

**FORMOSA PHARMACEUTICALS, INC. AND  
SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2023 AND 2022**

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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

To the Board of Directors and Shareholders of Formosa Pharmaceuticals Inc.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Formosa Pharmaceuticals Inc. and its subsidiary (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

### **Key audit matter - Impairment assessment of intangible assets - goodwill**

#### Description

Refer to Note 4(14) for the accounting policies on impairment assessment of non-financial assets, Note 5 for critical judgements adopted in accounting policies on impairment assessment of goodwill and Note 6(7) for account details of intangible assets.

As of December 31, 2023, the balance of the Group's goodwill amounted to NT\$30,544 thousand, which arose from the acquisition of a special technique from the subsidiary, Activus Pharma. Co., Ltd. The Group measured the recoverable amount of cash generating unit by discounting the estimated future cash flows of related research and development projects as a basis of impairment valuation. The valuation model adopted in the impairment assessment has an impact in determining the recoverable amount which involves significant accounting estimates and the estimation of future cash flows. Thus, we considered the impairment assessment of goodwill as a key audit matter.

#### How our audit addressed the matter

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

1. Obtained an understanding on the estimation process of future cash flows and ascertained whether it was in agreement with the budget for the research and development projects in the future.
2. Performed the following procedures based on the obtained valuation report on goodwill impairment prepared by external experts:
  - (1) Assessed whether the valuation methods adopted were reasonable for the industry, environment and the valued assets of the Group;
  - (2) Compared the expected growth rate and net operating interest rate with historical result,

economic and industry forecasts; and

- (3) Compared the discount rate with cost of capital assumptions of cash generating units and rate of returns of similar assets.
3. Recalculated the recoverable amount of cash-generating units by discounting the estimated future cash flows, and ascertained whether the recoverable amount exceeded its book value.

## **Key audit matter – Impairment assessment of intangible assets - technique skill**

### Description

Refer to Note 4(14) for the accounting policies on impairment assessment of non-financial assets, Note 5 for the accounting policies on special technique impairment assessment and assumption uncertainty, and Note 6(7) for the details of intangible assets.

As of December 31, 2023, the balance of the Group's technique skill amounted to NT\$345,248 thousand, which was obtained from other companies for the development of a new drug. Since the drug is still under development, no cash inflow can be generated. As of the balance sheet date, the Group determines whether the technique skill is impaired based on external and internal information. The Group would then consider to recognise an impairment loss by comparing the recoverable amount if there is an indication that they are impaired. Since the impairment assessment performed by management involves critical judgement and has significant effect on value-in-use valuation, we considered the impairment assessment of technique skill a key audit matter.

### How our audit addressed the matter

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

1. Reviewed the information used by the Group management for impairment assessment of technique skill including plan and progress for each development project.
2. Discussed with management and assessed whether:
  - (1) The features, marketing advantages and market tendency of the main products including research and development technology are still competitive.
  - (2) The progress of the major research and development plan has no significant delay.
  - (3) The total market value of the Company is higher than the net assets as of the balance sheet date.

## **Other matter – Parent company only financial reports**

We have audited and expressed an unqualified opinion on the separate financial statements of Formosa Pharmaceuticals Inc. as at and for the years ended December 31, 2023 and 2022.

## **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 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 the 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.

Yen, Yu-Fang

Teng, Sheng-wei

For and on behalf of PricewaterhouseCoopers, Taiwan

February 19, 2024

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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.

**FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	384,705	23	\$	267,338	30
1136	Financial assets at amortised cost - current	6(2)		831,410	48		153,550	18
1200	Other receivables			32,138	2		33	-
1220	Current tax assets			1,090	-		-	-
1410	Prepayments	6(3) and 7		38,552	2		35,262	4
1470	Other current assets			435	-		131	-
11XX	Total current assets			1,288,330	75		456,314	52
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(4)		27,260	1		-	-
1600	Property, plant and equipment	6(5)		4,753	-		3,292	-
1755	Right-of-use assets	6(6)		29,602	2		6,887	1
1780	Intangible assets	6(7)		376,183	22		410,741	47
1900	Other non-current assets			653	-		673	-
15XX	Total non-current assets			438,451	25		421,593	48
1XXX	Total assets		\$	1,726,781	100	\$	877,907	100
Liabilities and Equity								
Current liabilities								
2130	Contract liabilities - current	6(17)	\$	71,334	4	\$	-	-
2200	Other payables	6(8)		104,010	6		57,158	7
2220	Other payables to related parties	7		6,991	1		9,773	1
2280	Current lease liabilities			5,501	-		2,497	-
2300	Other current liabilities	6(11)(25)		70,143	4		140	-
21XX	Total current liabilities			257,979	15		69,568	8
Non-current liabilities								
2520	Financial liabilities at amortised cost - non-current	6(9) and 7		61,410	4		61,420	7
2527	Contract liabilities - non-current	6(17)		1,662	-		-	-
2570	Deferred tax liabilities	6(23)		4,445	-		4,939	1
2580	Non-current lease liabilities			24,287	1		4,406	-
2600	Net defined benefit liability - non-current	6(7)(11)(25) and 7		236,428	14		270,176	31
25XX	Total non-current liabilities			328,232	19		340,941	39
2XXX	Total liabilities			586,211	34		410,509	47
Equity								
	Share capital	6(13)						
3110	Common stock			1,341,421	78		1,136,421	130
	Capital surplus	6(14)						
3200	Capital surplus			1,780,438	103		978,515	111
	Accumulated deficit	6(15)						
3350	Accumulated deficit		(	1,951,923)	( 113)	(	1,629,967)	( 186)
	Other equity interest	6(16)						
3400	Other equity interest		(	29,907)	( 2)	(	18,137)	( 2)
31XX	Equity attributable to owners of parent			1,140,029	66		466,832	53
36XX	Non-controlling interests			541	-		566	-
3XXX	Total equity			1,140,570	66		467,398	53
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	1,726,781	100	\$	877,907	100

