

**TCM BIOTECH INTERNATIONAL CORP.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR24000685

To the Board of Directors and Shareholders of TCM BIOTECH INTERNATIONAL CORP.

Opinion

We have audited the accompanying consolidated balance sheets of TCM BIOTECH INTERNATIONAL CORP. and its subsidiaries (the “Group”) as at December 31, 2024 and 2023, 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 financial statements, including a summary of material 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, 2024 and 2023, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants” and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s 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 Accountants 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 consolidated financial statements of the current period. 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 matter for the Group's 2024 consolidated financial statements is stated as follows:

Valuation of inventories

Description

Refer to Note 4(12) for the accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimations and assumptions in relation to inventory valuation, and Note 6(5) for the details of allowance for market value decline and loss on obsolete and slow-moving inventories. As of December 31, 2024, the balance of the Group's inventories amounted to NT\$128,932 thousand (net of market value decline and loss on obsolete and slow-moving inventories of NT\$22,618 thousand).

The Group is engaged in the research and development of biotech new drugs, wholesale of western medicines and medical devices as well as manufacturing and sales of functional foods, etc. Such inventories have shelf lives and are sold in a highly competitive consumer market, resulting in greater exposure to the risk of loss on inventory valuation. The Group's inventories are measured at the lower of cost and net realizable value and related losses are recognized for inventories with short expiry and obsolete or damaged

inventories. The Group's determination of net realizable value of inventories involves subjective judgement and a high degree of estimation uncertainty. Considering the Group's allowance for market value decline and loss on obsolete and slow-moving inventories are material to the financial statements, we considered the valuation of allowance for market value decline and loss on obsolete and slow-moving inventories 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 Group's operations and industry nature, assessed the reasonableness of policies and procedures for allowance for market value decline and loss on obsolete and slow-moving inventories, including the classification of inventory in determining the net realizable value and the reasonableness of determining inventory obsolescence.
2. Obtained an understanding of the inventory management procedures, examined and observed the annual physical count and assessed the effectiveness of inventory management and inventory classification determined by management.
3. Evaluated the reasonableness of individually identified obsolete inventories, obtained supporting documents, and verified information from observation of physical inventory count.
4. Verified appropriateness of calculated logic used in aging report and complied with the valuation policies.

Other matter - Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of TCM BIOTECH INTERNATIONAL CORP. as at and for the years ended December 31, 2024 and 2023.

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, including audit committee, 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 group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 28, 2025

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.

TCM BIOTECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 232,984	20	\$ 504,131	38
1136	Current financial assets at amortised cost, net	6(2)	300,000	25	-	-
1150	Notes receivable, net	6(4)	27,342	2	26,689	2
1170	Accounts receivable, net	6(4)	112,615	10	232,395	18
1200	Other receivables		1,690	-	3,608	-
130X	Inventory	6(5)	128,932	11	181,734	14
1410	Prepayments	6(6)	8,268	1	31,086	2
1470	Other current assets		147	-	1,510	-
11XX	Total current assets		811,978	69	981,153	74
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	30,000	2	-	-
1600	Property, plant and equipment	6(7) and 8	280,486	24	287,340	22
1755	Right-of-use assets	6(8)	11,426	1	6,371	-
1780	Intangible assets	6(10)	20,717	2	23,668	2
1840	Deferred income tax assets	6(21)	1,018	-	981	-
1900	Other non-current assets	6(1) and 8	26,733	2	23,409	2
15XX	Total non-current assets		370,380	31	341,769	26
1XXX	Total assets		\$ 1,182,358	100	\$ 1,322,922	100

(Continued)

TCM BIOTECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11) and 8	\$ -	-	\$ 44,000	3
2130	Current contract liabilities	6(19)	2,840	-	2,250	-
2150	Notes payable		7,578	1	8,098	1
2170	Accounts payable		13,111	1	56,434	4
2200	Other payables	6(12)	46,749	4	76,757	6
2230	Current income tax liabilities	6(21)	4,026	1	2,585	-
2280	Current lease liabilities		3,720	-	1,682	-
2320	Long-term liabilities, current portion	6(13) and 8	3,045	-	5,192	1
2399	Other current liabilities		828	-	1,380	-
21XX	Total current liabilities		81,897	7	198,378	15
Non-current liabilities						
2527	Non-current contract liabilities	6(19)	3,226	-	3,226	-
2540	Long-term borrowings	6(13) and 8	28,535	2	59,693	5
2570	Deferred income tax liabilities	6(21)	4	-	-	-
2580	Non-current lease liabilities		8,160	1	4,809	-
2600	Other non-current liabilities	6(14)	1,457	-	1,774	-
25XX	Total non-current liabilities		41,382	3	69,502	5
2XXX	Total liabilities		123,279	10	267,880	20
Equity						
Equity attributable to owners of parent						
	Share capital	6(16)				
3110	Common stock		590,486	50	590,486	45
	Capital surplus	6(17)				
3200	Capital surplus		415,772	35	415,772	31
	Retained earnings	6(18)				
3310	Legal reserve		23,270	2	21,470	2
3320	Special reserve		69	-	110	-
3350	Unappropriated retained earnings		29,534	3	27,273	2
	Other equity interest					
3400	Other equity interest		(52)	-	(69)	-
31XX	Equity attributable to owners of the parent		1,059,079	90	1,055,042	80
3XXX	Total equity		1,059,079	90	1,055,042	80
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after balance sheet date	11				
3X2X	Total liabilities and equity		\$ 1,182,358	100	\$ 1,322,922	100

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

TCM BIOTECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

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

			Year ended December 31			
Items	Notes		2024		2023	
			AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(19)		\$ 666,530	100	\$ 969,619	100
5000 Operating costs	6(5)(20)		(339,221)	(51)	(489,451)	(51)
5900 Net operating margin			<u>327,309</u>	<u>49</u>	<u>480,168</u>	<u>49</u>
Operating expenses	6(20) and 7					
6100 Selling expenses			(149,850)	(22)	(312,576)	(32)
6200 General and administrative expenses			(74,237)	(11)	(67,799)	(7)
6300 Research and development expenses			(93,217)	(14)	(77,464)	(8)
6450 Impairment gain and reversal of impairment loss	12(2)		<u>691</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses			(316,613)	(47)	(457,839)	(47)
6900 Operating profit			<u>10,696</u>	<u>2</u>	<u>22,329</u>	<u>2</u>
Non-operating income and expenses						
7100 Interest income			4,685	-	1,548	-
7010 Other income			12,445	2	241	-
7020 Other gains and losses			(1,203)	-	686	-
7050 Finance costs			(1,606)	-	(2,772)	-
7000 Total non-operating income and expenses			<u>14,321</u>	<u>2</u>	<u>(297)</u>	<u>-</u>
7900 Profit before income tax			<u>25,017</u>	<u>4</u>	<u>22,032</u>	<u>2</u>
7950 Income tax expense	6(21)		(4,007)	(1)	(3,458)	-
8200 Profit for the year			<u>\$ 21,010</u>	<u>3</u>	<u>\$ 18,574</u>	<u>2</u>
Other comprehensive income (loss)						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311 Actuarial losses on defined benefit plans	6(14)		(\$ 201)	-	(\$ 722)	-
8349 Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	6(21)		<u>40</u>	<u>-</u>	<u>144</u>	<u>-</u>
8310 Other comprehensive loss that will not be reclassified to profit or loss			(161)	-	(578)	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Financial statements translation differences of foreign operations			<u>17</u>	<u>-</u>	<u>41</u>	<u>-</u>
8360 Other comprehensive income that will be reclassified to profit or loss			<u>17</u>	<u>-</u>	<u>41</u>	<u>-</u>
8300 Other comprehensive loss for the year			(\$ 144)	-	(\$ 537)	-
8500 Total comprehensive income for the year			<u>\$ 20,866</u>	<u>3</u>	<u>\$ 18,037</u>	<u>2</u>
Profit attributable to:						
8610 Owners of the parent			<u>\$ 21,010</u>	<u>3</u>	<u>\$ 18,574</u>	<u>2</u>
Comprehensive income attributable to:						
8710 Owners of the parent			<u>\$ 20,866</u>	<u>3</u>	<u>\$ 18,037</u>	<u>2</u>
Earnings per share (in dollars)	6(22)					
9750 Basic earnings per share			<u>\$ 0.36</u>		<u>\$ 0.35</u>	
9850 Diluted earnings per share			<u>\$ 0.36</u>		<u>\$ 0.35</u>	

