



Stock Code: 1783

Maxigen Biotech Inc.
MAXIGEN BIOTECH INC.

2023 Annual Report

Annual Report Inquiry website:

<http://mops.twse.com.tw>

Company website: <http://www.mbi.com.tw>

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Spokesperson:

Name: Cian-Tian Huang

Title: Special Assistant to the Chairman

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2. Address and telephone number of headquarters and factory:

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Website: <http://www.yuanta.com.tw>

4. Name, address, website and telephone number of the accountant and firm that issued the most recent annual financial report

Name of accountant: Ming-Chuan Hsu and Ping-Chun Chih

Name of firm: PwC Taiwan

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Tel: (02) 2729-6666

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5. Name of the exchange where the overseas marketable securities are listed and how to check the information of the overseas marketable securities: None

6. Company website: <http://www.mbi.com.tw>

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1. Letter to shareholders

Maxigen Biotech Inc. Business Report

Dear Shareholders,

The core technology of Maxigen Biotech Inc. is collagen and hyaluronic acid, two types of biopolymer materials for use in biomedical materials and skincare products. After years of hard work, the Biomedical Division of the company has successfully developed 23 high-level implantable medical materials for use in orthopedic, dental, ophthalmology, dermatology, and dermatology. In addition, the Company has received 81 product licenses in Taiwan, the EU, the U.S., Indonesia, Malaysia, the Philippines, the Middle East, Russia, and China. MBI's goal is to work toward "joining & delighting human life"! In 2024, MBI will carry out the operation policy of "making good products, bring the customer to the world, and bring the world to the customer," develop automated facilities, and improve employee benefits to recruit elite talents.

As of the end of 2023, MBI established three major business teams to serve global customers, with 60 people in the global business center, namely the Taiwan direct sales team, the China business team, and the foreign business team, actively opening markets around the world, and participating in 40 overseas and domestic exhibitions in 2023. In Taiwan, we will continue to work with our existing distributors to further develop the Taiwan market by organizing seminars, attending medical conferences, and marching toward major medical centers, regional hospitals, and clinics. MissStunin Hyaluronic Acid was officially launched in July 2023 and MBI continues to expand the product line. The business team in China has been recruited with extensive experience in the China medical device market. In 2023, MBI focused intensively on the medical aesthetics field, participating in various major exhibitions, hosting seminars, and conducting training courses. For 2024, the Company's dental department will also participate in six major dental exhibitions. The foreign sales team laid out certifications in each country in 2023 and worked with TCI's sales team to build an integrated bioscience design trading company to develop global customers in Europe, North America, Central and South America, Southeast Asia, the Middle East, Africa, etc. In 2023, the Company obtained MDSAP certification and expanded our presence in the United States, Brazil, Canada, and Japan, assisting our clients in globalizing their businesses.

The R&D design center has transferred TCI Group's synthetic biology laboratory to MBI. This move aims to replace the existing animal-derived collagen with microbially cultured, non-animal-derived collagen, produced on a large scale and standardized. This innovation will prevent future disruptions caused by animal diseases or pandemics. This initiative serves as a cornerstone of MBI's innovation for the next decade, laying the foundation for collagen-based products and allowing for the customization of functional collagen as

needed. Technologies for other new products are also maturing, with prototypes developed and new products scheduled for release between 2024 and 2028.

In 2023, MBI also gradually established ESG planning, including greenhouse gas inventory, carbon reduction, intelligent diagnostics, variable frequency drives, LED lighting, smart meters, and eco-friendly tableware. MBI collaborated with the Children Awaiting Homes Social Welfare Association on the Safe Fruit and Vegetable Distribution Program and the Small Farmer Farming Program. They also organized health education seminars with the Foundation for Childless Aging People to promote elder health and conducted a mountain cleaning activity at Guanyin Mountain with the Organic Association of the Republic of China.

MBI received several prestigious awards in 2023, including the ACES Award (Asia Corporate Excellence & Sustainability Awards), the National Yushan Quality Award for Best Product, Most Popular Brand, Outstanding Business Leader, and the Potential Benchmark Award for Outstanding Biotechnology Industry.

Employee benefits have been enhanced with activities like the TCI Coin program, afternoon tea, English courses, stress-relief sports classes, workplace tools, and various other courses. The “One Small Step for Individuals, One Giant Leap for MBI” incentive encourages employees to grow together with the Company towards sustainable development.

The company will uphold the health needs of humankind and create solutions for diseases with hyaluronic acid and collagen to join and delight human lives.

2023 Financial Performance

(1) Operational Results:

Unit: NT\$ thousand

| Maxigen Biotech Inc. | | | | |
|-------------------------------------|---------|---------|------------|--------|
| Consolidated Income Statement | | | | |
| Item | 2023 | 2022 | Difference | % |
| Net Revenue | 622,115 | 604,431 | 17,684 | 2.9% |
| Operating Costs | 198,021 | 230,439 | -32,418 | -14.1% |
| Gross Profit | 424,094 | 373,992 | 50,102 | 13.4% |
| Operating Expenses | 274,244 | 245,376 | 28,868 | 11.8% |
| Income from Operations | 149,850 | 128,616 | 21,234 | 16.5% |
| Other Operating Income and Expenses | 43,292 | 37,164 | 6,128 | 16.5% |
| Pre-tax Income | 193,142 | 165,780 | 27,362 | 16.5% |
| Income Tax Expense | 27,314 | 26,376 | 938 | 3.6% |
| Net Income | 165,828 | 139,404 | 26,424 | 18.9% |

(2) Analysis of Financial Performance

1. The Company's net operating revenue for 2023 was NT\$622,115,000, an increase of NT\$17,684,000, or 3%, from NT\$604,431,000 in 2022. The revenue of Biomedical Products increased by NT\$41,981,000, or 8%, to NT\$601,701,000 compared to NT\$559,720,000 in 2022.
2. In 2023, operating expenses amounted to NT\$274,244,000, an increase of NT\$28,868,000 compared to \$245,376,000 in 2022. This increase was primarily due to the hiring of additional sales personnel and the organization of numerous marketing events to explore new markets.
3. Gross profit for 2023 was \$424,094,000, an increase of \$50,102,000 or 13% over \$373,992,000 in 2022. The net profit after tax was NT\$165,828,000, an increase of NT\$26,424,000 compared to NT\$139,404,000 in 2022, representing a growth of 19%.

Chairman: Yung-Hsiang Lin



Manager: Ching-Ting Chen



Accounting Manager: Ruei-Yi Wu



II. Company Profile

1. **Date of Incorporation:** December 3, 1998

2. **Brief history of the Company:**

| Year | Milestone |
|------|--|
| 1998 | Maxigen Biotech Inc. was established |
| 1999 | Stationed in biomaterial research center at National Yang-Ming University Completed development of surgical hemostatic dressing process |
| 2000 | Completed prototype development of injectable collagen |
| 2001 | Stationed in tissue engineering research center at Taipei Medical University Completed orthopedic filler manufacturing process and product prototype development Collagen tissue engineering application technology passes Ministry of Economic Affairs Industry Specialized Examination Collagen biomedical material products receive national biotechnology medical quality award |
| 2002 | Awarded A grade by the Ministry of Economic Affairs, Ministry of Industry and Science Research and Development Management System Set up GMP factory and R&D lab in Taipei Launched BIOFLASH series products under our own brand |
| 2003 | Taipei Biomedical facility receives ISO 9001/13485 quality system certification Expansion of Tainan skin care product factory completed |
| 2004 | Collaborate with U.S. medical material distributors on production and marketing strategies Hyaluronic acid products received GMP approval and registration Biomedical product Foramic ceramic particle bone filler passed the inspection and registration license of the Ministry of Health Collaborations between our own branded care products and well-known domestic manufacturers |
| 2005 | The biomedical product ViscAid Cohesive Ophthalmic Viscoelastic passed the inspection and registration permit of the Ministry of Health Biomedical product Formagraft Bone Filler passed the US FDA 510(k) marketing approval |
| 2006 | Biomedical product ArtiAid Joint Injection passed the inspection and registration permit of Ministry of Health Own brand skincare product, Dr.Neo, is launched |