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

**FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(17)	\$ 31,172	100	\$ 1,315	100
5000	Operating costs		( 3,825)	( 12)	( 982)	( 75)
5900	Net operating margin		27,347	88	333	25
	Operating expenses	6(21)(22) and 7				
6200	General and administrative expenses		( 40,202)	( 129)	( 25,529)	( 1941)
6300	Research and development expenses		( 270,181)	( 867)	( 356,473)	( 27108)
6000	Total operating expenses		( 310,383)	( 996)	( 382,002)	( 29049)
6900	Operating loss		( 283,036)	( 908)	( 381,669)	( 29024)
	Non-operating income and expenses					
7100	Interest income	6(18)	12,424	40	474	36
7010	Other income		124	-	778	59
7020	Other gains and losses	6(19)	( 25,269)	( 81)	( 25,184)	( 1915)
7050	Finance costs	6(6)(20)(25)	( 4,308)	( 14)	( 992)	( 76)
7000	Total non-operating income and expenses		( 17,029)	( 55)	( 24,924)	( 1896)
7900	Loss before income tax		( 300,065)	( 963)	( 406,593)	( 30920)
7950	Income tax (expense) benefit	6(23)	( 21,862)	( 70)	424	32
8200	Loss for the year		( \$ 321,927)	( 1033)	( \$ 406,169)	( 30888)
	Other comprehensive loss					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(16)	( \$ 4,640)	( 15)	\$ -	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		( 7,184)	( 23)	( 3,631)	( 276)
8300	Other comprehensive loss for the year, net of tax		( \$ 11,824)	( 38)	( \$ 3,631)	( 276)
8500	Total comprehensive loss for the year		( \$ 333,751)	( 1071)	( \$ 409,800)	( 31164)
	Loss attributable to:					
8610	Owners of the parent		( \$ 321,956)	( 1033)	( \$ 406,272)	( 30896)
8620	Non-controlling interests		29	-	103	8
			( \$ 321,927)	( 1033)	( \$ 406,169)	( 30888)
	Comprehensive loss attributable to:					
8710	Owners of the parent		( \$ 333,726)	( 1071)	( \$ 409,875)	( 31170)
8720	Non-controlling interests		( 25)	-	75	6
			( \$ 333,751)	( 1071)	( \$ 409,800)	( 31164)
	Loss per share (in dollars)	6(24)				
9750	Basic loss per share		( \$ 2.59)		( \$ 3.86)	
9850	Diluted loss per share		( \$ 2.59)		( \$ 3.86)	

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

FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
		Capital Reserves			Other Equity Interest				
						Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
Notes	Common stock	Additional paid- in capital	Others	Accumulated deficit	Financial statements translation differences of foreign operations		Total	Non-controlling interests	Total equity
	\$ 988,321	\$ 620,280	\$ 208	( \$ 1,223,695 )	( \$ 14,534 )	\$ -	\$ 370,580	\$ 491	\$ 371,071
	-	-	-	( 406,272 )	-	-	( 406,272 )	103	( 406,169 )
	-	-	-	-	( 3,603 )	-	( 3,603 )	( 28 )	( 3,631 )
	-	-	-	( 406,272 )	( 3,603 )	-	( 409,875 )	75	( 409,800 )
6(13)	148,100	355,440	-	-	-	-	503,540	-	503,540
6(12)	-	-	2,587	-	-	-	2,587	-	2,587
	<u>\$ 1,136,421</u>	<u>\$ 975,720</u>	<u>\$ 2,795</u>	<u>( \$ 1,629,967 )</u>	<u>( \$ 18,137 )</u>	<u>\$ -</u>	<u>\$ 466,832</u>	<u>\$ 566</u>	<u>\$ 467,398</u>
	\$ 1,136,421	\$ 975,720	\$ 2,795	( \$ 1,629,967 )	( \$ 18,137 )	\$ -	\$ 466,832	\$ 566	\$ 467,398
	-	-	-	( 321,956 )	-	-	( 321,956 )	29	( 321,927 )
	-	-	-	-	( 7,130 )	( 4,640 )	( 11,770 )	( 54 )	( 11,824 )
	-	-	-	( 321,956 )	( 7,130 )	( 4,640 )	( 333,726 )	( 25 )	( 333,751 )
6(13)	205,000	799,500	-	-	-	-	1,004,500	-	1,004,500
6(12)	-	-	2,423	-	-	-	2,423	-	2,423
	<u>\$ 1,341,421</u>	<u>\$ 1,775,220</u>	<u>\$ 5,218</u>	<u>( \$ 1,951,923 )</u>	<u>( \$ 25,267 )</u>	<u>( \$ 4,640 )</u>	<u>\$ 1,140,029</u>	<u>\$ 541</u>	<u>\$ 1,140,570</u>

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

**FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 300,065 )	( \$ 406,593 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(21)	5,955	4,800
Amortisation	6(7)(21)	34,583	34,601
Interest expense	6(20)	4,308	992
Interest income	6(18)	( 12,424 )	( 474 )
Employee stock options compensation cost	6(12)	2,423	2,587
Loss from measurement of contingent consideration	6(19)(25)	34,529	-
Changes in assets and liabilities			
Changes in operating assets			
Other receivables		( 31,448 )	( 33 )
Other receivables - related parties		-	21
Prepayments		( 3,291 )	( 9,744 )
Other current assets		( 303 )	( 91 )
Changes in operating liabilities			
Contract liabilities		41,096	-
Other payables		24,523	26,289
Other payables - related parties		( 2,782 )	2,462
Other current liabilities		71	( 379 )
Cash outflow generated from operations		( 202,825 )	( 345,562 )
Receipt of interest		10,677	474
Payment of interest		( 763 )	( 992 )
Payment of income tax		( 3,127 )	( 70 )
Net cash flows used in operating activities		( 196,038 )	( 346,150 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortised cost - current	6(2)	( 832,732 )	( 158,750 )
Proceeds from disposal of financial assets at amortised cost - current	6(2)	158,750	-
Acquisition of property, plant and equipment	6(25)	( 2,170 )	-
Acquisition of intangible assets	6(7)	( 82 )	-
Proceeds from acquisition of subsidiaries	6(25)	-	( 29,871 )
Decrease (increase) in guarantee deposits paid		20	( 20 )
Net cash flows used in investing activities		( 676,214 )	( 188,641 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in financial liabilities at amortized cost	6(9)	-	58,390
Repayment of lease liabilities	6(26)	( 4,623 )	( 3,067 )
Issuance of common shares for cash	6(13)	1,004,500	503,540
Net cash flows from financing activities		999,877	558,863
Effect of exchange rate changes on cash and cash equivalents		( 10,258 )	34,349
Net increase in cash and cash equivalents		117,367	58,421
Cash and cash equivalents at beginning of year		267,338	208,917
Cash and cash equivalents at end of year		\$ 384,705	\$ 267,338

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

FORMOSA PHARMACEUTICALS, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

Formosa Pharmaceuticals, Inc. (the ‘Company’) was established after the approval of the Ministry of Economic Affairs on December 6, 2010. The Company and its subsidiary (together referred herein as the ‘Group’) are primarily engaged in the development and transfer of new drugs. Formosa Laboratories, Inc. holds 45.84% equity interest in the Company and is the Group’s parent company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 19, 2024.

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<sup>®</sup>”) 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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

(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 and will become 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.

(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
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
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.

#### 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<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention.

- 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 unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are consistent 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 noncontrolling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Formosa Pharmaceuticals, Inc.	Activus Pharma Co., Ltd.	Research and development of new drugs	99.23	99.23	

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

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, nonmonetary 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

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of the period;
- (c) All resulting exchange differences are recognised in other comprehensive income; and
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

#### (5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are

classified as non-current assets:

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

(6) Cash equivalents

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (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 fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of

the dividend can be measured reliably.