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

TCM BIOTECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent							
		Capital Reserves				Retained Earnings		Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Capital surplus, treasury share transactions	Capital surplus, others	Legal reserve	Special reserve	Unappropriated retained earnings	
<u>Year ended December 31, 2023</u>									
Balance at January 1, 2023		\$ 475,923	\$ 12,058	\$ 1,764	\$ -	\$ 19,613	\$ -	\$ 27,425	(\$ 110) \$ 536,673
Profit for the year		-	-	-	-	-	-	18,574	- 18,574
Other comprehensive income (loss) for the year		-	-	-	-	-	-	(578)	41 (537)
Total comprehensive income		-	-	-	-	-	-	17,996	41 18,037
Appropriations of 2022 earnings	6(18)								
Legal reserve		-	-	-	-	1,857	-	(1,857)	- -
Special reserve		-	-	-	-	-	110	(110)	- -
Cash dividends		-	-	-	-	-	-	(1,618)	- (1,618)
Stock dividends		14,563	-	-	-	-	-	(14,563)	- -
Compensation costs of share-based payment	6(15)	-	1,950	-	-	-	-	-	- 1,950
Issuance of common stock for cash	6(16)	100,000	399,483	-	517	-	-	-	- 500,000
Balance at December 31, 2023		\$ 590,486	\$ 413,491	\$ 1,764	\$ 517	\$ 21,470	\$ 110	\$ 27,273	(\$ 69) \$1,055,042
<u>Year ended December 31, 2024</u>									
Balance at January 1, 2024		\$ 590,486	\$ 413,491	\$ 1,764	\$ 517	\$ 21,470	\$ 110	\$ 27,273	(\$ 69) \$1,055,042
Profit for the year		-	-	-	-	-	-	21,010	- 21,010
Other comprehensive income (loss) for the year		-	-	-	-	-	-	(161)	17 (144)
Total comprehensive income		-	-	-	-	-	-	20,849	17 20,866
Appropriations of 2023 earnings	6(18)								
Legal reserve		-	-	-	-	1,800	-	(1,800)	- -
Special reserve		-	-	-	-	-	(41)	41	- -
Cash dividends		-	-	-	-	-	-	(16,829)	- (16,829)
Balance at December 31, 2024		\$ 590,486	\$ 413,491	\$ 1,764	\$ 517	\$ 23,270	\$ 69	\$ 29,534	(\$ 52) \$1,059,079

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

TCM BIOTECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 25,017	\$ 22,032
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(7)(8)(20)	20,564	18,727
Amortization expense	6(10)(20)	3,304	3,168
Impairment gain and reversal of impairment loss	12(3)	(691)	-
Interest expense		1,606	2,772
Interest income	(	4,685)	(1,548)
Share-based payments	6(15)	-	1,950
Gain on disposal of property, plant and equipment	(	720)	(802)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable	(	653)	(5,559)
Accounts receivable		120,471	(27,694)
Other receivables		2,036	322
Inventories		50,652	(13,337)
Prepayments		22,818	(12,261)
Other current assets		1,363	(1,381)
Other non-current assets		-	(3,085)
Changes in operating liabilities			
Contract liabilities		590	2,717
Notes payable	(	520)	(5,582)
Accounts payable	(	43,323)	(18,691)
Other payables	(	30,008)	3,919
Other current liabilities	(	552)	672
Net defined benefit liability	(	248)	(217)
Cash inflow (outflow) generated from operations		167,021	(33,878)
Interest received		4,580	1,548
Interest paid	(	1,606)	(2,772)
Income taxes paid	(	2,573)	(2,435)
Net cash flows from (used in) operating activities		167,422	(37,537)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost	(	300,000)	-
Acquisition of financial assets at fair value through other comprehensive income	(	30,000)	-
Acquisition of property, plant and equipment	6(7)	(8,002)	(3,975)
Proceeds from disposal of property, plant and equipment		1,276	1,328
Acquisition of intangible assets	6(10)	(353)	(936)
Decrease (increase) in prepayments for business facilities		1,423	(1,061)
(Increase) decrease in other non-current assets	(	4,745)	126
Net cash flows used in investing activities	(	340,401)	(4,518)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short-term borrowings	6(23)	(44,000)	-
Proceeds from long-term borrowings	6(23)	-	30,000
Repayments of long-term borrowings	6(23)	(33,305)	(69,137)
Decrease in guarantee deposits received	6(23)	(270)	-
Payments of lease liabilities	6(23)	(3,781)	(2,945)
Cash dividends paid	6(18)	(16,829)	(1,618)
Proceeds from issuance of shares		-	500,000
Net cash flows (used in) from financing activities	(	98,185)	456,300
Effect of foreign exchange rate		17	41
Net (decrease) increase in cash and cash equivalents	(	271,147)	414,286
Cash and cash equivalents at beginning of year	6(1)	504,131	89,845
Cash and cash equivalents at end of year	6(1)	\$ 232,984	\$ 504,131

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

TCM BIOTECH INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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

1. HISTORY AND ORGANIZATION

TCM Biotech International Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (the “Group”) are primarily engaged in the research and development of new biotech drugs, development of microbial strain cultivation and fermentation technology, biotechnology services, wholesale of medical equipment, and sales of functional foods.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2025.

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[®]”) Accounting Standards 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 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	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.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Specific provisions of Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Specific provisions of Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7, 'Contracts referencing nature- dependent electricity'	January 1, 2026
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
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
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Specific provisions of Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'

The FSC has partially endorsed specific provisions of Amendments to IFRS 9 and IFRS 7. The amendments not yet endorsed by the FSC as listed below require an entity to:

- (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception relating to the derecognition of a financial liability (or part of a financial liability) settled through an electronic cash transfer system. Applying the exception, an entity is permitted to derecognize a financial liability at an earlier date if, and only if, the entity has

initiated a payment instruction and specific conditions are met.

The conditions for the exception are that the entity making the payment does not have:

- i. the practical ability to withdraw, stop or cancel the payment instruction;
- ii. the practical ability to access the cash used for settlement; and
- iii. significant settlement risk.

- (b) Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The entity shall disclose the fair value of each class of investment and is no longer required to disclose the fair value of each investment. In addition, the amendments require the entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period; and any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognized during that reporting period.

B. IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF MATERIAL 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 at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognized 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 (including structured 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 unrealized 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 recognized 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 recognized in profit or loss. All amounts previously recognized 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 recognized 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, 2024	December 31, 2023	
The Company	SAMOA TOTAL TECH LTD	Overseas holding company	100	100	
The Company	TAIWAN COGENTIDE NOVEL DRUG CO.	Biotechnology related research and development	100	100	Note
SAMOA TOTAL TECH LTD.	TOTAL TECH (SuZhou Industrial Park) Company Limited	Engaged in pharmaceutical research and development through service outsourcing and providing related technical consultation	100	100	

Note: In December 2023, the Company invested NT\$5,000 in cash to establish TAIWAN COGENTIDE NOVEL DRUG CO. In January 2024, the Company further increased its capital investment in TAIWAN COGENTIDE NOVEL DRUG CO. by subscribing to 25,000 shares at NT\$1 per share, totaling NT\$25,000. As of December 31, 2024, the paid-in capital of TAIWAN COGENTIDE NOVEL DRUG CO. amounted to NT\$30,000.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions : None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of the Group 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 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 recognized 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 recognized 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 recognized 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 recognized 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 other foreign exchange gains and losses based on the nature of those transactions 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 recognized 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 still 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 that are expected to be realized, or are intended to be sold or consumed in the normal operating cycle;
 - (b) Assets that are held primarily for the purpose of trading;
 - (c) Assets that are expected to be realized within twelve months after the reporting period;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities for at least twelve months after the reporting period.
- 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 in the normal operating cycle;
 - (b) Liabilities that are held primarily for the purpose of trading;
 - (c) Liabilities that are due to be settled within twelve months after the reporting period;

- (d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(6) 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 recognize 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 recognized and derecognized 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 recognized 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 recognized 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.