| Year | Milestone |
|------|--|
| 2007 | <p>NuVasive Inc., a NASDAQ-listed company, invests in cash</p> <p>Formagraft, a biomedical product, received the SME Innovation Research award from the Ministry of Economic Affairs and the Executive Yuan/Times Foundation's 1st Taiwan Biomedical Industry Selection Competition Selection Award</p> <p>Tainan skincare products factory passed ISO9001:2000 certification</p> |
| 2008 | <p>Injectable Bone Filling Material Application Technology Development Project Passes Ministry of Economic Affairs Industry Development Industry Technology Program Review</p> |
| 2009 | <p>Biomedical product Formagraft Collagen Bone Graft Matrix received marketing approval from the Ministry of Health and Welfare</p> <p>Biomedical product ArtiAid Joint Injection received the EU CE marketing approval</p> <p>Biomedical product Foramic Bone Substitute Granules received the EU CE marketing approval</p> <p>Biomedical product ViscAid Cohesive Ophthalmic Viscoelastic received the EU (CE) marketing approval</p> <p>Taipei biomedical factory passes U.S. FDA audit with no defects recorded</p> <p>Winner of the Executive Yuan/Times Foundation's Taiwan Biomedical Industry Selection Competition</p> <p>Tainan skincare product factory passed Taiwan Cosmetic GMP and ISO9001:2008 certification</p> |
| 2010 | <p>Completed NT\$180 million cash capital increase</p> <p>Obtained mineralized collagen patent and technology</p> <p>Qualified as a biotech new drug company under the Act for the Development of Biotech and Pharmaceutical Industry, Ministry of Economic Affairs</p> <p>SurgiAid Collagen Wound Dressing received marketing approval from the Ministry of Health and Welfare</p> |
| 2011 | <p>Public offering of shares</p> <p>Stock exchange</p> <p>SurgiAid Collagen Wound Dressing received the US 510(k) clearance from the FDA</p> <p>Biomedical product FormaAid Guided Tissue Regeneration Membrane received marketing approval from the Taiwan Ministry of Health and Welfare</p> <p>Biomedical product GingivAid Collagen Dental Graft received marketing approval from the Taiwan Ministry of Health and Welfare</p> |

| Year | Milestone |
|------|--|
| | <p>Biomedical product ArtiAid Plus Intra-articular Injection received the EU CE sales license</p> <p>Absorbable calcium phosphate ceramics and new calcium phosphate bone cement product application technology development plan passed the Ministry of Economic Affairs Industrial Technology Development Program review</p> <p>aesthetic medicine private brand Neo Renée system passed 29 items of import license to China</p> <p>BioFlash, a medical beauty brand, opens a counter in Taipei 101 Financial Building</p> |
| 2012 | <p>Signed Chondroplug process validation and contract manufacturing agreement with NASDAQ-listed Exactech, Inc.</p> <p>Development of new composite biomedical ceramics in collaboration with the School of Dentistry, National Taiwan University</p> <p>Participate in the TAITRA's Brand Mentoring Program</p> <p>27 skincare products obtained the MIT Smile Logo</p> <p>Tainan skincare products factory passed ISO 22716:2007 certification</p> <p>Sales of medical aesthetic's own branded care products launches in channels</p> |
| 2013 | <p>Completed NT\$225 million cash capital increase</p> <p>Obtained the opinion letter from the Industrial Development Bureau</p> <p>MaxiBone Calcium Phosphate Ceramic receives marketing approval from Taiwan Ministry of Health and Welfare</p> <p>Dermal filler received a marketing license from the Taiwan Ministry of Health and Welfare</p> <p>Biomedical orthopedic product Foramic Bone Substitute Granules and dermatological product</p> <p>HealiAid Collagen Wound Dressing received Singapore HSA marketing approval</p> <p>Biomedical's Taoyuan Hua Ya Technology Industrial Park breaks ground on new factory</p> <p>Biomedical product GingivAid collagen orthopedic fillings receive Singapore HSA marketing approval</p> <p>FormaAid collagen membrane and GingivAid Collagen Dental Graft receives Singapore HSA marketing approval</p> <p>Bone filler received marketing approval 11 from the Taiwan Food and Drug Administration (TFDA). Pre-listing capital increase of NT\$77,900,000 and paid-in capital of NT\$700,840,000 after the capital increase 12.102.12.20 listed on the main board</p> |
| 2014 | <p>PreviscAid Ophthalmic Viscoelastic received a marketing license from the</p> |

| Year | Milestone |
|------|---|
| | <p>Taiwan Department of Health (DOH) Formaderm Young Dermal Filler Injection received a marketing license from China CFDA ArtiAid Plus Intra-articular Injection receives a Singapore HSA marketing license ViscAid Cohesive Ophthalmic Viscoelastic receives Singapore HSA marketing license</p> |
| 2015 | <p>Private placement of 7,910,000 convertible preferred shares at NT\$27.1225 per share for a total of NT\$214,538,975 Biomedical factory passed the second on-site inspection by the U.S. FDA</p> |
| 2016 | <p>Formaderm Dermal Filler Injection obtained a China CFDA marketing license HealiAid Collagen Wound Dressing, obtained a China CFDA marketing license Foramic® Bone Substitute Granules obtained China CFDA marketing license ArtiBest Intra-articular Injection obtained Taiwan TFDA marketing license Hua Ya's new factory passed Taiwan GMP, ISO13485, and Korea GMP site inspection</p> |
| 2017 | <p>ViscAid Cohesive Ophthalmic Viscoelastic obtained an Indonesia MOH marketing license ArtiAid Intra-articular Injection obtained an Indonesia MOH marketing license ArtiAid Plus Intra-articular Injection obtained an Indonesia MOH marketing license GingivAid Collagen Dental Graft obtained an Indonesia MOH marketing license Attrax Scaffold, developed in collaboration with Nuvasive, receives U.S. marketing approval (K172497)</p> |
| 2018 | <p>ArtiAid Intra-articular Injection, obtained MDA marketing license in Malaysia ViscAid Cohesive Ophthalmic Viscoelastic, obtained MDA marketing license in Malaysia Foramic Bone Substitute Granules obtained MDA marketing license in Malaysia Formaderm Charming Dermal Filler Injection obtained Taiwan TFDA marketing license Formaderm Dermal Filler Injection (with lidocaine) obtained Taiwan TFDA marketing license Formaderm Young Dermal Filler Injection (with lidocaine) obtained Taiwan TFDA marketing license Three-dose intra-articular injection product obtained Russian RZN marketing</p> |