(8) Financial assets at amortised cost

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Property, plant and equipment

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

Testing equipment	5 years
Leasehold improvements	3 years
Machinery and equipment	6 years

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

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

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

(13) Intangible assets

- A. Computer software is stated at cost, and amortised on a straight-line basis over the estimated useful lives of 3.67~5 years.
- B. Technique skill is stated initially at its cost and amortised using the straight-line method over its estimated economic service life of 14~20 years.
- C. Goodwill arises in a business combination accounted for by applying the acquisition method.

(14) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.
- B. The recoverable amounts of goodwill that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(15) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(16) Financial liabilities at amortised cost

The Group's financial liabilities at amortised cost are recognised initially at the issuance amount and subsequently amortises the interest expense in profit or loss over the period of circulation using the interest method. When there are changes in the estimate of the payment amount, the revised estimated cash flow is discounted at the original effective interest rate as the recalculated amortised cost of financial liabilities, and the adjustments are recognised in profit or loss.

(17) Derecognition of financial liabilities

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

(18) 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 recognised as expense in that period when the employees render service.

B. Pensions

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) 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 recognised as

compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. The grant date of share-based payment arrangements is the date when the acquisition price and number of shares are confirmed.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(21) 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.

(22) Revenue recognition

A. Research and development revenue

- (a) The Group provides research and development of drug and related services. Services is

recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the performed service relative to the total service that shall provide. In the beginning of the contract period, when all input cost cannot be reliably measured, if the cost incurred for satisfying performance obligation is expected to be recovered in the future, revenue is recognized up to the amount that is equal to the input cost. The customer pays at the time specified in the payment schedule.

- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes incircumstances.

#### B. Revenue from licencing intellectual property

The Group entered into a contract with a customer to grant a licence of patents to the customer. Given the licence is distinct from other promised goods or services in the contract, the Group recognises the revenue from licencing when the licence transfer to a customer either at a point in time or over time based on the nature of the licence granted. The customer pays a non-refundable upfront fee upon signing of the contract, and makes milestone payments once each milestone is achieved. The nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licencing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the licence to a customer at a point in time.

#### (23) 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. The Group has no critical accounting judgments in applying accounting policies, and the critical accounting estimates and key sources of assumption uncertainty information are as follows:

Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

Impairment assessment of goodwill relies on the Group's subjective judgement which was based on the discounted value of expected future cash flows to estimate the recoverable amount and analysed the reasonableness of related assumptions. Refer to Note 6(7) for the information of goodwill impairment.

As of December 31, 2023, the Group's goodwill amounted to \$30,544.

B. Impairment assessment of technology skill

The Group assessed whether there is any indication for impairment based on internal and external information, including the plan and progress of research and development project and the prospect of such technology.

As of December 31, 2023, the Group's special technology amounted to \$345,248.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Petty cash	\$ 20	\$ 20
Demand deposits	384,685	217,318
Time deposits	-	50,000
	<u>\$ 384,705</u>	<u>\$ 267,338</u>

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

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

(2) Financial assets at amortised cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits exceeding three months and less than one year	<u>\$ 831,410</u>	<u>\$ 153,550</u>

A. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$831,410 and \$153,550, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 12(2).

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Prepayments

	December 31, 2023	December 31, 2022
Net input VAT	\$ 13,213	\$ 14,689
Prepaid service fees (Note)	24,513	19,668
Others	826	905
	<u>\$ 38,552</u>	<u>\$ 35,262</u>

Note: Refer to Note 7(3)D. for details.

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Listed stocks	\$ 31,900	\$ -
Valuation adjustment	( 4,640)	-
	<u>\$ 27,260</u>	<u>\$ -</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$27,260 and \$0 as at December 31, 2023 and 2022, respectively.

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

	Years ended December 31,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 4,640)	\$ -

C. As at December 31, 2023 and 2022, 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 \$27,260 and \$0, respectively.

(5) Property, plant and equipment

Year ended December 31, 2023					
	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Total
At January 1					
Cost	\$ 3,896	\$ 3,448	\$ 95	\$ 1,538	\$ 8,977
Accumulated depreciation	( 1,391)	( 2,661)	( 95)	( 1,538)	( 5,685)
	<u>\$ 2,505</u>	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292</u>
At January 1	\$ 2,505	\$ 787	\$ -	\$ -	\$ 3,292
Additions	-	2,170	-	453	2,623
Depreciation charge	( 557)	( 586)	-	( 19)	( 1,162)
At December 31	<u>\$ 1,948</u>	<u>\$ 2,371</u>	<u>\$ -</u>	<u>\$ 434</u>	<u>\$ 4,753</u>
At December 31					
Cost	\$ 3,896	\$ 3,485	\$ -	\$ 453	\$ 7,834
Accumulated depreciation	( 1,948)	( 1,114)	-	( 19)	( 3,081)
	<u>\$ 1,948</u>	<u>\$ 2,371</u>	<u>\$ -</u>	<u>\$ 434</u>	<u>\$ 4,753</u>
Year ended December 31, 2022					
	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Total
At January 1					
Cost	\$ 3,896	\$ 3,448	\$ 95	\$ 1,538	\$ 8,977
Accumulated depreciation	( 835)	( 1,596)	( 63)	( 1,427)	( 3,921)
	<u>\$ 3,061</u>	<u>\$ 1,852</u>	<u>\$ 32</u>	<u>\$ 111</u>	<u>\$ 5,056</u>
At January 1	\$ 3,061	\$ 1,852	\$ 32	\$ 111	\$ 5,056
Depreciation charge	( 556)	( 1,065)	( 32)	( 111)	( 1,764)
At December 31	<u>\$ 2,505</u>	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292</u>
At December 31					
Cost	\$ 3,896	\$ 3,448	\$ 95	\$ 1,538	\$ 8,977
Accumulated depreciation	( 1,391)	( 2,661)	( 95)	( 1,538)	( 5,685)
	<u>\$ 2,505</u>	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292</u>

(6) Leasing arrangements - lessee

A. The Group leases various assets including office and business vehicles. Rental contracts are typically made for periods of 1 to 10 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. Short-term leases with a lease term of 12 months or less comprise laboratory and parking space.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Business vehicles	\$ 811	\$ 1,055
Buildings	28,791	5,832
	<u>\$ 29,602</u>	<u>\$ 6,887</u>
	Years ended December 31,	
	2023	2022
	Depreciation changes	Depreciation changes
Business vehicles	\$ 244	\$ 244
Buildings	4,549	2,792
	<u>\$ 4,793</u>	<u>\$ 3,036</u>

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$27,508 and \$6,789, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 401	\$ 45
Expense on short-term lease contracts	256	386
Gain on sublease of right-of-use assets (Note)	-	100

Note: Please refer to Note 7(3)C. for details.

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$5,280 and \$3,498, respectively.