(7) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. 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.

(8) 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.

(9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) Leasing arrangements (lessor) — operating leases

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

(12) Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. 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	3 ~ 50 years
Machinery and equipment	3 ~ 10 years
Office equipment	3 ~ 10 years
Leasehold Improvements	3 ~ 10 years

Other equipment

3 ~ 10 years

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized 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 recognized 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 the fixed payments, less any lease incentives receivable.
- The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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 recognized as an adjustment to the right-of-use asset.

(15) Intangible assets

A. Licenses

Separately acquired licenses are stated at historical cost. Licenses have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 1 to 10 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 5 years.

C. Internally generated intangible assets—research and development expenditures

(a) Research expenditures are recognized as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognized as expenses as incurred, but are recognized as intangible assets when the following criteria are met:

- i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- ii. An entity intends to complete the intangible asset and use or sell it;
- iii. An entity has the ability to use or sell the intangible asset;
- iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;
- v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

(c) Upon being available for use, internally generated intangible assets are amortized on a straight-line basis over their estimated useful life of 5 years.

(16) 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 recognized 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.
- B. Intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(17) Borrowings

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

(18) Notes and accounts 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.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Employee benefits

- A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as

expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized 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 recognized 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized 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.

(22) Employee share-based payment

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 recognized 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 recognized is based on the number of equity instruments that eventually vest.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or

items recognized directly in equity, in which cases the tax is recognized 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 generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, 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 and does not give rise to equal taxable and deductible temporary differences. 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 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 realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized 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 utilized.

(24) 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.

(25) 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.

(26) Revenue recognition

A. Sales of goods

- (a) The Group sells functional foods , pharmaceuticals, and medical equipment. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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.
- (b) Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances. Revenue is only recognized 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. The sales usually are made with a credit term of 90 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized 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. Service Revenue

- (a) The group provides logistics and respiratory maintenance services. Service revenue is recognized based on the actual time of service provided and the rate specified in the contract.
- (b) For service contracts priced at a fixed monthly rate, the group recognizes revenue and accounts receivable at the time of issuing the customer's invoice each month, based on the amount entitled to be billed.

(27) Government grants

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

(28) 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

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, 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 realizable 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

	December 31, 2024	December 31, 2023
Cash on hand	\$ 249	\$ 206
Demand deposits and checking accounts	232,735	503,925
	<u>\$ 232,984</u>	<u>\$ 504,131</u>

A. The Group associates 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. As at December 31, 2024 and 2023, restricted time deposits amounted to \$4,163 and are classified as other non-current assets. Details are provided in Note 8.

(2) Financial assets at amortized cost

Items	December 31, 2024	December 31, 2023
Current items:		
Time deposits with a maturity of more than three months	\$ 300,000	\$ -

- A. The interest income recognized from financial assets measured at amortized cost by the Group for the years ended December 31, 2024 and 2023 amounted to \$2,129 and \$0, respectively.
- B. As at December 31, 2024 and 2023, 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 amortized cost held by the Group was book value.
- C. The Group has no financial assets at amortized cost pledged to others.
- D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).
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.

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

Items	December 31, 2024	December 31, 2023
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 30,000	\$ -

- A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.
- B. As at December 31, 2024 and 2023, 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 \$30,000 and \$0, respectively.
- C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2024	December 31, 2023
Notes receivable	\$ 27,417	\$ 26,764
Less: Allowance for uncollectible accounts	(75)	(75)
	<u>\$ 27,342</u>	<u>\$ 26,689</u>
	December 31, 2024	December 31, 2023
Accounts receivable	\$ 113,295	\$ 233,766
Less: Allowance for uncollectible accounts	(680)	(1,371)
	<u>\$ 112,615</u>	<u>\$ 232,395</u>

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

	December 31, 2024		December 31, 2023	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 110,643	\$ 27,417	\$ 224,080	\$ 26,764
1 to 90 days	2,121	-	5,951	-
91 to 180 days	530	-	3,652	-
Over 181 days	1	-	83	-
	<u>\$ 113,295</u>	<u>\$ 27,417</u>	<u>\$ 233,766</u>	<u>\$ 26,764</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2024 and 2023, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2023, the balance of receivables from contracts with customers amounted to \$227,277.

C. The Group has no accounts receivable and notes receivable pledged to others.

D. As at December 31, 2024 and 2023, 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 Group's notes and accounts receivable was the book value.

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

(5) Inventories

	December 31, 2024		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 7,120	(\$ 962)	\$ 6,158
Work in progress	2,248	-	2,248
Merchandise inventory and finished goods	135,508	(21,656)	113,852
Inventory in transit	6,674	-	6,674
	<u>\$ 151,550</u>	<u>(\$ 22,618)</u>	<u>\$ 128,932</u>
	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 8,248	(\$ 722)	\$ 7,526
Work in progress	1,255	-	1,255
Merchandise inventory and finished goods	194,199	(22,398)	171,801
Inventory in transit	1,152	-	1,152
	<u>\$ 204,854</u>	<u>(\$ 23,120)</u>	<u>\$ 181,734</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31	
	2024	2023
Cost of goods sold	\$ 339,724	\$ 487,413
Gain on reversal of decline in market value (Note)	(502)	(2,845)
Inventory scrap loss	-	4,838
Others	(1)	45
	<u>\$ 339,221</u>	<u>\$ 489,451</u>

Note: The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the disposal and clearance of inventories for the years ended December 31, 2024 and 2023.

(6) Prepayments

	December 31, 2024	December 31, 2023
Prepayments to suppliers	\$ 3,304	\$ 26,622
Other prepayments	4,964	4,464
	<u>\$ 8,268</u>	<u>\$ 31,086</u>

(7) Property, plant and equipment

	2024							
	Land	Buildings and structures	Machinery	Office equipment		Leasehold improvements	Others	Total
				Owner-occupied	Lease			
At January 1								
Cost	\$ 83,080	\$ 196,970	\$ 40,022	\$ 11,875	\$ 23,316	\$ 10,327	\$ 26,267	\$ 391,857
Accumulated depreciation	-	(32,652)	(35,735)	(7,031)	(9,991)	(3,447)	(15,661)	(104,517)
	<u>\$ 83,080</u>	<u>\$ 164,318</u>	<u>\$ 4,287</u>	<u>\$ 4,844</u>	<u>\$ 13,325</u>	<u>\$ 6,880</u>	<u>\$ 10,606</u>	<u>\$ 287,340</u>
At January 1	\$ 83,080	\$ 164,318	\$ 4,287	\$ 4,844	\$ 13,325	\$ 6,880	\$ 10,606	\$ 287,340
Additions	-	74	2,751	1,119	-	4,058	-	8,002
Reclassifications (Note)	-	-	-	-	2,150	-	-	2,150
Disposals	-	-	-	-	(556)	-	-	(556)
Depreciation charge	-	(5,903)	(1,026)	(4,841)	(565)	(1,481)	(2,634)	(16,450)
At December 31	<u>\$ 83,080</u>	<u>\$ 158,489</u>	<u>\$ 6,012</u>	<u>\$ 1,122</u>	<u>\$ 14,354</u>	<u>\$ 9,457</u>	<u>\$ 7,972</u>	<u>\$ 280,486</u>
At December 31								
Cost	\$ 83,080	\$ 197,044	\$ 42,773	\$ 12,994	\$ 23,281	\$ 14,385	\$ 26,267	\$ 399,824
Accumulated depreciation	-	(38,555)	(36,761)	(11,872)	(8,927)	(4,928)	(18,295)	(119,338)
	<u>\$ 83,080</u>	<u>\$ 158,489</u>	<u>\$ 6,012</u>	<u>\$ 1,122</u>	<u>\$ 14,354</u>	<u>\$ 9,457</u>	<u>\$ 7,972</u>	<u>\$ 280,486</u>