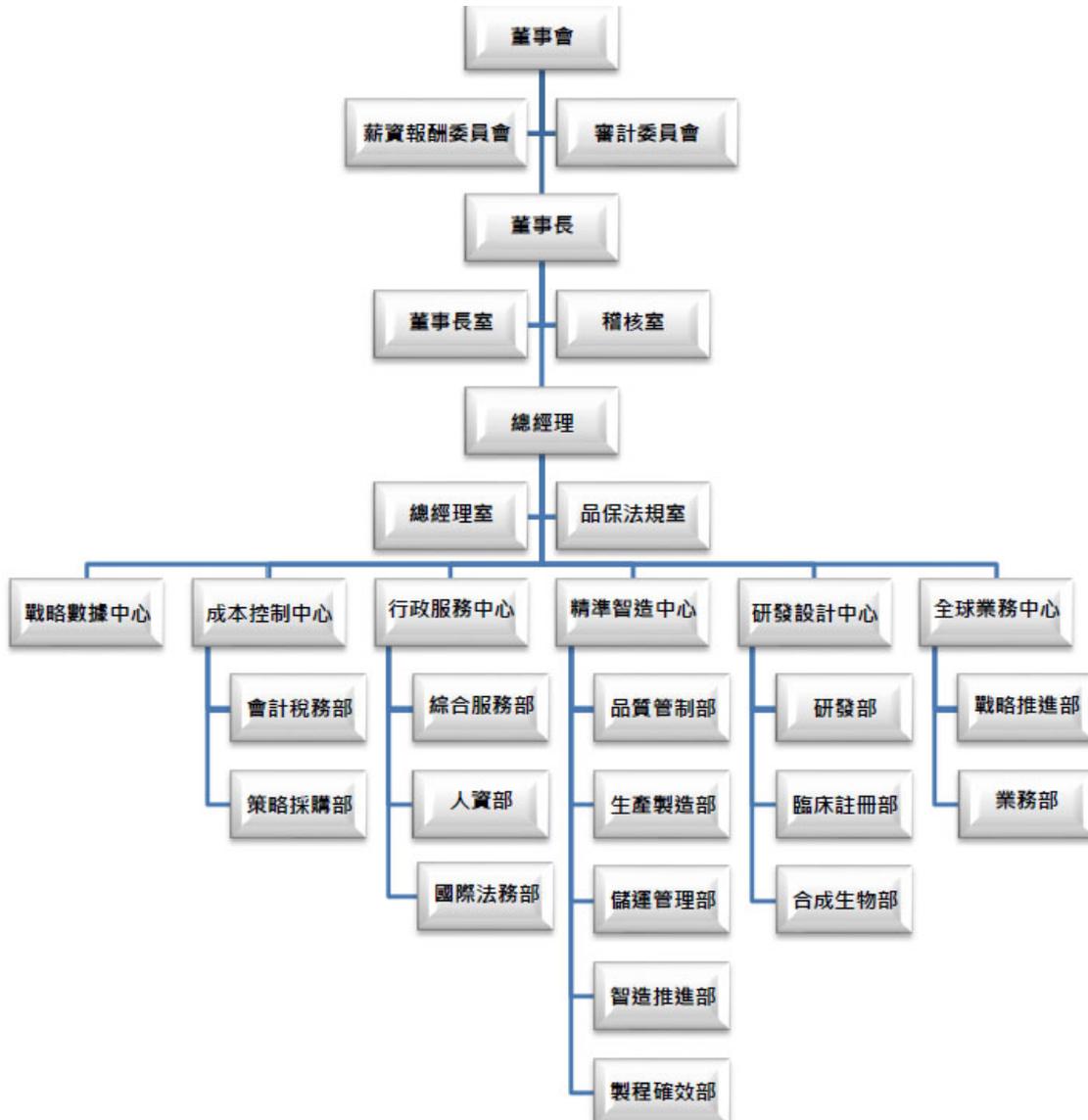
| Year | Milestone |
|------|---|
| | <p>license</p> <p>Five dose intra-articular injectable product obtained Russian RZN marketing license</p> <p>Biomedical factory passed US FDA on-site inspection</p> <p>The “Development Project of Advanced Implantable Composite Medical Materials with Osteogenic Substances” was approved by the Ministry of Economic Affairs under the A+ Enterprise Innovation and R&D Cultivation Program (Foresight Technology R&D Program) with a grant of NT\$43.2 million.</p> |
| 2019 | <p>ArtiAid Plus Intra-articular Injection obtains EU CE marketing license</p> <p>BioGend Therapeutics Co., Ltd. commissioned the manufacture of products “Resorbable Calcium Salt Bone Hole Filling Device” and “Disposable Autologous Cartilage Repair System” which passed Taiwan GMP inspection</p> <p>Tainan factory for skincare products passed</p> <p>Sedex social responsibility audit</p> |
| 2020 | <p>ArtiAid Plus Intra-articular Injection obtained Malaysia marketing license</p> |
| 2021 | <p>ArtiAid Intra-articular Injection obtains Ukraine marketing approval</p> <p>ArtiAid Plus Intra-articular Injection obtains Ukraine marketing approval</p> <p>FormaAid Guided Tissue Regeneration Membrane obtains Malaysia marketing approval</p> <p>BestAid Collagen Bone Graft obtains Malaysia marketing approval</p> <p>Attrax Scaffold obtains Taiwan marketing approval</p> <p>FormaAid Guided Tissue Regeneration Membrane obtains Vietnam import approval</p> <p>HealiAid Collagen Wound Dressing obtains Vietnam import approval</p> |
| 2022 | <p>ArtiAid, an intra-articular injection obtained from Burma, obtains Taiwan marketing approval</p> <p>ArtiBest Intra-articular Injection obtains Indonesia marketing approval</p> <p>ArtiBest Intra-articular Injection obtains Malaysia marketing approval</p> <p>ArtiBest Intra-articular Injection obtains Philippines marketing approval</p> <p>ArtiBest has obtained a marketing license in the Philippines for intra-articular injection and a marketing license in Taiwan</p> <p>HealiAid Collagen Wound Dressing obtains Malaysia marketing approval</p> <p>MissStunnin Collagen Wound Dressing obtains Malaysia marketing approval on skin filler and Taiwan marketing approval</p> |

| Year | Milestone |
|------|--|
| 2023 | <p>MissStunnin Luminous, MissStunnin Fathomless, and MissStunnin Luminous Lidocaine have obtained marketing authorization in Taiwan.</p> <p>HealiAid Dental has obtained 510(k) clearance in the United States.</p> <p>Formaderm has obtained marketing authorization in Malaysia.</p> <p>HealiAid Surgical, HealiAid Dental, and FormaAid have obtained marketing authorization in Saudi Arabia.</p> <p>HealiAid Dental and FormaAid have obtained import licenses in the United Arab Emirates.</p> <p>ArtiAid Plus has obtained marketing authorization in Jordan, Kyrgyzstan, Pakistan, and Egypt.</p> <p>ArtiBest, HealiAid Dental, HealiAid Surgical, FormaAid, BestAid, Formaderm, ViscAid, and PreviscAid have obtained marketing authorization in Ukraine.</p> |

III. Corporate Governance Report

1. Organization

(1) Organizational chart



(2) Responsibilities of each department

| Department | Responsibilities |
|-------------------------------|--|
| General Manager's Office | <ol style="list-style-type: none"> 1. Formulate the company's business strategy, set operational goals, and monitor and evaluate the implementation and performance of the operational goals. 2. Manage the implementation of functional responsibilities, overall strategic goals and policies of all departments, and to supervise and coordinate the implementation and achievement of each unit. 3. Operating data analysis, review and improvement proposals |
| Internal Audit Unit | <ol style="list-style-type: none"> 1. Audit and evaluate the correctness, reliability and availability of internal control systems and operating records. 2. Perform internal audits, internal audit plans and provide timely recommendations for improvement to improve organizational effectiveness and reduce company risk. |
| Quality Assurance Legal Unit | <ol style="list-style-type: none"> 1. Responsible for quality system maintenance management. 2. Coordinate Company quality auditing activities. 3. Achieve the annual target set by the Company according to the quality policy and target. 4. Promote quality management philosophy and manage the Company's process change operations. 5. Assist the Quality Management Representative in coordinating and supervising related departments to drive continuous improvement of the quality management system. 6. Quality system maintenance and regulatory affairs. |
| Strategic Intelligence Center | <ol style="list-style-type: none"> 1. Information system, computer network system planning and implementation. 2. Database management, network system security management and maintenance, disaster recovery, and recovery programs. 3. Computerized process design and implementation of program evaluation planning. |
| Cost Management Center | <ol style="list-style-type: none"> 1. Accounting system establishment and cost control, property inventory, accounting accounts and tax processing. 2. Financial planning, investment/financing management, capital and budget management and control. 3. Procurement of raw materials to ensure the quality, delivery and price competition of the purchased items. 4. The supplier's quality management and technical process capability are evaluated and selected. |
| Administrative Service Center | <ol style="list-style-type: none"> 1. Establish human resources development and management system and promote corporate culture. 2. Manage and planning training and development. 3. Allocates appropriate human resources and organizational planning in line with the company's growth strategy. 4. Procurement and administration of services, raw materials and capital expenditure. |

| Department | Responsibilities |
|-------------------------------------|--|
| Global Business Center | <ol style="list-style-type: none"> 1. Market Research, marketing, planning, and sales management. 2. Market expansion. 3. Reseller management. 4. Customer service and management. 5. Establishing marketing network 6. Handling of customer complaints. |
| Precise iManufacturing (PiM) Center | <ol style="list-style-type: none"> 1. Process Management and Manufacturing. 2. Plan production capacity. 3. Improving production technology. 4. System maintenance management of factory related operations, environment and equipment |
| Research & Design Center | <ol style="list-style-type: none"> 1. Design and development of new products. 2. Technical information provision and sharing. 3. Core technology establishment and progress control. 4. Project management. |