G. In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Intangible assets

		Technique skill												
		APP13007 Inflammation and pain treatment after cataract surgery	APP13002 Infections eye diseases treatment	TSY-0110 Kadcyla® Biosimilar	TSY-0210 Antibiotic	Computer software	Total							
Goodwill														
<u>January 1, 2023</u>														
Cost	\$	82,166	\$	231,912	\$	1,408	\$	193,851	\$	84,150	\$	1,023	\$	594,510
Accumulated amortisation and impairment	(	51,622)	(	68,209)	(	484)	(	57,016)	(	5,961)	(	477)	(	183,769)
	\$	<u>30,544</u>	\$	<u>163,703</u>	\$	<u>924</u>	\$	<u>136,835</u>	\$	<u>78,189</u>	\$	<u>546</u>	\$	<u>410,741</u>
<u>2023</u>														
At January 1	\$	30,544	\$	163,703	\$	924	\$	136,835	\$	78,189	\$	546	\$	410,741
Additions	-	-	-	-	-	-	-	-	-	-	-	82	-	82
Amortisation	-	(	16,370)	(	84)	(	13,684)	(	4,208)	(	237)	(	34,583)	-
Net exchange differences	-	-	(	57)	-	-	-	-	-	-	-	-	(	57)
At December 31	\$	<u>30,544</u>	\$	<u>147,333</u>	\$	<u>783</u>	\$	<u>123,151</u>	\$	<u>73,981</u>	\$	<u>391</u>	\$	<u>376,183</u>
<u>December 31, 2023</u>														
Cost	\$	82,166	\$	231,912	\$	1,303	\$	193,851	\$	84,150	\$	910	\$	594,292
Accumulated amortisation and impairment	(	51,622)	(	84,579)	(	520)	(	70,700)	(	10,169)	(	519)	(	218,109)
	\$	30,544	\$	147,333	\$	783	\$	123,151	\$	73,981	\$	391	\$	376,183

		Technique skill					
	Goodwill	APP13007 Inflammation and pain treatment after cataract surgery	APP13002 Infections eye diseases treatment	TSY-0110 Kadcyla® Biosimilar	TSY-0210 Antibiotic	Computer software	Total
<b>January 1, 2022</b>							
Cost	\$ 82,166	\$ 231,912	\$ 1,443	\$ 193,851	\$ 84,150	\$ 1,023	\$ 594,545
Accumulated amortisation and impairment	( 51,622)	( 51,839)	( 396)	( 43,332)	( 1,753)	( 226)	( 149,168)
	<u>\$ 30,544</u>	<u>\$ 180,073</u>	<u>\$ 1,047</u>	<u>\$ 150,519</u>	<u>\$ 82,397</u>	<u>\$ 797</u>	<u>\$ 445,377</u>
<b>2022</b>							
At January 1	\$ 30,544	\$ 180,073	\$ 1,047	\$ 150,519	\$ 82,397	\$ 797	\$ 445,377
Amortisation	-	( 16,370)	( 88)	( 13,684)	( 4,208)	( 251)	( 34,601)
Net exchange differences	-	-	( 35)	-	-	-	( 35)
At December 31	<u>\$ 30,544</u>	<u>\$ 163,703</u>	<u>\$ 924</u>	<u>\$ 136,835</u>	<u>\$ 78,189</u>	<u>\$ 546</u>	<u>\$ 410,741</u>
<b>December 31, 2022</b>							
Cost	\$ 82,166	\$ 231,912	\$ 1,408	\$ 193,851	\$ 84,150	\$ 1,023	\$ 594,510
Accumulated amortisation and impairment	( 51,622)	( 68,209)	( 484)	( 57,016)	( 5,961)	( 477)	( 183,769)
	<u>\$ 30,544</u>	<u>\$ 163,703</u>	<u>\$ 924</u>	<u>\$ 136,835</u>	<u>\$ 78,189</u>	<u>\$ 546</u>	<u>\$ 410,741</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2023	2022
Administrative expenses	\$ 226	\$ 225
Research and development expenses	34,357	34,376
	<u>\$ 34,583</u>	<u>\$ 34,601</u>

B. The recoverable amount of goodwill was estimated from value in use which was calculated from the estimated economic income of related research and development projects.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are operating profit margin growth rate and discount rate.

Management determined budgeted net operating profit margin based on its expectations of market development. The assumptions used for growth rates are based on past historical experience and expectations of industry; the assumption used for discount rate is the weighted average capital cost of the industry. For the years ended December 31, 2023 and 2022, the discount rates were 18.51% and 17.90%, respectively.

C. In November 2018, the Group acquired similar biological medicinal product research and development result (TSY-0110) of Kadcyła® (ado-trastuzumab emtansine, T-DM1) from Formosa Laboratories, Inc., amounting to \$193,851. Based on external experts' valuation, the Company paid \$33,847 upon signing the contract and shall pay milestone payment for each achieved milestones. When the drug is sold in the market, the Company shall pay royalties based on a certain percentage of sales. As at December 31, 2023 and 2022, aforementioned milestone payment was US\$5,200 thousand in total (approximately NT\$159,666 thousand and NT\$159,692 thousand, respectively), which is shown 'other non-current liabilities'.

D. In August 2021, the Group acquired research and development result (TSY-0210) of Streptogramin (Anti-infectives/ Antibiotics) from Formosa Laboratories, Inc. amounting to \$84,150. Based on external experts' valuation, the Company paid \$14,025 upon signing the contract and shall pay milestone payment for each achieved milestones. As at December 31, 2023 and 2022, aforementioned milestone payment was US\$2,500 thousand (approximately NT\$76,762 thousand and NT\$76,775 thousand), which is shown as 'other non-current liabilities'.

(8) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payable	\$ 6,538	\$ 5,571
Service fee payable	73,139	50,750
Withholding tax payable	18,423	-
Revenue share payable	3,838	-
Payable on machinery and equipment	453	-
Others	1,619	837
	<u>\$ 104,010</u>	<u>\$ 57,158</u>

(9) Financial liabilities at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
New medicine development revenue share agreement	\$ <u>61,410</u>	\$ <u>61,420</u>

On April 18, 2022, the Group and EirGenix Inc. ('EirGenix') signed a new medicine development revenue share agreement for TSY-0110 (EG12043) (the 'product') to replace the formerly signed development and manufacturing related collaboration contract. In the development stage, the raw material of the product was provided with reasonable market price by EirGenix. The Group was responsible for the research and development of the product and the implementation of production and manufacturing after the development of the product had been completed. Both parties could commercialise the product in the global market the product in the global market and could obtain 50% authorisation income on any revenue or income gained from the development and commercialisation of the product. According to the aforementioned agreement, the Group received US\$30,000 thousand as the price of authorisation income which will be received based on the schedule of signing contract and development stage. As of December 31, 2023, the Group had received US\$2,000 thousand.