2023								
	Land	Buildings and structures	Machinery	Office equipment		Leasehold improvements	Others	Total
				Owner-occupied	Lease			
At January 1								
Cost	\$ 83,080	\$ 196,596	\$ 39,672	\$ 10,797	\$ 18,526	\$ 9,756	\$ 24,096	\$ 382,523
Accumulated depreciation	-	(26,741)	(34,638)	(5,472)	(7,635)	(2,580)	(13,099)	(90,165)
	<u>\$ 83,080</u>	<u>\$ 169,855</u>	<u>\$ 5,034</u>	<u>\$ 5,325</u>	<u>\$ 10,891</u>	<u>\$ 7,176</u>	<u>\$ 10,997</u>	<u>\$ 292,358</u>
At January 1	\$ 83,080	\$ 169,855	\$ 5,034	\$ 5,325	\$ 10,891	\$ 7,176	\$ 10,997	\$ 292,358
Additions	-	374	350	1,080	-	-	2,171	3,975
Reclassifications (Note)	-	-	-	-	6,680	571	-	7,251
Disposals	-	-	-	-	(526)	-	-	(526)
Depreciation charge	-	(5,911)	(1,097)	(1,561)	(3,720)	(867)	(2,562)	(15,718)
At December 31	<u>\$ 83,080</u>	<u>\$ 164,318</u>	<u>\$ 4,287</u>	<u>\$ 4,844</u>	<u>\$ 13,325</u>	<u>\$ 6,880</u>	<u>\$ 10,606</u>	<u>\$ 287,340</u>
At December 31								
Cost	\$ 83,080	\$ 196,970	\$ 40,022	\$ 11,875	\$ 23,316	\$ 10,327	\$ 26,267	\$ 391,857
Accumulated depreciation	-	(32,652)	(35,735)	(7,031)	(9,991)	(3,447)	(15,661)	(104,517)
	<u>\$ 83,080</u>	<u>\$ 164,318</u>	<u>\$ 4,287</u>	<u>\$ 4,844</u>	<u>\$ 13,325</u>	<u>\$ 6,880</u>	<u>\$ 10,606</u>	<u>\$ 287,340</u>

Note: Transferred from inventory.

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements — lessee

- A. The Group leases various assets including buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 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, 2024</u>	<u>December 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and structures	\$ 11,082	\$ 5,765
Transportation equipment (Business vehicles)	71	440
Office equipment (Photocopiers)	273	166
	<u>\$ 11,426</u>	<u>\$ 6,371</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings and structures	\$ 3,469	\$ 2,361
Transportation equipment (Business vehicles)	550	554
Office equipment (Photocopiers)	95	94
	<u>\$ 4,114</u>	<u>\$ 3,009</u>

- C. For the years ended December 31, 2024 and 2023, the additions to right-of-use assets were \$9,170 and \$0, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 235	\$ 140
Expense on short-term lease contracts	784	591

- E. For the years ended December 31, 2024 and 2023, the Group's total cash outflow for leases were \$4,800 and \$3,676, respectively.

(9) Leasing arrangements – lessor

The Group leases various assets including Respirator (office equipment). Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental revenue of \$6,892 and \$5,225 was recognized in 2024 and 2023, respectively, under operating lease contracts.

(10) Intangible assets

		2024			
		Licences	Computer software	Internally incurred costs	Total
At January 1					
Cost		\$ 11,836	\$ 8,484	\$ 15,661	\$ 35,981
Accumulated amortisation		(7,197)	(5,116)	-	(12,313)
		<u>\$ 4,639</u>	<u>\$ 3,368</u>	<u>\$ 15,661</u>	<u>\$ 23,668</u>
At January 1		\$ 4,639	\$ 3,368	\$ 15,661	\$ 23,668
Additions — acquired separately		353	-	-	353
Amortisation charge		(1,466)	(1,838)	-	(3,304)
At December 31		<u>\$ 3,526</u>	<u>\$ 1,530</u>	<u>\$ 15,661</u>	<u>\$ 20,717</u>
At December 31					
Cost		\$ 11,817	\$ 8,484	\$ 15,661	\$ 35,962
Accumulated amortisation		(8,291)	(6,954)	-	(15,245)
		<u>\$ 3,526</u>	<u>\$ 1,530</u>	<u>\$ 15,661</u>	<u>\$ 20,717</u>
		2023			
		Licences	Computer software	Internally incurred costs	Total
At January 1					
Cost		\$ 12,705	\$ 8,045	\$ 15,661	\$ 36,411
Accumulated amortisation		(6,956)	(3,555)	-	(10,511)
		<u>\$ 5,749</u>	<u>\$ 4,490</u>	<u>\$ 15,661</u>	<u>\$ 25,900</u>
At January 1		\$ 5,749	\$ 4,490	\$ 15,661	\$ 25,900
Additions — acquired separately		365	571	-	936
Amortisation charge		(1,475)	(1,693)	-	(3,168)
At December 31		<u>\$ 4,639</u>	<u>\$ 3,368</u>	<u>\$ 15,661</u>	<u>\$ 23,668</u>
At December 31					
Cost		\$ 11,836	\$ 8,484	\$ 15,661	\$ 35,981
Accumulated amortisation		(7,197)	(5,116)	-	(12,313)
		<u>\$ 4,639</u>	<u>\$ 3,368</u>	<u>\$ 15,661</u>	<u>\$ 23,668</u>

Intangible assets generated internally within the Group include those that have achieved technical feasibility so that the intangible assets will be available for use or sale, such as labor costs of related

personnel and experimental costs consumed, etc.

(11) Short-term borrowings

As at December 31, 2024: None.

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank secured borrowings	\$ 19,670	1.83% ~ 1.95%	Property
Bank unsecured borrowings	24,330	1.98% ~ 2.10%	None
	<u>\$ 44,000</u>		

Information about provision of collateral for the aforementioned short-term borrowings is detailed in Note 8.

(12) Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Wages and salaries payable	\$ 24,107	\$ 42,239
Collection payable	284	7,897
Business promotion expenses payable	-	5,841
Employees' compensation and directors' and supervisors' remuneration payable	2,360	2,100
Other payables	19,998	18,680
	<u>\$ 46,749</u>	<u>\$ 76,757</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2024</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 12, 2017 to August 7, 2033; interest is repayable monthly.	2.00% ~ 2.22%	Property	\$ 31,580
Less: Current portion				(3,045)
				<u>\$ 28,535</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 12, 2017 to August 7, 2033; interest is repayable monthly.	1.75% ~ 2.10%	Property	\$ 34,885
Secured borrowings	Borrowing period is from September 27, 2023 to September 27, 2028; interest is repayable monthly; principal is repayable monthly from second year.	0.50%	Credit Guarantee Fund	24,000
Unsecured borrowings	Borrowing period is from September 27, 2023 to September 27, 2028; interest is repayable monthly; principal is repayable monthly from second year.	0.50%	None	6,000
				64,885
Less: Current portion				(5,192)
				<u>\$ 59,693</u>

Information about the provision of collateral for the aforementioned long-term borrowings is detailed in Note 8.