2. Information of Directors, the President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branch Offices

(1) Information Regarding Board Members and Supervisors

A. Information Regarding Board Members

April 15, 2024

| Title | Nationality or Place of registration | Name | Gender Age | Elect (in) Date | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Education and Experience | Selected Current Positions Other Companies | Other Heads, Directors, or Supervisors as Spouse or Kin within the Second Degree | | | If the chairman of the board of directors and the president or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures to be taken shall be stated. |
|----------|--------------------------------------|--|--------------|-----------------|---------|--------------------|---------------------------|-------|---------------------------|-------|-----------------------------|---|-------------------------------------|------|---|--|--|------|--------------|--|
| | | | | | | | Number of shares (shares) | % | Number of shares (shares) | % | Shares (Shares) | % | Shares (Shares) | % | | | Title | Name | Relationship | |
| Chairman | R.O.C. | TCI Co., Ltd. | Legal Person | 2021.7.12 | 3 years | 2021.7.12 | 17,579,881 | 25.30 | 20,304,762 | 22.80 | 0 | 0 | 0 | 0 | Not applicable | Not applicable | None | None | None | None |
| | R.O.C. | Yung-Hsiang Lin | Male 46-50 | 2021.7.12 | 3 years | 2021.7.12 | 0 | 0 | 0 | 0 | 0 | 0 | 1,427,580 | 1.60 | Bachelor Degree in Botany, National Chung Hsing University Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, TCI Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. | (note 1) | None | None | None | None |
| Director | R.O.C. | China Investment and Development Co., Ltd. | Name | 2021.7.12 | 3 years | 2021.7.12 | 1,191,939 | 1.71 | 1,376,688 | 1.55 | 0 | 0 | 0 | 0 | Not applicable | Not applicable | None | None | None | None |
| | R.O.C. | Xiu-Yuan Li | Female 51-55 | 2020.7.12 | 3 years | 2015.6.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree in Economics, San Jose State University, USA Senior Deputy General Manager, China Investment and Development Co., Ltd. Associate, Everfame Consultants Ltd. Project Manager, China Investment and Development Co., Ltd. Securities Analyst, International Department, CITIC Securities Project Manager, Institute of Electronics, ITRI | General Manager, China Investment & Development | None | None | None | None |
| Director | R.O.C. | TCI Co., Ltd. | Name | 2021.7.12 | 3 years | 2021.7.12 | 17,579,881 | 25.30 | 20,304,762 | 22.80 | 0 | 0 | 0 | 0 | Not applicable | Not applicable | None | None | None | None |
| | R.O.C. | Chen-Chen Fu | Female 46-50 | 110.7.12 | 3 years | 2021.7.12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Bachelor of Finance and Taxation, Feng Chia University Accounting Manager, TCI Co., Ltd. | General Manager, TCI Gene Inc. Supervisor, TCI Firstek Corp. Supervisor, Quantum Biology Inc. Supervisor, SMY INTERNET OF PACKAGE CO., LTD. | None | None | None | None |

| Title | Nationality or Place of registration | Name | Gender Age | Elect (in) Date | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Education and Experience | Selected Current Positions Other Companies | Other Heads, Directors, or Supervisors as Spouse or Kin within the Second Degree | | | If the chairman of the board of directors and the president or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures to be taken shall be stated. |
|----------------------|--------------------------------------|-------------------------------------|--------------|-----------------|---------|--------------------|---------------------------|-------------|---------------------------|-------------|-----------------------------|-------------|-------------------------------------|-------------|---|---|--|------|--------------|--|
| | | | | | | | Number of shares (shares) | % Ratio (%) | Number of shares (shares) | % Ratio (%) | Shares (Shares) | % Ratio (%) | Shares (Shares) | % Ratio (%) | | | Title | Name | Relationship | |
| Director | R.O.C. | TCI Co., Ltd. | Name | 2021.7.12 | 3 years | 2021.7.12 | 17,579,881 | 25.30 | 20,304,762 | 22.80 | 0 | 0 | 0 | 0 | Not applicable | Not applicable | None | None | None | None |
| | R.O.C. | Ching-Ting Chen | Female 36-40 | 2021.11.3 | 3 years | 2021.11.3 | 0 | 0 | 97,402 | 0.11 | 2,310 | 0 | 0 | 0 | Master of Chemistry, National Taiwan University Bachelor of Chemistry, National Tsing Hua University Manager, TCI Co., Ltd. | General Manager, Maxigen Biotech Inc. Member of Risk Management Committee, Maxigen Biotech Inc. | None | None | None | None |
| Director | R.O.C. | TCI Co., Ltd. | Name | 2022.6.21 | 3 years | 2022.6.21 | 17,579,881 | 22.83 | 20,304,762 | 22.80 | 0 | 0 | 0 | 0 | Not applicable | Not applicable | None | None | None | None |
| | R.O.C. | Cong-Jie Qiu | Male 41-45 | 2022.6.21 | 3 years | 2022.6.21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree in Chemical Engineering, National Cheng Kung University Deputy Researcher of Food Industry Research and Development Institute | Customer Success Manager, TCI Co., Ltd. | None | None | None | None |
| Director | R.O.C. | Formosa Biomedical Technology Corp. | Name | 2022.6.21 | 3 years | 2022.6.21 | 7,534,235 | 9.78 | 8,702,040 | 9.77 | 0 | 0 | 0 | 0 | Not applicable | Not applicable | None | None | None | None |
| | R.O.C. | Shih-Ming Lai | Male 46-50 | 2022.6.21 | 3 years | 2022.6.21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | MBA, University of Portland General Manager's Office of the General Management Office, Formosa Plastic Group. Purchasing Department, General Management Office, Formosa Plastic Group Formosa Lithium Iron Oxide Corp Deputy Team Leader of Medical Business Development Center, General Management Office, Formosa Plastic Group | Deputy Head of the Investment Management Team, General Management Office, Formosa Plastic Group | None | None | None | None |
| Independent Director | R.O.C. | Sung-Yuan Liao | Male 71-75 | 2021.7.12 | 3 years | 2021.7.12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D., National Chung Hsing University Associate Professor, Department of Life Sciences, National Chung Hsing University | Member of Audit Committee, Maxigen Biotech Inc. Member of Remuneration Committee, Maxigen Biotech Inc. Member of Nomination Committee, Maxigen Biotech Inc. Member of Risk Management Committee, Maxigen Biotech Inc. Independent Director, TCI Co., Ltd. | None | None | None | None |

| Title | Nationality or Place of registration | Name | Gender Age | Elect (in) Date | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Education and Experience | Selected Current Positions Other Companies | Other Heads, Directors, or Supervisors as Spouse or Kin within the Second Degree | | | If the chairman of the board of directors and the president or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures to be taken shall be stated. |
|----------------------|--------------------------------------|-----------------|------------|-----------------|---------|--------------------|---------------------------|-------------|---------------------------|-------------|-----------------------------|-------------|-------------------------------------|-------------|--|--|--|------|--------------|--|
| | | | | | | | Number of shares (shares) | % Ratio (%) | Number of shares (shares) | % Ratio (%) | Shares (Shares) | % Ratio (%) | Shares (Shares) | % Ratio (%) | | | Title | Name | Relationship | |
| Independent Director | R.O.C. | Zhong-Ming Zeng | Male 51-55 | 2021.7.12 | 3 years | 2021.7.12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree in Industrial Engineering, National Chiao Tung University Bachelor of Science, Department of Industrial Engineering Management, National Chiao Tung University Chairman, GAME SPARCS Ltd. Fullerton Technology Co., Ltd. Director of Director of the Mobile Value-Added Services Division Director of Telecommunications, ISAOLUTION INC. | Member of Audit Committee, Maxigen Biotech Inc. Member of Remuneration Committee, Maxigen Biotech Inc. Member of Nomination Committee, Maxigen Biotech Inc. Member of Risk Management Committee, Maxigen Biotech Inc. Founder and Chief Executive Officer, Best Moment Inc. | None | None | None | None |
| Independent Director | R.O.C. | Shih-Ming Li | Male 66-70 | 2021.7.12 | 3 years | 2021.7.12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Reproductive Endocrinology and infertility Researcher, University of California, USA Physician at Liming Obstetrics and Gynecology Clinic Director of Obstetrics and Gynecology Department, Air Force General Hospital Head of Reproductive Medicine Center, Air Force General Hospital Vice President, Chung Shan Hospital | Member of Audit Committee, Maxigen Biotech Inc. Member of Remuneration Committee, Maxigen Biotech Inc. Member of Nomination Committee, Maxigen Biotech Inc. Member of Risk Management Committee, Maxigen Biotech Inc. Independent Director, TCI Co., Ltd. Head of Reproductive Center, Chung Shan Hospital Attending Physician, Department of Obstetrics and Gynecology, Chung Shan Hospital | None | None | None | None |