(10) Pensions

- A. The Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2023 and 2022 were \$1,046 and \$991, respectively.

(11) Other current liabilities and other non-current liabilities

	December 31, 2023	December 31, 2022
Other current liabilities:		
Payable for the acquisition of a company (Note 1)	\$ 69,931	\$ -
Others	212	140
	<u>\$ 70,143</u>	<u>\$ 140</u>
Other non-current liabilities:		
Payable for the acquisition of a company (Note 1)	\$ -	\$ 33,709
Payable for intangible assets (Note 2)	236,428	236,467
	<u>\$ 236,428</u>	<u>\$ 270,176</u>

Note 1: On August 10, 2017, the Company acquired a 100% share equity of Activus Pharma. Co., Ltd. with \$107,294 (US\$3,500 thousand and JPY 5,000 thousand) and contingent consideration of \$170,097 (approximately US\$5,621 thousand). Activus Pharma. Co., Ltd. is primarily engaged in the research and development of micromolecule nano grinding technology and own an APNT nanoparticle formulation platform. Such acquisition is expected to strengthen the Company's nanomanufacturing process, and expand its market with the various locations and existing collaboration.

The contingent consideration was paid according to the different stages of clinical trials, patent and new drug, up to a maximum amount of US\$8,500 thousand, the price will be paid according to the sales amount regulated in the contract when selling drug in the future. As at December 31, 2023 and 2022, the accumulated contract price were US\$6,000 thousand and US\$6,000 thousand, respectively. As at December 31, 2023 and 2022, the unpaid amount was \$69,931 and \$33,709 (US\$2,278 thousand and US\$1,098 thousand) which was shown as 'other current liabilities' and the unpaid amount was \$69,931 and \$0 (US\$2,278 thousand and US\$0 thousand) which was shown as 'other non-current liabilities'.

Note 2: Mainly arising from purchasing technology skill from related parties. Refer Note 6 (7) C~D for details.

(12) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	March 9, 2022	6 hundred thousand shares	5 years	2~4 year

B. Details of the share-based payment arrangements are as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	540,000	\$ 40.8	-	\$ -
Options granted	-	-	600,000	40.8
Options exercised	-	-	-	-
Options expired	( 50,000)	40.8	( 60,000)	40.8
Options outstanding at December 31	<u>490,000</u>	<u>39.7</u>	<u>540,000</u>	<u>40.8</u>
Options exercisable at December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

C. The expiry date and exercise price of stock options outstanding at the balance sheet date are as follows:

		December 31, 2023	
Issue date approved	Expiry date	No. of shares (shares in thousands)	Exercise price (in dollars)
March 9, 2022	March 8, 2027	490,000	\$ 39.7

  

		December 31, 2022	
Issue date approved	Expiry date	No. of shares (shares in thousands)	Exercise price (in dollars)
March 9, 2022	March 8, 2027	540,000	\$ 40.8

D. The fair value of stock options granted on March 9, 2022 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Weighted-average share price (in dollars)	Exercise price (in dollars)	Expected price volatility (Noted)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	March 9, 2022	\$ 39.5 (Note 1)	\$ 39.7	49.67% (Note 2)	3.5~4.5 years	0%	0.56%	13.8687~15.0536

Note 1: There was no public price, thus, the share price of similar listed and OTC companies was adopted by using price-book ratio as the multiplier taking into consideration the discounts on the liquidity.

Note 2: Estimated from share price data of equal expected duration.

E. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2023	2022
Equity settled	<u>\$ 2,423</u>	<u>\$ 2,587</u>

- F. The exercise price of employee stock options – 111 was adjusted to NT\$40.8 (in dollars) on July 29, 2022, following the terms of employee stock options. The above adjustments on the exercise price did not have a material effect on the fair value of the stock options.
- G. The exercise price of employee stock options – 111 was adjusted to NT\$39.7 (in dollars) on June 29, 2023, following the terms of employee stock options. The above adjustments on the exercise price did not have a material effect on the fair value of the stock options.

(13) Share capital

- A. As of December 31, 2023, the Company's authorised capital was \$2,000,000, consisting of 200,000 thousand shares of ordinary stock, and the paid-in capital was \$1,341,421 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. Movement in the number of the Company's ordinary shares outstanding are as follows (Unit: in thousands of shares):

	Years ended December 31,	
	2023	2022
At January 1	113,642	98,832
Cash capital increase	20,500	14,810
At December 31	134,142	113,642

- C. On May 4, 2023, the Company's Board of Directors approved to increase cash capital of 20,500 thousand shares, with the effective date set on June 29, 2023, at an acquisition price of \$49 per share. The Company received \$1,004,500 from the capital increase and the registration had been completed.
- D. On March 9, 2022, the Company's Board of Directors approved a cash capital increase of \$18,500 thousand shares, and the issuance price was temporarily set at NT\$34 (in dollars) per share, which was approved by the Financial Supervisory Commission (the "FSC") in accordance with Order No. Financial-Supervisory-Securities-Corporate-1110340125, dated April 25, 2022. However, considering the recent capital market fluctuations and to enhance the payment flexibility for existing shareholders and employees, on May 31, 2022, the Company applied to the FSC to change the number of shares issued and postpone the payment due date, which was approved by the FSC in accordance with Order No. Financial-Supervisory-Securities-Corporate-1110346144, dated June 7, 2022. The payment period of the cash capital increase through issuing common shares was from June 2, 2022 to July 14, 2022 for existing shareholders and employees, and from July 15, 2022 to July 28, 2022 for specific person. The number of shares issued was 14,810 thousand shares, and the expected amount to be raised was \$503,540. As of December 31, 2022, the Company collected all of proceeds from shares issued. In addition, as of the aforementioned payment period, the offering of cash capital increase through new shares was completed, and the effective date for the cash capital increase was set on July 29, 2022.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Accumulated deficit

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reverse in accordance with the related laws. The remainder, if any, along with prior years' accumulated undistributed earnings comprising the total accumulated distributable earnings shall be distributed as dividends to be proposed by the Board of Directors and resolved by the shareholders or to be retained for the requirement of business.
- B. The Company's dividend distribution policy aligns with the future development plan by taking into account factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. The shareholders' accumulated distributable earnings shall be retained or distributed in the form of cash or shares, and the distribution of cash shall not be lower than 10% of total shareholders' bonus.