(14) 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 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 recognized in the balance sheet are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Present value of defined benefit obligations	\$ 7,392	\$ 6,666
Fair value of plan assets	(5,935)	(5,162)
Net defined benefit liability	<u>\$ 1,457</u>	<u>\$ 1,504</u>

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

	<u>2024</u>		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 6,666	(\$ 5,162)	\$ 1,504
Interest (expense) income	<u>84</u>	<u>(65)</u>	<u>19</u>
	<u>6,750</u>	<u>(5,227)</u>	<u>1,523</u>
Remeasurements:			
Change in demographic assumptions	-	-	-
Change in financial assumptions	(334)	-	(334)
Experience adjustments	<u>976</u>	<u>(441)</u>	<u>535</u>
	<u>642</u>	<u>(441)</u>	<u>201</u>
Pension fund contribution	<u>-</u>	<u>(267)</u>	<u>(267)</u>
At December 31	<u>\$ 7,392</u>	<u>(\$ 5,935)</u>	<u>\$ 1,457</u>

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 5,849	(\$ 4,850)	\$ 999
Interest (expense) income	78	(65)	13
	<u>5,927</u>	<u>(4,915)</u>	<u>1,012</u>
Remeasurements:			
Change in demographic assumptions	105	-	105
Change in financial assumptions	684	-	684
Experience adjustments	(50)	(17)	(67)
	<u>739</u>	<u>(17)</u>	<u>722</u>
Pension fund contribution	-	(230)	(230)
At December 31	<u>\$ 6,666</u>	<u>(\$ 5,162)</u>	<u>\$ 1,504</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 securitization products, etc.). With regard to the utilization 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 authorized 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, 2024 and 2023 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2024	Year ended December 31, 2023
Discount rate	1.65%	1.26%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2024 and 2023.

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%
<u>December 31, 2024</u>				
Effect on present value of defined benefit obligation	(\$ 275)	\$ 434	\$ 430	(\$ 276)
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 381)	\$ 439	\$ 433	(\$ 380)

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

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2025 amount to \$270.

(g) As of December 31, 2024, the weighted average duration of the retirement plan is 10 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries 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 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, 2024 and 2023 were \$6,913 and \$6,332, respectively.

(15) Share-based payment

A. For the year ended December 31, 2024: The Company has no outstanding share-based payment arrangement.

B. For the year ended December 31, 2023, the Company’s share-based payment arrangement was as follows:

Type of arrangement	Grant date	Quantity granted (in thousands of shares)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2023.07.26	1,000	0.01year	Vested immediately

C. Details of the share-based payment arrangement are as follows:

	2023	
	No. of options (in thousands of shares)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -
Options granted	1,000	50.00
Options exercised	(735)	50.00
Options expired	(265)	-
Options outstanding at December 31	-	\$ -
Options exercisable at December 31	-	\$ -

D. 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 (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk- free interest rate	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2023.07.26	\$52.28	\$50.00	27.80%	0.01	\$ -	1.0133%	\$ 1.95

E. For the year ended December 31, 2023, expense incurred on share-based payment transactions (equity settled) was \$1,950.

(16) Share capital

A. As of December 31, 2024, the Company's authorized capital was \$800,000, and the paid-in capital was \$590,486 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2024	2023
At January 1	59,048	47,592
Capital increase through capitalization of earnings	-	1,456
Cash capital increase	-	10,000
At December 31	<u>\$ 59,048</u>	<u>\$ 59,048</u>

- B. The Board of Directors during its meeting on June 1, 2023 resolved to issue 10,000 thousand ordinary shares with \$10 par value. The above issuance of shares for cash capital increase was effective after being filed with the competent authority. The amount of capital raised was \$500,000, with \$50 issue price. The record date of cash capital increase and share subscription was August 9, 2023 and the registration change was completed on September 4, 2023.
- C. The Company's shareholders during their meeting on June 12, 2023 resolved to conduct capitalization of undistributed earnings of \$14,563 by issuing new shares. The issuance consists of 1,456 thousand shares of common stock, with a par value of NT\$10 per share. This issuance became effective upon filing with the competent authorities. The record date of capital increase and share subscription date was July 26, 2023, and the registration change was completed on August 16, 2023.

(17) 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 capitalized 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.

(18) Retained earnings

- A. According to the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, it shall first be used to pay taxes and make up for past losses. Next, 10% shall be appropriated as a legal reserve, except when the legal reserve has already reached the Company's paid-in capital. Additionally, special reserves shall be appropriated or reversed in accordance with laws or regulations set by competent authorities. If there is still a surplus for the current year, the remaining amount shall be added to the undistributed earnings accumulated from previous years, and a distribution proposal shall be prepared by the Board of Directors.

The distribution of dividends and bonuses, or the entirety or a portion of the legal reserve and capital reserve as specified in Article 241, Paragraph 1 of the Company Act, if distributed in cash, shall be authorized by the Board of Directors in accordance with Article 240, Paragraph 5 of the Company Act. This requires the attendance of at least two-thirds of the directors and a resolution passed by a majority of the attending directors, followed by a report to the shareholders' meeting. If distributed in the form of newly issued shares, it shall be subject to a

resolution by the shareholders' meeting prior to distribution.

- B. The Company's dividend policy takes into account the environment and growth stage of the Company, future investment climate, capital requirements, domestic and international competitive conditions, and capital budgeting, while balancing shareholders' interests, dividends, and long-term financial planning. Each year, the Board of Directors is responsible for formulating a proposal for the distribution of earnings in accordance with the law, which is then submitted to the shareholders for approval. The Company operates in a capital-intensive industry and is currently in a growth phase, necessitating retained earnings to support operational growth and investment needs. The dividend payout ratio to shareholders should be no less than 50% of the remaining balance after deducting the 10% legal reserve from the annual after-tax net profit. Cash dividends should constitute at least 10% of the total dividends distributed. However, if the net profit per share for the year is less than NT\$0.5, the earnings for that year may not be distributed. The type and ratio of earnings distribution can be adjusted based on the actual profit and cash position for the year, subject to a proposal by the Board of Directors and approval by the shareholders' meeting.
- 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. The appropriations and distribution of 2023 and 2022 earnings had been resolved at the shareholders' meeting on June 18, 2024 and June 12, 2023, respectively. Details are summarized below:

	2023		2022	
	Dividends per share		Dividends per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 1,800		\$ 1,857	
Appropriation for special reserve	-		110	
Reversal of special reserve	(41)		-	
Cash dividends	16,829	\$ 0.285	1,618	\$ 0.034
Stock dividends	-	-	14,563	0.306
	<u>18,588</u>		<u>18,148</u>	

- F. The appropriations and distribution of 2024 had been resolved by the Board of Directors on March

28, 2025. Details are summarized below:

	2024	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 2,085	
Reversal of special reserve	(18)	
Cash dividends	20,667	\$ 0.350
	<u>22,734</u>	

(19) Operating revenue

	Year ended December 31, 2024	Year ended December 31, 2023
Revenue from contracts with customers	\$ 659,638	\$ 964,394
Rental revenue	6,892	5,225
	<u>\$ 666,530</u>	<u>\$ 969,619</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines: Department A is the Functional Foods Division, while Department B is the Pharmaceuticals Division.