Note 1: Chairman and General Manager at TCI Co., Ltd.; Chairman at Scientific American Taiwan Co., Ltd.; Chairman at TCI Living Co., Ltd.; Chairman at TCI LIVING Shanghai Co., Ltd.; Chairman and General Manager at TCI Firstek Corp.; Chairman at BioTrade, Shanghai BioTech Group; Chairman and General Manager at BioScience, Shanghai BioTech Group; Chairman at BioCosme, Shanghai Biotech Group; Chairman at BioFunction, Shanghai BioTech Group; Chairman at Genetech, Shanghai Biotech Group; Chairman at Maxigen Biotech Inc. (Shanghai); Chairman at Horay Inc.; Chairman at SMY INTERNET OF PACKAGE CO., LTD.; Chairman at Quantum Biology Inc.; Chairman at Quantum Biology Inc.; Chairman at Petfood Biotechnology Co., Ltd.; Chairman at Scientific American Taiwan Co., Ltd.; Director at TCI BIOTECH USA LLC; Director at TCI Biotech Netherlands B.V.; Director at TCI JAPAN CO., LTD. (大江生醫JAPAN株式会社); Director at TCI HK LIMITED; Director at GLUX HK LIMITED;

B. Major shareholders of corporate shareholders

April 15, 2024

| Name of Corporate Shareholder | Major Shareholders |
|-------------------------------------|---------------------------------------|
| TCI Co., Ltd. | Yong Jiang Investment Co. (5.73%) |
| Formosa Biomedical Technology Corp. | Formosa Chemicals & Fibre Co. (8.20%) |

C. Major shareholders who are legal entities

April 15, 2024

| Legal entity name | Major shareholders of legal entities |
|-------------------------------|---|
| Yong Jiang Investment Co. | Yung-Hsiang Lin (70.07%), Yung-Hao Lin (29.91%) |
| Formosa Chemicals & Fibre Co. | Nan Ya Plastics Co. (2.40%) Wen-Yuan Wang (2.20%), Formosa Petrochemical Co. (0.83%) |

D. Director Information

D-1 Qualifications and Independence Criteria of Directors:

| Name (Note 1) | Condition | Professional qualifications and experience | Independence Criteria (Note 2) | | | | | | | | | | | | Number of Public Companies in which he or she also serves as an independent director | |
|--|-----------|---|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|---|---|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | |
| TCI Co., Ltd. Representative: Yung-Hsiang Lin (Nomination) Member (Risk) Convenor | | Professional qualifications and experience: The Company's Chairman of the Board and Chief Strategic Officer (concurrent), The Chairman of the Board and General Manager (please refer to page 9 for detailed table of education and experience) of TCI Co., Ltd. Possesses the necessary working experience and leadership in running the company and leading the Group to become a global enterprise. There are no circumstances under Article 30 of the Company Act. | | | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | ✓ | | 0 |
| China Investment &Development Representative Xiu-Yuan Li | | Professional qualifications and experience: Representative of the Company's legal director and other duties (please refer to page 9 for detailed table of education and experience). Possesses the work experience necessary for the Company's business. There are no circumstances under Article 30 of the Company Act. | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| TCI Co., Ltd. Representative: Chen-Chen Fu | | Professional qualifications and experience: Representative of the Company's legal director and other duties (please refer to page 9 for detailed table of education and experience). Possesses the work experience necessary for the Company's business. There are no circumstances under Article 30 of the Company Act. | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |

| Condition Name (Note 1) | Professional qualifications and experience | Independence Criteria (Note 2) | | | | | | | | | | | | Number of Public Companies in which he or she also serves as an independen t director |
|---|---|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| TCI Co., Ltd. Representative: Ching-Ting Chen (Risk) Member | Professional qualifications and experience: Representative of the Company's legal director and other duties (please refer to page 10 for detailed table of education and experience). Possesses the work experience necessary for the Company's business. There are no circumstances under Article 30 of the Company Act. | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| TCI Co., Ltd. Representative: Cong-Jie Qiu (Risk) Member | Professional qualifications and experience: Representative of the Company's legal director and other duties (please refer to page 10 for detailed table of education and experience). Possesses the work experience necessary for the Company's business. There are no circumstances under Article 30 of the Company Act. | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Formosa Biomedical Technology Corp. Representative : Shih-Ming Lai (Risk) Member | Professional qualifications and experience: Representative of the Company's legal director and other duties (please refer to page 10 for detailed table of education and experience). Possesses the work experience necessary for the Company's business. There are no circumstances under Article 30 of the Company Act. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Zhong-Ming Zeng (Remuneration) Convener (Audit) Member (Nomination) Member (Risk) Member | Professional qualifications and experience: Possesses relevant experience in business or necessary for the Company's business (please refer to page 10 for detailed table of education and experience). | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Sung-Yuan Liao (Audit) Convener (Nomination) Convener (Remuneration) Member (Risk) Member | Professional qualifications and experience: Lecturer or above from a public or private college or university in a relevant discipline necessary for the Company's business (please refer to page 10 for detailed table of education and experience). | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Shih-Ming Li (Remuneration) Member (Audit) Member (Nomination) Member (Risk) Member | Professional qualifications and experience: A judge, prosecutor, lawyer, accountant, or other professional and technical person who has passed the national examination required for the Company's business and has the necessary work experience for the Company's business (please refer to page 10 for detailed table of education and experience). There are no circumstances under Article 30 of the Company Act. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |

Note 1: Functional committee: (Remuneration) Remuneration Committee, (Audit) Audit Committee, (Nomination) Nomination Committee, (Risk) Risk Management Committee

Note 2: For each director or supervisor who has met each of the following criteria for the two years preceding his or her election and during his or her term of office, please "ü" in the box below each criteria code.

- (1) Not an employee of the Company or its affiliates.
- (2) Directors or supervisors who are not directors or supervisors of the Company or its affiliates (except in the case where the Company and its parent company, subsidiaries, or subsidiaries of the same parent company are appointed as independent directors in accordance with this Act or local laws and regulations).
- (3) Natural shareholders who do not hold more than 1% of the total number of issued shares or the top 10 shareholdings in the name of themselves, their spouses, minor children, or others.
- (4) Not a spouse, a relative within the 2nd degree kin relationship, or a relative within the 3rd degree kin relationship of a manager listed in (1) or a person listed in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (except in the case where the company and its parent company, subsidiary, or subsidiary of the same parent company serve concurrently as independent directors in accordance with this Act or local laws and regulations).
- (6) A director, supervisor or employee of another company who is not controlled by the same person as more than half of the company's directors or voting shares (except in the case where the company and its parent company, subsidiary, or subsidiary of the same parent company serve concurrently as independent directors in accordance with this Act or local laws and regulations).
- (7) A director, supervisor, or employee of another company or organization who is not the same person or spouse as the Chairman, General Manager, or equivalent of the Company (except in the case where the company and its parent company, subsidiary, or subsidiary of the same parent company serve concurrently as independent directors in accordance with this Act or local laws and regulations).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) No spouse or relative within two degrees of kin relationship with other directors.
- (11) No circumstances under Article 30 of the Company Act.
- (12) No election in the capacity of the government, a legal person, or a representative thereof, as provided in Article 27 of the Company Act.

D.2 Board Diversity and Independence:

(1) Board Diversity

Among the 9 directors of the Company, 3 are women, achieving 1/3 of the total number of seats on the Board of Directors, and the Board of Directors has gender diversity. The Board of Directors and the management team have a clear strategy and consensus on the Company's future medium- and long-term growth position and goals, and are seeking suitable successors in accordance with these goals.

In addition, 2 board members are aged 35 to 45, 3 board members are aged 46 to 50, 2 board members are aged 51 to 55, and 2 board members are aged 65 to 75. The age distribution of the board members is evenly split, with approximately half of the board members having many years of experience and half of the board members having new ideas and young energy.

(2) Independence of the Board:

Among the 9 directors of the Company, there are no cases as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act, and there are no cases in which the directors are related to each other as spouses and relatives within the second degree of kin relationship.