(16) Other equity items

	Year ended December 31, 2023		
	Financial assets at fair value through other comprehensive income		
	unrealised gains (losses) on valuation	Currency translation differences	Total
At January 1	\$ -	(\$ 18,137)	(\$ 18,137)
Valuation adjustment	( 4,640)	-	( 4,640)
Currency translation differences:			
- Group	-	( 7,130)	( 7,130)
At December 31	<u>(\$ 4,640)</u>	<u>(\$ 25,267)</u>	<u>(\$ 29,907)</u>

	Year ended December 31, 2022 Currency translation differences
At January 1	(\$ 14,534)
Currency translation differences:	
- Group	( 3,603)
At December 31	(\$ 18,137)

(17) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 31,172	\$ 1,315

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of technology authorisation and services over time and at a point in time in the following major product lines and geographical regions:

	Intellectual property licencing	Service revenue	Total
<u>Year ended December 31, 2023</u>			
Revenue from external customer contracts			
At a point in time	\$ 31,172	\$ -	\$ 31,172
	Intellectual property licencing	Service revenue	Total
<u>Year ended December 31, 2022</u>			
Revenue from external customer contracts			
Over time	\$ -	\$ 1,315	\$ 1,315

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities	\$ 72,997	\$ -	\$ -

C. The Group and Grandpharma (China) Co., Ltd (collectively referred to herein as ‘Grandpharma’) entered into a contract for collaborative development and authorisation agreement in China, Hong Kong, Macao and other areas. The Group transferred professional knowledge and provided

related data to Grandpharma which will be responsible for clinical development. When Grandpharma successfully develops a new drug, it will obtain the right of production and sales in China, Hong Kong and Macao. Under the contract, the Group can charge signing bonus, milestone payment and royalties as a percentage of sales in the future from Ggrandpharma. The Group recognised authorising contract revenue amounting to \$31,172 for the year ended December 31, 2023. As of December 31, 2023, the accumulated revenue recognised since the contract signed was \$59,023.

- D. The Group and Eyenovia, Inc. (EYEN) entered into a contract for new drug authorisation agreement in the US. The Group will transfer the license application in the US and EYEN will obtain the right of production and sales. Under the contract, the Group can charge signing bonus, development milestone payment and sales milestone payment from EYEN. As of December 31, 2023, the Group had collected USD 1,000 thousand and 487 thousand shares of EYEN's ordinary shares, which were shown as 'non-current financial assets at fair value through other comprehensive income'. As of December 31, 2023, the Group has not yet recognised revenue since the contract signed.

(18) Interest income

	Years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 3,150	\$ 474
Interest income from financial assets measured at amortised cost	9,219	-
Other interest income	55	-
	<u>\$ 12,424</u>	<u>\$ 474</u>

(19) Other gains and losses

	Years ended December 31,	
	2023	2022
Foreign exchange gains (losses)	\$ 9,292	(\$ 25,152)
Loss from measurement of contingent consideration (Note)	( 34,529)	-
Miscellaneous disbursements	( 32)	( 32)
	<u>(\$ 25,269)</u>	<u>(\$ 25,184)</u>

Note: The Company acquired a 100% equity interest in Activus Pharma Co., Ltd. and the contingent consideration was estimated based on the application for clinical trials, patent and new drug. Refer to Note 6(11) for details. Loss was recognised for the difference compared to the actual payment.

(20) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense	\$ 4,308	\$ 992

(21) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 32,004	\$ 32,807
Depreciation charges on right-of-use assets, property, plant and equipment	\$ 5,955	\$ 4,800
Amortisation charges on intangible assets	\$ 34,583	\$ 34,601

(22) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 23,949	\$ 24,914
Employee stock options	2,423	2,587
Labour and health insurance fees	1,776	1,688
Pension costs	1,046	991
Directors' compensation	1,996	1,846
Other personnel expenses	814	781
	\$ 32,004	\$ 32,807

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. As at December 31, 2023 and 2022, the Company had an accumulated deficit, thus, no employees' compensation and directors' and supervisors' remuneration was recognised for the years ended December 31, 2023 and 2022.

(23) Income tax

A. Income tax benefit

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 22,356	\$ 70
Deferred tax:		
Origination and reversal of temporary differences	( 494)	( 494)
Income tax (benefit) expense	<u>\$ 21,862</u>	<u>(\$ 424)</u>

B. Reconciliation between income tax (benefit) expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on loss before tax and statutory tax rate	(\$ 59,965)	(\$ 81,283)
Expenses disallowed by tax regulation	174	25
Temporary differences not recognised as deferred tax assets	411	599
Taxable loss unrecognised as deferred tax assets	59,447	80,729
Reversal of deferred tax liabilities	( 494)	( 494)
Withholding income tax	22,289	-
Tax (benefit) expense	<u>\$ 21,862</u>	<u>(\$ 424)</u>

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

	Year ended December 31, 2023		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
- Deferred tax liabilities:			
Technique skill	<u>\$ 4,939</u>	<u>(\$ 494)</u>	<u>\$ 4,445</u>
	Year ended December 31, 2022		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
- Deferred tax liabilities:			
Technique skill	<u>\$ 5,433</u>	<u>(\$ 494)</u>	<u>\$ 4,939</u>

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

December 31, 2023				
Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act For The Development Of Biotech And New Pharmaceuticals Industry	2011	\$ 2,834	\$ 2,834	Note 1
	2012	8,419	8,419	"
	2013	9,019	9,019	"
	2014	5,702	5,702	"
	2015	5,046	5,046	"
	2016	5,143	5,143	"
	2020	12,973	12,973	Note 2
	2021	107,261	107,261	"
	2022	75,947	75,947	"
	2023	54,523	54,523	"
		<u>\$ 286,867</u>	<u>\$ 286,867</u>	
December 31, 2022				
Qualifying items	Year incurred	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Act For The Development Of Biotech And New Pharmaceuticals Industry	2011	\$ 2,834	\$ 2,834	Note 1
	2012	8,419	8,419	"
	2013	9,019	9,019	"
	2014	5,702	5,702	"
	2015	5,046	5,046	"
	2016	5,143	5,143	"
	2020	12,973	12,973	Note 2
	2021	107,261	107,261	"
	2022	78,228	78,228	"
		<u>\$ 234,625</u>	<u>\$ 234,625</u>	

Note 1: On September 7, 2011, the Company was approved as a biotechnology and new drug company by Jing-Shou-Gong-Zi Letter No. 10020417340 of the Ministry of Economic Affairs, R.O.C., and accordingly, the Company and the Company's shareholders were entitled to related incentives of the 'Act For The Development Of Biotech And New Pharmaceuticals Industry'. The approval letter was effective within 5 years from the date after the approval. The investment tax credits from research and development and

employees' training expenditure can be used starting from the year the Company has taxable profit, and if the amount of business income tax was not sufficient to offset, it can be offset within 4 years starting from the year the Company has taxable profit.

Note 2: On August 4, 2020, the Company was approved as a biotechnology and new drug company by Jing-Shou-Gong-Zi Letter No. 10920422850 of the Ministry of Economic Affairs, R.O.C., and accordingly, the Company and the Company's shareholders were entitled to related incentives of the 'Act For The Development Of Biotech And New Pharmaceuticals Industry'. The approval letter was effective within 5 years from the date after the approval. The investment tax credits from research and development and employees' training expenditure can be used starting from the year the Company has taxable profit, and if the amount of business income tax was not sufficient to offset, it can be offset within 5 years starting from the year the Company has taxable profit.