	2024			
	Department A	Department B	Other departments	Total
Revenue from external customer contracts	<u>\$ 56,875</u>	<u>\$ 602,145</u>	<u>\$ 618</u>	<u>\$ 659,638</u>
Timing of revenue recognition				
At a point in time	\$ 56,875	\$ 595,936	\$ 618	\$ 653,429
Over time	-	6,209	-	6,209
	<u>\$ 56,875</u>	<u>\$ 602,145</u>	<u>\$ 618</u>	<u>\$ 659,638</u>
	2023			
	Department A	Department B	Other departments	Total
Revenue from external customer contracts	<u>\$ 63,346</u>	<u>\$ 900,556</u>	<u>\$ 492</u>	<u>\$ 964,394</u>
Timing of revenue recognition				
At a point in time	\$ 63,346	\$ 896,327	\$ 492	\$ 960,165
Over time	-	4,229	-	4,229
	<u>\$ 63,346</u>	<u>\$ 900,556</u>	<u>\$ 492</u>	<u>\$ 964,394</u>

B. Contract liabilities

(a) The Group has recognized the following revenue-related contract liabilities:

	December 31, 2024	December 31, 2023	January 1, 2023
Contract liabilities –			
Advance sales receipts	\$ 2,840	\$ 2,250	\$ 2,759
Contract liabilities –			
Unearned licensing revenue	3,226	3,226	-
	<u>\$ 6,066</u>	<u>\$ 5,476</u>	<u>\$ 2,759</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the period is summarized below:

	Year ended December 31, 2024	Year ended December 31, 2023
Revenue	<u>\$ 1,050</u>	<u>\$ 2,254</u>

(20) Employee benefit expense

	Year ended December 31, 2024			Year ended December 31, 2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expenses						
Wages and salaries	\$ 2,422	\$ 133,340	\$ 135,762	\$ 2,237	\$ 240,250	\$ 242,487
Labour and health insurance fee	282	11,603	11,885	277	14,030	14,307
Pension costs	138	6,794	6,932	136	6,209	6,345
Directors' remuneration	-	5,803	5,803	-	5,266	5,266
Other personnel expenses	162	7,194	7,356	130	5,652	5,782
Depreciation expense	3,526	17,038	20,564	1,701	17,026	18,727
Amortization expense	-	3,304	3,304	-	3,168	3,168

- A. In accordance with the Articles of Incorporation of the Company, the ratio of employees' salaries to distributable profits for the current year shall not be less than 3%, and the ratio of directors' and supervisors' salaries shall not be more than 3%.
- B. For the years ended December 31, 2024 and 2023, employees' compensation was accrued at \$1,800 and \$1,600, respectively; while directors' and supervisors' remuneration was accrued at \$560 and \$500, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the ratio stipulated in the Company's articles of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$1,800 and \$560, respectively and the employees' compensation will be distributed in the form of cash.
- Employees' compensation and directors' and supervisors' remuneration for 2023 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2023 financial statements.
- Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2024	Year ended December 31, 2023
Current tax:		
Current tax on profits for the year	\$ 4,226	\$ 2,729
Prior year income tax over estimation	(226)	(45)
Total current tax	4,000	2,684
Deferred tax:		
Origination and reversal of temporary differences	7	774
Income tax expense	<u>\$ 4,007</u>	<u>\$ 3,458</u>

(b) The income tax credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Remeasurement of defined benefit obligations	(\$ 40)	(\$ 144)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2024	Year ended December 31, 2023
Tax calculated based on profit before tax and statutory tax rate	\$ 3,308	\$ 4,371
Expenses disallowed by tax regulation	(765)	(1,694)
Taxable loss not recognized as deferred tax assets	1,690	35
Effect from investment tax credits	-	791
Prior year income tax over estimation	(226)	(45)
Income tax expense	<u>\$ 4,007</u>	<u>\$ 3,458</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

2024				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
— Deferred tax assets:				
Temporary differences:				
Pension	\$ 889	\$ -	\$ 40	\$ 929
Accrued vacation liability	89	-	-	89
Unrealised exchange loss	3	(3)	-	-
Subtotal	981	(3)	40	1,018
— Deferred tax liabilities:				
Unrealised exchange gain	-	(4)	-	(4)
Total	<u>\$ 981</u>	<u>(\$ 7)</u>	<u>\$ 40</u>	<u>\$ 1,014</u>
2023				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
— Deferred tax assets:				
Temporary differences:				
Pension	\$ 745	\$ -	\$ 144	\$ 889
Accrued vacation liability	89	-	-	89
Unrealised exchange loss	-	3	-	3
Subtotal	1,625	(788)	144	981
— Deferred tax liabilities:				
Unrealised exchange gain	(14)	14	-	-
Total	<u>\$ 1,611</u>	<u>(\$ 774)</u>	<u>\$ 144</u>	<u>\$ 981</u>

D. Details of the amount the Company is entitled as investment tax credit and unrecognized deferred tax assets are as follows:

December 31, 2024			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Biotechnology and pharmaceutical research and development-year 2021	\$ 5,809	\$ 5,809	2025
Biotechnology and pharmaceutical research and development-year 2022	6,963	6,963	2026
Biotechnology and pharmaceutical research and development-year 2023	13,525	13,525	2027
	<u>\$ 26,297</u>	<u>\$ 26,297</u>	
December 31, 2023			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Biotechnology and pharmaceutical research and development-year 2021	\$ 9,766	\$ 9,766	2025
Biotechnology and pharmaceutical research and development-year 2022	6,963	6,963	2026
	<u>\$ 16,729</u>	<u>\$ 16,729</u>	

E. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2024				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2023	Amount filed	\$ 174	\$ 174	2033
2024	Amount assessed	8,449	8,449	2034
December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2023	Amount assessed	\$ 174	\$ 174	2033

(22) Earnings per share

Year ended December 31, 2024			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net income	\$ 21,010	59,049	\$ 0.36
<u>Diluted earnings per share</u>			
Net income	21,010	59,049	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	31	
Net income plus assumed conversion of all dilutive potential ordinary shares	\$ 21,010	59,080	\$ 0.36
Year ended December 31, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net income	\$ 18,574	53,021	\$ 0.35
<u>Diluted earnings per share</u>			
Net income	18,574	53,021	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	28	
Net income plus assumed conversion of all dilutive potential ordinary shares	\$ 18,574	53,049	\$ 0.35

(23) Changes in liabilities from financing activities

2024					
	Short-term borrowings	Long-term borrowings (including current portion)	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 44,000	\$ 64,885	\$ 270	\$ 6,491	\$ 115,646
Changes in cash flow from financing activities	(44,000)	(33,305)	(270)	(3,781)	(81,356)
Changes in other non-cash items	-	-	-	9,168	9,168
At December 31	<u>\$ -</u>	<u>\$ 31,580</u>	<u>\$ -</u>	<u>\$ 11,878</u>	<u>\$ 43,458</u>
2023					
	Short-term borrowings	Long-term borrowings (including current portion)	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 44,000	\$ 104,022	\$ 270	\$ 9,436	\$ 157,728
Changes in cash flow from financing activities	-	(39,137)	-	(2,945)	(42,082)
At December 31	<u>\$ 44,000</u>	<u>\$ 64,885</u>	<u>\$ 270</u>	<u>\$ 6,491</u>	<u>\$ 115,646</u>

7. Related Party Transactions

Key management compensation

	Year ended December 31, 2024	Year ended December 31, 2023
Short-term employee benefits	\$ 16,097	\$ 14,836
Post-employment benefits	378	279
Share-based payments	-	186
	<u>\$ 16,475</u>	<u>\$ 15,301</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2024	December 31, 2023	
Property, plant and equipment	\$ 76,695	\$ 77,810	Long-term and short-term borrowing guarantees
Time deposit (Listed in "other non-current assets")	4,163	4,163	Supplier and distributor contract credit guarantee
	<u>\$ 80,858</u>	<u>\$ 81,973</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. For the Group's services for the contracted new drug development and commissioned trials as well

as other cases, the consideration to be paid in the future is \$4,028 and RMB 138 thousand.