(2) Information of the General Manager, Deputy General Manager, Associate, and Heads of Departments and Branch Offices

April 15, 2024

| Title | Nationality | Name | Gender | Elect (in) Date | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Education and Experience | Selected Current Positions at Other Companies | Other Managers as Spouse or Kin within the Second Degree | | | Note: If the chairman of the board of directors or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity, and measures to be taken shall be stated. |
|-----------------------------------|-------------|-----------------|--------|-----------------|--------------|------|-----------------------------|---------|-------------------------------------|---------|---|---|--|------|--------------|---|
| | | | | | Shares | % | Shares | % Ratio | Shares | % Ratio | | | Title | Name | Relationship | |
| General Manager | R.O.C. | Ching-Ting Chen | Female | 2021.09.13 | 97,402 | 0.11 | 2,310 | 0 | 0 | 0 | National Tsing Hua University Institute of Chemistry General Manager, Maxigen Biotech Inc. TCI Co., Ltd. R&D Director | None | None | None | None | Not applicable |
| Deputy General Manager | R.O.C. | Bo-Hong Lai | Male | 2017.06.01 | 85,997 | 0.10 | 0 | 0 | 0 | 0 | Ph.D., Institute of Chemical Engineering, National Tsing Hua University Associate Director of Maxigen Biotech Inc., Manager, Maxigen Biotech Inc. Manager of Maxigen Biotech Inc., Manager, Maxigen Biotech Inc. Researcher of Drug Delivery, Institute of Biomedicine, Institute of Industrial Technology | None | None | None | None | Not applicable |
| Finance and Accounting Supervisor | R.O.C. | Ruei-Yi Wu | Male | 2023.03.22 | 0 | 0 | 0 | 0 | 0 | 0 | Master's, National Taipei University Bachelor's Chung Yuan Christian University Department of Accounting Accounting Manager Turn Cloud Technology Service Inc. Accounting Assistant Manager Hantic Precision Technology, Inc. Audit Assistant Manager KPMG in Taiwan (KPMG International Ltd.) | None | None | None | None | Not applicable |

3. Remuneration paid to directors, supervisors, general manager, and deputy general manager in the latest year

(1) Remuneration Paid to Directors, Supervisors, in 2023

A-1 Remuneration of Directors and Independent Directors (individual name disclosure method)

Unit: NT\$ Thousand, %

| Title | Name | Director's Remuneration | | | | | | | | A+B+C+D and their proportion to net income after tax (Note 10) | | Related Remuneration received by part-time employees | | | | | | | | Total Remuneration (A+B+C+D+F+G) and their proportion to net profit after tax (Note 10) | | Receive remuneration from a foreign invested business or parent company (Note 11) |
|----------------------|---|---------------------------|---|------------------------|---|--------------------------------------|--|---------------------------------------|--|--|---------------------------------------|---|---|------------------------|-------|--|---|-------|---------------------------------------|---|-------|---|
| | | Remuneration (A) (Note 2) | | Retirement pension (B) | | Directors' remuneration (C) (Note 3) | | Business execution costs (D) (Note 4) | | | | Salaries, bonuses and special expenses, etc. (E) (Note 5) | | Retirement pension (F) | | Employee remuneration (G) (Note 6) | | | | | | |
| | | MBI | All companies included in the financial statements (Note 7) | MBI | All companies included in the financial statements (Note 7) | MBI | All companies in the financial report (Note 7) | MBI | All companies in the financial report (Note 7) | MBI | All companies in the financial report | MBI | All companies included in the financial statements (Note 7) | Subsidiary of | | All companies in the financial report (Note 7) | | MBI | All companies in the financial report | | | |
| | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | | | | | |
| Director | TCI Co., Ltd. (shares) Representative: Yung-Hsiang Lin | 0 | 0 | 0 | 0 | 600 | 600 | 90 | 90 | 0.42 | 0.42 | 3,600 | 3,600 | 0 | 0 | 2,476 | 0 | 2,476 | 0 | 6,766 4.08% | 6,766 | 0 |
| | TCI Co., Ltd. (shares) Representative: Jing-Ting Chen | 0 | 0 | 0 | 0 | 600 | 600 | 70 | 70 | 0.40 | 0.40 | 3,600 | 3,600 | 108 | 108 | 2,476 | 0 | 2,476 | 0 | 6,854 4.13% | 6,854 | 0 |
| | TCI Co., Ltd. (shares) Representative: Zhen-Zhen Fu | 0 | 0 | 0 | 0 | 600 | 600 | 60 | 60 | 0.40 | 0.40 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 660 0.4% | 660 | 0 |
| | TCI Co., Ltd. Legal Director Representative: Cong-Jie Qiu | 0 | 0 | 0 | 0 | 402 | 402 | 50 | 50 | 0.27 | 0.27 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 452 0.27% | 452 | 0 |
| | China Investment & Development (shares) Representative: Xiu-Yuan Li | 0 | 0 | 0 | 0 | 600 | 600 | 60 | 60 | 0.40 | 0.40 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 660 0.4% | 660 | 0 |
| | Formosa Biomedical (shares) Representative: Shih-Ming Lai | 0 | 0 | 0 | 0 | 402 | 402 | 60 | 60 | 0.28 | 0.28 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 462 0.28% | 462 | 0 |
| Independent Director | Sung-Yuan Liao | 0 | 0 | 0 | 0 | 600 | 600 | 200 | 200 | 0.48 | 0.48 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 800 0.48% | 800 | 0 |
| | Shih-Ming Li | 0 | 0 | 0 | 0 | 600 | 600 | 180 | 180 | 0.47 | 0.47 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 780 0.47% | 780 | 0 |
| | Zhong-Ming Zeng | 0 | 0 | 0 | 0 | 600 | 600 | 200 | 200 | 0.48 | 0.48 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 800 0.48% | 800 | 0 |

A-2 Brackets for Compensation Paid

| Brackets for Compensation Paid to Directors | Name | | | |
|--|---|---|---|---|
| | Total Remuneration (A+B+C+D) | | Total Compensation (A+B+C+D+E+F+G) | |
| | From Maxigen Biotech Inc. (Note 8) | All companies in the financial statements (Note 9) H. | From Maxigen Biotech Inc. (Note 8) | All companies included in the financial statements (Note 9) I. |
| Less than NT\$ 1,000,000 | Yung-Hsiang Lin, Ching-Ting Chen, Zhen-Zhen Fu, Cong-Jie Qiu, Shiou-Yuan Li, Shih-Ming Lai, Song-Yuan Liao, Shih-Ming Li, Zhong-Ming Zeng | Yung-Hsiang Lin, Ching-Ting Chen, Zhen-Zhen Fu, Cong-Jie Qiu, Shiou-Yuan Li, Shih-Ming Lai, Song-Yuan Liao, Shih-Ming Li, Zhong-Ming Zeng | Zhen-Zhen Fu, Cong-Jie Qiu, Shiou-Yuan Li, Shih-Ming Lai, Song-Yuan Liao, Zhong-Ming Zeng, Shih-Ming Li | Zhen-Zhen Fu, Cong-Jie Qiu, Shiou-Yuan Li, Shih-Ming Lai, Song-Yuan Liao, Zhong-Ming Zeng, Shih-Ming Li |
| NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive) | | | | |
| NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive) | | | | |
| NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive) | | | | |
| NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive) | | | Yung-Hsiang Lin, Ching-Ting Chen | Yung-Hsiang Lin, Ching-Ting Chen |
| NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive) | | | | |
| NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive) | | | | |
| NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive) | | | | |
| NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive) | | | | |
| NT\$ 100,000,000 and above | | | | |
| Total | | | | |

Note 1: The names of Directors should be listed separately (corporate shareholders should list the names of corporate shareholders and their representatives separately), and the amounts paid to each director should be listed separately for general directors and independent directors, and the amounts paid to each director should be disclosed in aggregate. If a Director is also a general manager or deputy general manager, this table and the following table (3-1) or the following tables (3-2-1) and (3-2-2) should be filled in.

Note 2: Refers to the remuneration of directors for the most recent year (including directors' salaries, job addition, severance pay, various bonuses, awards, etc.).

Note 3: The amount of directors' remuneration approved by the Board for the most recent year is included.

Note 4: Refers to the relevant business execution expenses of the directors in the most recent year (including travel expenses, special expenses, various allowances, dormitory, car allocation and other in-kind provision, etc.). The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other transportation or personal expenses are provided. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it is not included in the remuneration.

Note 5: Refers to the salary, position bonus, severance pay, various bonuses, incentives, travel expenses, special expenses, various allowances, dormitories received by the directors and employees (including concurrently general managers, deputy general managers, other managers and employees), distribution of vehicles and other physical supplies, etc. in the most recent year. The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other transportation or personal expenses are provided. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it is not included in the remuneration. Salary expense recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase to subscribe for shares, should also be included in remuneration.

Note 6: Refers to the directors and employees (including concurrently serving as general manager, deputy general manager, other managers and employees) who received employee remuneration (including stock and cash) in the most recent year. The amount of employee remuneration approved by the Board of Directors in the most recent year should be disclosed. If it is impossible to estimate For those who do not, the proposed distribution amount this year shall be calculated according to the proportion of the actual distribution amount of the previous year, and the Schedule 1-3 shall also be filled out.