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

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused tax credits	Unrecognised deferred tax assets	Expiry year
2014	Assessed	\$ 22,130	\$ 22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Assessed	226,698	226,698	2030
2021	Assessed	413,292	413,292	2031
2022	Filed	373,916	373,916	2032
2023	Filed	297,238	297,238	2033
		<u>\$ 1,720,113</u>	<u>\$ 1,720,113</u>	

December 31, 2022

Year incurred	Amount filed/ assessed	Unused tax credits	Unrecognised deferred tax assets	Expiry year
2013	Assessed	\$ 25,894	\$ 25,894	2023
2014	Assessed	22,130	22,130	2024
2015	Assessed	15,773	15,773	2025
2016	Assessed	33,933	33,933	2026
2017	Assessed	45,682	45,682	2027
2018	Assessed	116,382	116,382	2028
2019	Assessed	175,069	175,069	2029
2020	Assessed	226,698	226,698	2030
2021	Filed	413,292	413,292	2031
2022	Filed	387,075	387,075	2032
		<u>\$ 1,461,928</u>	<u>\$ 1,461,928</u>	

F. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 242,251</u>	<u>\$ 248,386</u>

G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(24) Loss per share

Year ended December 31, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Loss per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 321,956)</u>	<u>124,089</u>	<u>(\$ 2.59)</u>
Year ended December 31, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Loss per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 406,272)</u>	<u>105,162</u>	<u>(\$ 3.86)</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2023	2022
Acquisition of subsidiaries	\$ -	\$ -
Add: Beginning contingent consideration payable (Shown as 'other current/ non-current liabilities')	33,709	57,196
Net exchange differences	( 1,852)	5,437
Interest expense	3,545	947
Loss from measurement of contingent consideration	34,529	-
Less: Ending contingent consideration payable (Shown as 'other current/ non-current liabilities')	( 69,931)	( 33,709)
Cash paid during the year	<u>\$ -</u>	<u>\$ 29,871</u>
Purchase of property, plant and equipment	\$ 2,623	\$ -
Less: Ending balance of payables on equipment	( 453)	-
Cash paid during the year	<u>\$ 2,170</u>	<u>\$ -</u>

(26) Changes in liabilities from financing activities

	Year ended December 31, 2023		
	New medicine development revenue share agreement	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 58,390	\$ 6,903	\$ 65,293
Changes in cash flow from financing	- (	4,623)	( 4,623)
Changes in other non-cash items	3,020	27,508	30,528
At December 31	<u>\$ 61,410</u>	<u>\$ 29,788</u>	<u>\$ 91,198</u>

  

	Year ended December 31, 2022		
	New medicine development revenue share agreement	Lease liability	Liabilities from financing activities-gross
At January 1	\$ -	\$ 3,181	\$ 3,181
Changes in cash flow from financing	58,390 (	3,067)	55,323
Changes in other non-cash items	3,030	6,789	9,819
At December 31	<u>\$ 61,420</u>	<u>\$ 6,903</u>	<u>\$ 68,323</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

Formosa Laboratories, Inc. is the single largest major shareholder of the Company and conducted the Company's significant operating activities, and is the Company's ultimate parent company. In addition, the Company continuously increased cash capital and attracted new investors in 2018. As of December 31, 2023, Formosa Laboratories, Inc. held 45.84% equity interest in the Company.

### (2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Formosa Laboratories, Inc.	Parent company
EirGenix, Inc.	Other related party
ImmunAdd Inc.	Other related party

### (3) Significant related party transactions

#### A. Administrative expenses

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent Company	\$ 1,640	\$ 767

The above pertains to the resource management service provided by the parent company. The payment terms were based on the mutual agreement.

#### B. Research and development expense

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent Company	\$ 18,647	\$ 40,756
Other related parties	5,335	4,344
	<u>\$ 23,982</u>	<u>\$ 45,100</u>

For the manufacturing process and research method of active pharmaceutical ingredients commissioned to parent company, there were no similar transactions that can be compared with and was based on mutual agreement. The payment term was not significantly different from regular transactions.

#### C. Other income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental revenue		
Other related parties	\$ -	\$ 100
Other income		
Parent Company	<u>\$ -</u>	<u>\$ 383</u>

(a) The Company leased office to related parties. The price was based on mutual agreement and the rent is collected monthly in accordance with the contract.

(b) Other income comprises compensation income and service income from parent company.

D. Prepayments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent Company	\$ 11,570	\$ 19,665
Other related parties	623	-
	<u>\$ 12,193</u>	<u>\$ 19,665</u>

The above pertains to the prepaid service fee for experiment, production and research method commissioned.

E. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent company	\$ 4,418	\$ 9,773
Other related parties	2,573	-
	<u>\$ 6,991</u>	<u>\$ 9,773</u>

Other payables to related parties arose from management service and research and development transactions. The payment was due on 25<sup>th</sup> of the month after the transaction date.

F. Acquisition of financial liabilities (shown as ‘financial liabilities at amortised cost’)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other related parties	\$ -	\$ 58,390

The above represents consideration due from other related parties under a new medicine development revenue share agreement of TSY-110. Refer to Note 6(9).

G. Other current/non-current liabilities

The Group acquired technology skill from the parent company, which remains unpaid and was accounted as other current and non-current liabilities. Please refer to Notes 6(7) and (11) for details.

H. Lease transactions - lessee

(a) Acquisition of right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent company	\$ 26,499	\$ -

The Group leases laboratories and offices from Formosa Laboratories, Inc. Rental contracts are made for periods of 1 to 10 years. Rents are paid monthly.

(b) Lease liabilities

i. Outstanding balance:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent company	\$ 24,874	\$ -

ii. Interest expense

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent company	\$ 316	\$ -

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 14,962	\$ 11,394
Post-employment benefits	327	177
Share-based payments	901	276
	<u>\$ 16,190</u>	<u>\$ 11,847</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Notes 6(7)(9)(11) and Note 7(3) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Please refer to the balance sheet of each period for related liabilities and capital ratio.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 27,260	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	\$ 384,705	\$ 267,338
Financial assets at amortised cost	831,410	153,550
Other receivables	32,138	-
Refundable deposits (shown as 'other non-current assets')	653	673
	<u>\$ 1,248,906</u>	<u>\$ 421,561</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other payables (including related parties)	\$ 111,001	\$ 66,931
New medicine development revenue share agreement	61,410	61,420
Contingent consideration payable (shown as 'other current/ non-current liabilities')	236,428	236,467
	<u>\$ 408,839</u>	<u>\$ 364,818</u>
Lease liabilities	<u>\$ 29,788</u>	<u>\$ 6,903</u>

B. Financial risk management policies

The Group has adopted overall risk management and control system to identify, evaluate and control all risks including market risk, credit risk, liquidity risks and cash flow risks in order for the management to control and evaluate these risks effectively.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. The Group treasury uses forward foreign exchange contracts to manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are

denominated in a currency that is not the entity's functional currency.

- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and subsidiaries' functional currency: JPY). 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, 2023			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,022	30.705	\$ 123,496
USD : JPY	3,400	141.37	104,731
<u>Non-monetary items</u>			
USD : NTD	888	30.705	27,260
JPY : NTD	464,939	0.2172	102,007
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	16,701	30.705	512,804

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,001	30.71	\$ 153,585
USD : JPY	3,400	132.14	104,414
<u>Non-monetary items</u>			
JPY : NTD	448,307	0.2324	105,349
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	15,731	30.71	483,099

- iv. The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to \$9,292 and (\$25,152), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2023			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,235	\$ -
USD : JPY	1%	1,047	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	542	-

Year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,536	\$ -
USD : JPY	1%	1,044	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	4,831	-

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022, other components of equity would have increased/decreased by \$273

and \$0, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group had no borrowing, there was no risk for interest rate change.

(b) Credit risk

Credit risk arises from deposits with banks and financial institutions. The Company's credit risk mainly arose from deposits in banks and financial institutions with good rating.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.
- ii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. 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
<u>Non-derivative financial liabilities</u>				
<u>December 31, 2023</u>				
New medicine development revenue share agreement	\$ -	\$ -	\$ 61,410	\$ -
Other payables (including related parties)	111,001	-	-	-
Other non-current liabilities (including current portion that expire in one year)	69,931	15,352	122,820	98,256
Lease liabilities	5,991	4,841	8,888	12,353
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
<u>December 31, 2022</u>				
New medicine development revenue share agreement	\$ -	\$ -	\$ 61,420	\$ -
Other payables (including related parties)	66,931	-	-	-
Other non-current liabilities (including current portion that expire in one year)	-	64,418	107,486	98,272
Lease liabilities	2,573	2,148	2,326	-

(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. Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 is as follows:

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ 27,260	\$ -	\$ 27,260
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Payable for the acquisition of a company	\$ -	\$ -	\$ 69,931	\$ 69,931
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Payable for the acquisition of a company	\$ -	\$ -	\$ 33,709	\$ 33,709

- E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2
- F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	2022
	Payable for the acquisition of a company	Payable for the acquisition of a company
At January 1	\$ 33,709	\$ 57,196
Gains and losses recognised in profit or loss	38,074 (	28,924)
Valuation adjustment	( 1,852)	5,437
At December 31	<u>\$ 69,931</u>	<u>\$ 33,709</u>

- G. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.
- H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- I. 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:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Payable for the acquisition of a company	\$ 69,931	Depends on terms of individual contract	Achievement rate	91.10%	The higher the achievement rate, the higher the fair value
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Payable for the acquisition of a company	\$ 33,709	Depends on terms of individual contract	Achievement rate	48.30%	The higher the achievement rate, the higher the fair value

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: 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: Refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

#### (3) Information on investments in Mainland China

- A. Basic information: None.
- 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 Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

#### (2) Measurement of segment information

The Group measured the performance of operating segment with the profit after tax of continuing operations. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss, assets and liabilities

The Group has only one reportable operating segment and the reportable information is identical with the financial statements.

(4) Reconciliation for segment income (loss)

The net income of continuing operations reported to the chief operating decision-maker is measured in a manner consistent with revenues, costs and expenses in the statement of comprehensive income. The Group did not provide total assets amount and total liabilities amount to chief operating decision-maker for operating decisions. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.

(5) Information on products and services

Please refer to Note 6 (17) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ -	\$ 410,538	\$ 1,315	\$ 420,920
Asia	31,172	-	-	-
Total	<u>\$ 31,172</u>	<u>\$ 410,538</u>	<u>\$ 1,315</u>	<u>\$ 420,920</u>

(7) Major customer information

For the years ended December 31, 2023 and 2022, the Group's single customer that exceeded 10% of the operating revenue in the consolidated comprehensive income statements is as follows:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	Revenue	Revenue
A company	\$ -	\$ 782
B company	31,172	-
Total	<u>\$ 31,172</u>	<u>\$ 782</u>

Formosa Pharmaceuticals Inc. and Subsidiary  
Loans to others  
Year ended December 31, 2023

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Formosa Pharmaceutials Inc.	Activus Pharma Co., Ltd.	Other receivables	Y	\$ 5,000	\$ 5,000	2,984	3.119%	2	\$ -	Revolving funds	\$ -	None	\$ -	\$ 342,009	\$ 399,010	Note 2

Note 1: The column of 'Nature of loan' shall fill in 1: 'Business transaction' or 2: 'Short-term financing'.

Note 2: The Company's loans granted to others:

(1) Limit on loans granted to a single party (short-term financing) shall not exceed 30% of the creditor's net assets of the latest financial statements.

(2) Ceiling on total loans granted (short-term financing) shall not exceed 35% of the creditor's net assets latest finacnial statements.

Formosa Pharmaceuticals Inc. and Subsidiary  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2023

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

					As of December 31, 2023				
Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer	General ledger account	Book value		Ownership (%)	Fair value	Footnote
	Type	Marketable securities			Number of shares	(Note 2)			
Formosa Pharmaceuticals Inc.	Stock	Eyenovia, Inc. (EYEN)	None	Financial assets at fair value through other comprehensive income - non-current	487,805	\$ 27,260	1%	\$ 27,260	

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

Note 2: 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.

Formosa Pharmaceuticals Inc. and Subsidiary  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate (Note)	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	Parent company	\$ 104,731	0.00	\$ -	-	\$ -	\$ -

Note: The turnover rate is listed as 0.00 because the long-term receivables are listed in the table, so the turnover rate is not applicable.

Formosa Pharmaceuticals Inc. and Subsidiary  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2023

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
1	Activus Pharma. Co., Ltd.	Formosa Pharmaceuticals Inc.	2	Long-term receivables	\$ 104,731	Note 5	6%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The aforementioned threshold of disclosure was NT\$10 million above. Aforementioned related party transactions were written-off when preparing the consolidated financial statements.

Note 5: Represents receivables from authorised transaction in 2018 and was based on terms from mutual agreement, and the transaction price was \$196,928. Because it was a business transfer in the Group, the profit or loss was not recognised.

Formosa Pharmaceuticals Inc. and Subsidiary

Information on investees

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss)	Investment income (loss)	Footnote
				Balance	Balance	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				as at December 31, 2023	as at December 31, 2022				period ended	for the year ended	
									December 31, 2023	December 31, 2023	
Formosa Pharmaceuticals Inc.	Activus Pharma. Co., Ltd.	Japan	Research and development of new drugs	\$ 274,633	\$ 274,633	1,942	99.23%	\$ 102,007	\$ 3,902	\$ 3,788	