- B. As the Group entered into a technology transfer licensing contract, the Group's future maximum payment of technology authorization fees amounted to \$15,500 and US\$2,960 thousand, based on the stage of completion of research and development progress stipulated in the contract. In addition, royalties are paid based on a certain percentage of sales upon the successful market launch of the target.
- C. The development of the Group's new drug, PTX-9908, was approved by the National Medical Products Administration and the Taiwan Food and Drug Administration (TFDA) for phase 1 and phase 2 of the Investigational New Drug Application (IND) in 2021 and 2019, respectively. The Group entered into contracts with hospitals in Taiwan to conduct clinical trials. Meanwhile, the Group also obtained the orphan drug designation from the U.S. Food and Drug Administration (FDA) and the patent approval from Taiwan Intellectual Property Office of the Ministry of Economic Affairs, R.O.C. for the development of this new drug. As of December 31, 2024, the consideration to be paid in the future for research and development services and clinical trial fees is \$10,280.
- D. The development item of the Group's new therapeutic drug, U101 (aims to prevent recurrent urinary tract infections), was approved by the Taiwan Food and Drug Administration (TFDA) for phase 3 of the Investigational New Drug Application (IND) in 2020. The Group entered into contracts with hospitals in Taiwan to conduct clinical trials. The Group obtained the patent approval from the United States Patent and Trademark Office for the year ended December 31, 2021 for this new drug, and obtained invention patents in Europe, South Korea and Japan in August 2023, April 2022 and May 2022, respectively. As of December 31, 2024, the consideration to be paid in the future for research and development services and clinical trial fees is \$72,447. In addition, the performance guarantee paid for the abovementioned development item amounted to \$3,055 (shown as other non-current assets).
- E. The Group entered into distribution contracts with various drug suppliers and obtained the authorization from the drug suppliers for sale promotion and logistics distribution services within the agreed areas. The contract period starts from the effective date of the agreement until five years after obtaining the drug registration certificate, which is automatically to be extended for another 3 to 5 years if certain conditions are met. During the contract period, the authorizing milestone payment that shall be paid amounted to US\$500 thousand and the minimum purchase amounted to \$1,120,995. Both parties have agreed on the annual purchase volumes, delivery schedules as well as payment schedules and methods. Both parties should review and negotiate based on the market supply and demand situation, and adjust the Group's annual minimum purchase volume and amount as well as the number of the annual minimum trial plan reports. As of December 31, 2024, the Group's minimum purchase amount to be paid in the future is \$1,078,995. In addition, a signing bonus paid for the abovementioned distribution contracts and authorization contracts amounted to US\$500 thousand (shown as other non-current assets).

F. The Group entered into distribution contracts with medical device suppliers and obtained the authorization from the medical device suppliers for sale promotion and related services within the agreed areas. The contract period starts from the effective date of the contract and lasts for five years, which is automatically to be extended for another two years if certain conditions are met. During the contract period, the minimum purchase amount that shall be paid amounted to \$148,000. Both parties have agreed on the annual purchase volumes, delivery schedules as well as payment schedules and methods. As of December 31, 2024, the Group's minimum purchase amount to be paid in the future is \$141,000.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriations of 2024 earnings as resolved by the Board of Directors on March 28, 2025 are provided in Note 6(18) F.

12. Others

(1) Capital management

The Group 's capital management objectives are based on the operational circumstances of the biotechnology industry and the future development of the Group, taking into account external environmental changes. These objectives aim to ensure the Group retains long-term operational funds to continue its operations, while maintaining an optimal capital structure to reduce capital costs and enhance shareholder value. To maintain or adjust the capital structure, the Group may adjust the dividend amount paid to shareholders, return capital to shareholders, or issue new shares to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 232,984	\$ 504,131
Current financial assets at amortised cost	300,000	-
Notes receivable	27,342	26,689
Accounts receivable	112,615	232,395
Other receivables	1,690	3,608
Non-current restricted assets	4,163	4,163
Guarantee deposits paid	14,916	16,161
	<u>\$ 693,710</u>	<u>\$ 787,147</u>

	December 31, 2024	December 31, 2023
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 44,000
Notes payable	7,578	8,098
Accounts payable	13,111	56,434
Other accounts payable	46,749	76,607
Long-term borrowings (including current portion)	31,580	64,885
Guarantee deposits received	-	270
	<u>\$ 99,018</u>	<u>\$ 250,294</u>
Lease liabilities	<u>\$ 11,880</u>	<u>\$ 6,491</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management policy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse impacts on the company's financial position 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 cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

- (a) Market risk
- i. The Group is exposed to exchange rate risks arising from various currencies, primarily the JPY, USD, and RMB. These exchange rate risks stem from future commercial transactions, recognized assets, and net investments in foreign operating entities.
 - ii. Management has set up a policy to require the Group companies to manage their foreign exchange risk.
 - iii. The Group's businesses involve some non-functional currency operations. 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, 2024								
(Foreign currency: functional currency)	Foreign currency		Book	Sensitivity analysis				
	amount	Exchange	value	Degree	Effect on			
	(In thousands)	rate	(NTD)	of	profit or			
				variation	loss			
<u>Financial assets</u>								
<u>Monetary items</u>								
JPY:NTD	\$	210,200	0.2099	\$	44,121	1%	\$	441
RMB:NTD		118	4.478		528	1%		5

December 31, 2023						
(Foreign currency: functional currency)	Foreign currency		Book	Sensitivity analysis		
	amount	Exchange	value	Degree	Effect on	
	(In thousands)	rate	(NTD)	of	profit or	
				variation	loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY:NTD	\$	347,600	0.2172	\$ 75,499	1%	\$ 755
USD:NTD		115	30.705	3,531	1%	35
RMB:NTD		119	4.327	515	1%	5

- iv. The total exchange loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2024 and 2023, amounted to (\$1,923) and (\$120), respectively.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings and long-term borrowings (including current portion) with variable rates, which expose the Group to cash flow interest rate risk. During 2024 and 2023, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
 - ii. If the borrowing interest rate of short-term and long-term (including current portion) borrowings had increased or decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2024 and 2023 would have decreased or increased by \$253 and \$871, respectively. The main factor is that changes in interest expense result from 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 amortized cost.

- ii. The Group manages their credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- v. The methods for assessing the expected credit risk of accounts receivable by the Group are as follows:
 - (i) For individually significant accounts receivable that have already defaulted, expected credit loss is estimated on an individual basis.
 - (ii) For other customers, accounts receivable is grouped based on the Group's credit rating standards, and expected credit losses are estimated using different loss rate methods or provision matrices for different groups.
 - (iii) Forward-looking considerations are incorporated by adjusting loss rates established based on specific historical and current information periods, with reference to the National Development Council's Economic Indicator Inquiry System.
 - (iv) The allowances for notes and accounts receivable are estimated both individually and using loss rate methods or provision matrices as follows:

	Individual	Group A	Group B	Group C	Total
<u>At December 31, 2024</u>					
Expected loss rate	100%	0.03%	0.06%	0.03%~1.56%	
Total book value	\$ 1	\$ 86,444	\$ 8,088	\$ 46,179	\$ 140,712
Loss allowance	\$ 1	\$ 26	\$ 5	\$ 723	\$ 755

<u>At December 31, 2023</u>					
Expected loss rate	100%	0.23%~6.47%	0.06%	0.15%~12.50%	
Total book value	\$ 83	\$ 192,069	\$ 9,492	\$ 58,886	\$ 260,530
Loss allowance	\$ 83	\$ 1,223	\$ 6	\$ 134	\$ 1,446

Group A: Public and private hospitals, public institutions, schools, financial institutions, etc.

Group B: TSE, OTC , OES and public companies.

Group C: Others.

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2024	
	Accounts receivable	Notes receivable
At January 1	\$ 1,371	\$ 75
Reversal of impairment loss	(691)	-
At December 31	<u>\$ 680</u>	<u>\$ 75</u>

	2023	
	Accounts receivable	Notes receivable
At January 1 (equal to December 31)	<u>\$ 1,371</u>	<u>\$ 75</u>

- vii. As of December 31, 2024 and 2023, the term deposits of the Group (listed as financial assets measured at amortized cost - current and other non-current assets) are assessed for credit risk using the 12 month expected credit loss measurement. Since the counterparties are reputable banks with good credit standings, there are no significant concerns regarding their performance, and thus no major credit risk exists.