Note 7: The aggregate amount of remuneration paid to the directors of the Company by all companies (including the Company) included in the combined report should be disclosed.

Note 8: The aggregate amount of remuneration paid by the Company to each Director is disclosed in the ranking to which he belongs.

Note 9: The aggregate amount of remuneration paid to each director of the Company by all companies (including the Company) in the combined report should be disclosed and the names of the directors should be disclosed in the ranking to which they belong.

Note 10: Net profit after tax represents net profit after tax as reported by individual or individual financial statements for the latest year.

Note 11: A. this column should clearly indicate the amount of remuneration received by the directors of the company from the foreign investment business of the subsidiary or the parent company (if not, please fill in "none").

B. Directors of a company who receive remuneration from a non-subsiary investment business or related to a parent company shall incorporate the remuneration received by the directors of the company in the non-subsiary investment business or parent company into column I of the remuneration scale table and change the name of the field to "Parent and all reinvestment business."

C. The remuneration disclosed in this table is different from the income tax law concept of income tax and is therefore intended for information disclosure purposes and not for taxation purposes.

(2) Compensation Paid to General Manager & Deputy General Managers in 2023

B-1 Compensation Paid to General Manager & Deputy General Managers (aggregated with scale method of name disclosure)

Unit: NT\$ thousand, %

| Title | Name | Salary (A) (Note 2) | | Retirement pension (B) | | Bonuses and allowances (C) (Note 3) | | Employees' Compensation (D) (Note 4) | | | | A+B+C+D and their proportion to net income after tax (%) (Note 8) | | Receive a remuneration from a foreign invested business or parent company (Note 9) |
|------------------------|-----------------|---------------------|--|------------------------|--|-------------------------------------|--|--------------------------------------|---------------|---|---------------|---|---------------------------------------|--|
| | | Subsidiary of | All companies in the financial report (Note 5) | Subsidiary of | All companies in the financial report (Note 5) | Subsidiary of | All companies in the financial report (Note 5) | Subsidiary of | | All companies included in the financial statements (Note 5) | | Subsidiary of | All companies in the financial report | |
| | | | | | | | | Cash Amount | Shares Amount | Cash Amount | Shares Amount | | | |
| General Manager | Ching-Ting Chen | | | | | | | | | | | | | |
| Deputy General Manager | Bo-Hong Lai | 4,213 | 4,213 | 160 | 160 | 1,910 | 1,910 | 3,044 | 0 | 3,044 | 0 | 5.63 | 5.63 | None |

B-2 Brackets for Compensation Paid

| Brackets for Compensation Paid to General Manager & Deputy General Managers | Name | |
|---|------------------------------------|---|
| | From Maxigen Biotech Inc. (Note 6) | All companies included in the financial statements (note 7) |
| Less than NT\$ 1,000,000 | | |
| NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive) | | |
| NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive) | Bo-Hong Lai | Bo-Hong Lai |
| NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive) | | |
| NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive) | Ching-Ting Chen | Ching-Ting Chen |
| NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive) | | |
| NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive) | | |
| NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive) | | |
| NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive) | | |
| NT\$ 100,000,000 and above | | |
| Total | | |

Note 1: The names of the general manager and the deputy general manager should be listed separately, and the amounts of each payment should be disclosed in aggregate. If the director concurrently serves as the general manager or deputy general manager, this form and the above form (1-1), or (1-2-1) and (1-2-2) should be filled out.

Note 2: Fill in the latest annual general manager and deputy general manager salary, position bonus, severance pay.

Note 3: Fill in the latest annual general manager and deputy general manager various bonuses, incentives, car and horse fees, special expenses, various allowances, dormitories, vehicles and other in-kind provision and other remuneration amounts. The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other transportation or personal expenses are provided. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it is not included in the remuneration. Salary expense recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase to subscribe for shares, should also be included in remuneration.

Note 4: Fill in the amount of employee remuneration (including stock and cash) that was approved by the board of directors to distribute to the general manager and deputy general managers in the most recent year. If it is impossible to estimate, the proposed distribution amount for this year shall be calculated in proportion to the actual distribution amount of the previous year, and table 1 to 3 shall be additionally filled in.

Note 5: The aggregate amount of remuneration paid by all companies (including the Company) to the general and deputy general managers of the Company in the combined report should be disclosed.

Note 6: The Company paid each general manager and deputy general manager the aggregate amount of remuneration and disclosed the names of the general manager and deputy general manager in the ranking to which they belonged.

Note 7: The aggregate remuneration paid by all companies (including the Company) to each of the general and deputy general managers of the Company in the combined report should be disclosed, and the names of the general and deputy general managers should be disclosed in the ranking to which they belong.

Note 8: Net profit after tax represents net profit after tax as reported by individual or individual financial statements for the latest year.

Note 9: A. This column should clearly indicate the amount of remuneration received by the general manager and deputy general manager of the company from the foreign investment business or the parent company (if none, please fill in "none").

B. The general manager and deputy general manager of a company who receive remuneration from a non-subsiary investment business or related to the parent company, shall incorporate the remuneration received by the general manager and deputy general manager of the company in the non-subsiary investment business or the parent company into column E of the remuneration scale. And change the field name to "Parent Company and all reinvestment businesses."

C. Remuneration means compensation, remuneration (including staff, directors and monitors) and business execution expenses received by the general manager and deputy general manager of the Company in his capacity as a director, inspector or manager of a non-subsiary or a parent company.

The remuneration disclosed in this table is different from the income tax law concept of income tax and is therefore intended for information disclosure purposes and not for taxation purposes.

B-3 The top five highest-paid managers of listed and over-the-counter companies (individual disclosure of names and remuneration methods) (Note 1)

| Title | Name | Salary (a) (Note 2) | | Retirement pension (B) | | Bonuses and special allowances (C) (Note 3) | | Employees' Compensation (D) (Note 4) | | | | Total Remuneration (A+B+C+D) and their proportion to net income after tax (%) (note 6) | | Receive a remuneration from a foreign invested business or parent company (note 7) |
|------------------------|-----------------|------------------------|--|------------------------|--|--|--|---|---------------|---|---------------|--|---------------------------------------|--|
| | | Subsidiary of | All companies in the financial report (Note 5) | Subsidiary of | All companies in the financial report (Note 5) | Subsidiary of | All companies in the financial report (Note 5) | Subsidiary of | | All companies included in the financial statements (note 5) | | Subsidiary of | All companies in the financial report | |
| | | | | | | | | Cash Amount | Shares Amount | Cash Amount | Shares Amount | | | |
| Chief Strategy Officer | Yung-Hsiang Lin | 3,600 | 3,600 | | | | | 2,476 | | 2,476 | | 6,076 | 6,076 | |
| General Manager | Ching-Ting Chen | 3,600 | 3,600 | 108 | 108 | | | 2,476 | | 2,476 | | 6,184 | 6,184 | |
| Deputy General Manager | Bo-Hong Lai | 2,523 | 2,523 | 106 | 106 | | | 568 | | 568 | | 3,197 | 3,197 | |

Note 1: "Employee Compensation Amount Paid to Top Five Supervisors" refer to the managers of the Company. The criteria for the recognition of managers are based on the scope of "managers" as stipulated by the former Securities and Futures Commission of the Ministry of Finance in its Order No. 0920001301 dated March 27, 2003. The "Employee Compensation Amount Paid to Top Five Supervisors" calculation is based on the total amount of salaries, retirement pensions, bonuses and special payments received by the manager from all companies in the consolidated financial statements, as well as the amount of employee compensation (i.e., the total of the four items A+B+C+D), and then ranked by the top five highest compensation. If a Director is also a former supervisor, this table and the above table (1-1) should be completed.

Note 2: Includes the salary, job addition and severance pay of the top five paid supervisors for the most recent year.

Note 3: In the series, fill in the various bonuses, incentives, car fees, special expenses, various allowances, dormitories, cars and other in-kind provision and other remuneration amounts for the compensation paid to the top five supervisors in the most recent year. The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other transportation or personal expenses are provided. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it is not included in the remuneration. Salary expense recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase to subscribe for shares, should also be included in remuneration.

Note 4: Fill in the amount of employee remuneration (including stock and cash) approved by the board of directors to distribute to the top five supervisors in the most recent year. If it is impossible to estimate, the proposed distribution amount for this year shall be calculated according to the proportion of the actual distribution amount of last year, and table 1-3 shall be additionally filled in.

Note 5: The total amount of remuneration paid by all companies (including the company) to the company's top five top supervisors in the consolidated report should be disclosed.

