, respectively.
(2) For the years ended December 31, 2022 and 2021, average employees' salary expenses are \$1,301 thousand and \$1,520 thousand, respectively.
(3) Adjustment of current average employees' salaries was (14%).
(4) For directors' remuneration, according to the Articles of Incorporation, a ratio of distributable profit of the current year, after covering accumulated deficit, shall be appropriated as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3%~6% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
If the Company has an accumulated deficit (including adjusted distributable balances), earnings should be reserved to cover deficit.
- (5) The Remuneration Policy for directors and managers are set out according to the Regulations Governing Salaries and Bonuses and take into account the general pay levels in the same industry, individual performance assessment results, the input time of the individual, responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years, as well as, the reasonableness of the correlation between the individual's performance and this Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of this Company.
- (6) According to the Company's Remuneration Policy for employees, annual salary included the 12-month base salary and year-end bonuses, employees are rewarded with bonuses based on the achievement of the operating performance of the Group (Company) or business unit in the year and the individual performance assessment results.

Medigen Biotechnology Corp.

Chairman: Shi-Chung Chang