(c) Liquidity risk

- Cash flow forecasting is performed in aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The forecasts take into account the Company's financial ratio targets.
- 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2024					
<u>Non-derivative financial liabilities</u>					
Long-term borrowings (including current portion)	\$	3,706	\$ 7,662	\$ 20,722	\$ 2,693
Lease liabilities		3,719	3,578	4,046	799
December 31, 2023					
<u>Non-derivative financial liabilities</u>					
Long-term borrowings (including current portion)	\$	11,166	\$ 22,566	\$ 27,861	\$ 7,033
Lease liabilities		1,780	948	2,468	1,655

The Group's non-derivative financial liabilities, except as mentioned above, are all due within the next year. Additionally, the Group has no derivative financial liabilities.

(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.

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, current financial assets at amortised cost, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information on 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:

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

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 30,000	\$ 30,000

D. The following chart is the movement of Level 3 for the year ended December 31, 2024:

	<u>2024</u>
	<u>Equity instrument</u>
At January 1	\$ -
Acquired during the period	30,000
At December 31	<u>\$ 30,000</u>

E. For the years ended December 31, 2024 and 2023, there was no transfer into or out from Level 3.

F. Group treasury 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 calibrating valuation model, performing back-testing, 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, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 30,000	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value; the higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 3.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. Segment Information

(1) General information

The information provided to the chief operating decision maker for resource allocation and performance evaluation of segments focuses on the types of products or services delivered or provided. The Group has two reportable segments: Segment A and Segment B. Segment A is the functional foods segment, while Segment B is the pharmaceuticals segment.

The Group operates business only in a single industry.

(2) Segment information

The accounting policies of the Group's operating segments are the same as those summarized in Note 4 of the financial statements, which describes the significant accounting policies. The operating segment profit or loss is measured by operating profit or loss, which serves as the basis for evaluating the performance of the operating segments. The reportable segment information provided to the chief operating decision maker is as follows: Information about segment profit or loss, assets and liabilities. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2024					
	<u>Segment A</u>	<u>Segment B</u>	<u>Other segment</u>	<u>Write-offs</u>	<u>Total</u>
Revenue from external customers	\$ 56,875	\$ 609,037	\$ 618	\$ -	\$ 666,530
Inter-segment revenue	-	-	-	-	-
Total segment revenue	<u>\$ 56,875</u>	<u>\$ 609,037</u>	<u>\$ 618</u>	<u>\$ -</u>	<u>\$ 666,530</u>
Operating profit (loss)	<u>(\$ 10,065)</u>	<u>\$ 116,761</u>	<u>(\$ 96,000)</u>	<u>\$ -</u>	<u>\$ 10,696</u>
Depreciation and amortisation					<u>\$ 21,895</u>
Not included in the measurement of operating profit (loss), but regularly provided to the chief operating decision maker:					
Interest income					<u>\$ 4,685</u>
Interest expense					<u>\$ 1,606</u>
Income tax expense					<u>\$ 4,007</u>
Segment assets					
Company general assets					<u>\$1,182,358</u>
Capital expenditure					<u>\$ 8,002</u>

Year ended December 31, 2023					
	<u>Segment A</u>	<u>Segment B</u>	<u>Other segment</u>	<u>Write-offs</u>	<u>Total</u>
Revenue from external customers	\$ 63,346	\$ 905,781	\$ 492	\$ -	\$ 969,619
Inter-segment revenue	-	-	-	-	-
Total segment revenue	<u>\$ 63,346</u>	<u>\$ 905,781</u>	<u>\$ 492</u>	<u>\$ -</u>	<u>\$ 969,619</u>
Operating profit (loss)	<u>(\$ 1,265)</u>	<u>\$ 101,144</u>	<u>(\$ 77,550)</u>	<u>\$ -</u>	<u>\$ 22,329</u>
Depreciation and amortisation					<u>\$ 21,895</u>
Not included in the measurement of operating profit (loss), but regularly provided to the chief operating decision maker:					
Interest income					<u>\$ 1,548</u>
Interest expense					<u>\$ 2,772</u>
Income tax expense					<u>\$ 3,458</u>
Segment assets					
Company general assets					<u>\$1,322,922</u>
Capital expenditure					<u>\$ 3,975</u>

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. 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.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2024 and 2023 is provided as follows:

	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
Adjusted operating profit for reportable operating segments	\$ 106,696	\$ 99,879
Adjusted operating loss of other operating segments	(96,000)	(77,550)
Total segments	10,696	22,329
Interest income	4,685	1,548
Others	9,636	(1,845)
Income before tax from continuing operations	<u>\$ 25,017</u>	<u>\$ 22,032</u>

(4) Information on products and services

Please refer to Note 6 (19) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2024 and 2023 is as follows:

	<u>Year ended December 31, 2024</u>		<u>Year ended December 31, 2023</u>	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 665,031	\$ 365,199	\$ 968,411	\$ 336,625
Others	1,499	-	1,208	-
	<u>\$ 666,530</u>	<u>\$ 365,199</u>	<u>\$ 969,619</u>	<u>\$ 336,625</u>

(6) Major customer information

For the fiscal years 2024 and 2023, the Group had no single customer whose revenue from transactions accounted for more than ten percent of total operating revenue.

TCM BIOTECH INTERNATIONAL CORP. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2024

Table 1

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, 2024				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
TCM BIOTECH INTERNATIONAL CORP.	INSTANT NANOBIOSENSORS CO., LTD.	None	Non-current financial assets at fair value through other comprehensive income	1,000,000	\$ 30,000	9.95%	\$ 30,000	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in accordance with IFRS 9.

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.

TCM BIOTECH INTERNATIONAL CORP. and subsidiaries

Information on investees

Year ended December 31, 2024

Table 2

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, 2024			Net profit (loss) of the investee for the year ended December 31, 2024 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2024 (Note 2(3))	Footnote
				Balance as at December 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership	Book value (Note 3)			
TCM BIOTECH INTERNATIONAL CORP.	SAMOA TOTAL TECH LTD	Samoa	Overseas holding company	\$ 9,840	\$ 9,840	325,000	100%	(\$ 381)	(\$ 675)	(\$ 675)	Subsidiaries
TCM BIOTECH INTERNATIONAL CORP.	TAIWAN COGENTIDE NOVEL DRUG Co.	Taiwan	Biotechnology related research and development	30,000	5,000	30,000,000	100%	21,350	(8,475)	(8,475)	Subsidiaries

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, 2024' 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, 2024' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2024' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized 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 recognized by regulations.

TCM BIOTECH INTERNATIONAL CORP. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2024

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2024	Net income of investee for the year ended December 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2024 (Note 2)	Book value of investments in Mainland China as of December 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2024	Footnote (Note 2)
					Remitted to Mainland China	Remitted back to Taiwan							
TOTAL TECH (SuZhou Industrial Park) Company Limited	Engaged in pharmaceutical research and development through service outsourcing and providing related technical consultation.	\$ 7,947	(Note 4)	\$ 7,947	\$ -	\$ -	\$ 7,947	(\$ 641)	100	(\$ 641) (2)B	(\$ 742)	\$ -	(2)B

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2024 (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 7,947	\$ -	\$ 634,795

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

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

Note 2: In the current period's investment gains and losses column:

- (1) If the entity is in the preparatory stage and there are no investment gains or losses, it should be noted.
- (2) The basis for recognizing investment gains and losses is categorized into the following three types, which should be noted
 - A. The financial statements were audited and certified by an international CPA firm that has a cooperative relationship with a CPA firm in the R.O.C.
 - B. The financial statements were audited by the parent company's certified public accountant in Taiwan.
 - C. Others.

Note 3: Figures in this table should be presented in New Taiwan Dollars.

Note 4: Reinvestment is conducted through TOTAL TECH LTD. in the third region, Samoa.

Table 3