Note 6: Net profit after tax represents net profit after tax as reported by individual or individual financial statements for the latest year.

Note 7: A. This column should clearly indicate the amount of remuneration received by the top five supervisors of the company from the non-subsiary's foreign investment business or the parent company's related remuneration (if not, please fill in "nil").

B. Remuneration is the compensation, remuneration (including staff, directors and supervisors' emoluments) and business execution expenses received by the five highest supervisors of the Company in their capacity as directors, supervisors or managers of a non-subsiary or parent company for foreign investment.

C. The remuneration disclosed in this table is different from the income tax law concept of income tax and is therefore intended for information disclosure purposes and not for taxation purposes.

(3) The name of the manager who distributes the employee's remuneration and the distribution:

Unit: NT\$ thousand, %

| | Title | Name | Stock | Cash | Total | The total amount as a net percentage after tax (%) |
|---------|------------------------|-----------------|-------|-------|-------|--|
| Manager | General Manager | Ching-Ting Chen | 0 | 3,157 | 3,157 | 1.90 |
| | Deputy General Manager | Bo-Hong Lai | | | | |
| | Accounting Supervisor | Ruei-Yi Wu | | | | |

Note 1: Individual names and titles should be disclosed, but distribution of profits can be disclosed in aggregate.

Note 2: Fill in the amount of employee remuneration (including stock and cash) that was approved by the board of directors to distribute to managers in the most recent year. If it is impossible to estimate, the proposed distribution amount for this year will be calculated in proportion to the actual distribution amount of the previous year. The net income after tax refers to the net income after tax of the most recent year; if IFRSs have been adopted, the net income after tax refers to the net income after tax of the most recent year for individual or separate financial reports.

Note 3: The scope of application of the Manager, in accordance with the order of TCCI No. 0920001301 dated March 27, 2013, is as follows:

- (1) General manager and equivalent
- (2) Deputy General Manager and equivalent
- (3) Associate and equivalent
- (4) Finance Department Supervisor
- (5) Accounting Department Supervisor
- (6) Other persons who have the right to manage and sign for the company

Note 4: If a Director, General Manager or Deputy General Manager receives compensation (including stock and cash) for his or her employees, he or she should complete this form in addition to Schedule 1.2.

(4) An analysis of the total compensation paid to the Company's directors, supervisors, general manager and vice president as a percentage of net income after tax for the last two years for the Company and all consolidated companies, respectively, and a description of the policy, criteria and composition of compensation payments, the process of setting compensation and the correlation with operating performance and future risks.

A. Analysis of total remuneration paid to the Company's directors, supervisors, general manager and vice president as a percentage of net income after tax for the most recent year for the Company and all companies in the consolidated financial statements.

Unit: NT\$ thousand

| Title | 111 | | | | 112 | | | |
|--|--------------------|---|--|---|--------------------|---|--|---|
| | Total remuneration | | Percentage of net income after tax (%) | | Total remuneration | | Percentage of net income after tax (%) | |
| | Subsidiary of | Consolidate all companies in the report | Subsidiary of | Consolidate all companies in the report | Subsidiary of | Consolidate all companies in the report | Subsidiary of | Consolidate all companies in the report |
| Director | 14,037 | 14,037 | 10.07 | 10.07 | 18,207 | 18,207 | 10.98 | 10.98 |
| General Manager and Deputy General Manager | 2,802 | 2,802 | 2.00 | 2.00 | 3,170 | 3,170 | 1.91 | 1.91 |

B. The remuneration of directors and supervisors, including transport fees and remuneration for directors and supervisors of earnings distribution, shall be paid in accordance with the Company's Articles of Incorporation.

C. The remuneration of the General Manager and Deputy General Manager is considered in accordance with the approved principles of the Company's grade level compensation.

D. The remuneration standards for directors, supervisors, general manager and vice president will be adjusted according to future changes in circumstances.

F. Ms. Jing-Ting Chen, a director of the Company, is also the general manager and her remuneration is included in the calculation of the total number of directors.

4. Corporate Governance Operation

(1) Board of Directors Meeting Status

A. 2023 10th session (term: July 12, 2021 to July 11, 2024). There were 6 meetings convened (A). The attendance as of December 31, 2023, is as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) | Notes |
|----------------------|--|--------------------------|----------|-------------------------------------|-------|
| Chairman | TCI Co., Ltd. Representative: Yung-Hsiang Lin | 6 | 0 | 100% | |
| Director | China INVESTMENT AND DEVELOPMENT Representative: Xiu-Yuan Li | 6 | 0 | 100% | |
| Director | Formosa Biomedical Technology Corp. Representative: Shih-Ming Lai | 6 | 0 | 100% | |
| Director | TCI Co., Ltd. Representative: Jing-Ting Chen | 6 | 0 | 100% | |
| Director | TCI Co., Ltd. Representative: Zhen-Zhen Fu | 6 | 0 | 100% | |
| Director | TCI Co., Ltd. Representative: Cong-Jie Qiu | 5 | 1 | 88.89% | |
| Independent Director | Sung-Yuan Liao | 6 | 0 | 100% | |
| Independent Director | Zhong-Ming Zeng | 6 | 0 | 100% | |
| Independent Director | Shih-Ming Li | 5 | 1 | 88.89% | |

B. Annotations

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response shall be specified.

(A) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Not applicable. The Company has already established an audit committee.

(B) Other resolutions opposed or reserved by the independent directors with records or written statements: None

2. Directors' avoidance of motions in conflict of interest, the director's names, contents of motion, causes for avoidance and voting should be specified:

| Board of Directors | Proposal | Reasons for Recusal | Participation in Deliberation |
|---|---|--|---|
| 2023 1st Board of Directors 2023.03.22 | Proposal 1: Personnel adjustment of the financial manager and adjustment of salary remuneration | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 1st Board of Directors 2023.03.22 | Proposal 10: The Company's 2022 distribution of employees' and directors' remuneration | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 1st Board of Directors 2023.03.22 | The salary and compensation adjustment plan for the Company's managers. | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 1st Board of Directors 2023.03.22 | The 2023 remuneration plan for the CPA. | Related parties avoided interests. | After the related parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 3rd Board of Directors 2023.05.03 | Explanation of the Company's 2022 distribution of director's and employee remuneration. | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 3rd Board of Directors 2023.05.03 | Adjustment of the Company's Audit supervisor's salary related matters | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 4th Board of Directors 2023.07.26 | Explanation of the Company's 2022 distribution of employee remuneration | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 5th Board of Directors 2023.11.08 | Explanation of the Company's 2022 distribution of employee remuneration | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 6th Board of Directors 2023.12.18 | Proposal for the nomination of a dedicated Chief Information Security Officer | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |
| 2023 6th Board of Directors 2023.12.18 | Matter related to the distribution of the year-end bonuses for the Company's managers for 2023. | The attending managers avoided interest. | After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection. |

3. The listed and OTC companies shall disclose information such as the evaluation frequency and period, evaluation scope, method, and evaluation content of the board's self (or peer) evaluation:

| Frequency | Period | Scope | Method | Content |
|------------------------|--|---|---|---|
| Annual self-assessment | January 01, 2023, to December 31, 2023 | Including performance evaluation of the Board of Directors as a whole, individual board members and functional committees | The methods of evaluation include internal self-evaluation by the Board of Directors, self-evaluation by board members, and self-evaluation by functional committees. | The Company shall establish the items for measuring the performance of the Board of Directors, considering the Company's situation and needs, and shall include at least the following five major aspects: 1. Extent of participation in the Company's operations 2. Improve the quality of the board's decisions 3. Composition and structure of the Board of Directors 4. Selection and continuous training of Directors 5. Internal control |

4. Evaluation of the current and most recent year's goals for strengthening the Board of Directors' functions (e.g., establishing an audit committee, enhancing information transparency, etc.) and their implementation:

- (A) Strengthening the functions of the Board of Directors: With respect to the system of independent directors, the Company established an audit committee with three independent directors after the shareholders' meeting on June 29, 2020. The three independent directors attend the Board of Directors' meetings well and use their industry knowledge to provide the Board of Directors with good advice on the motions related to business, financial and legal issues in the Board of Directors' meetings.
- (B) To enhance information transparency, the financial statements of the company and its subsidiaries are regularly audited by Deloitte. All information disclosure requirements mandated by law are accurately and promptly fulfilled. A dedicated person is assigned to collect and disclose company information, establishing a spokesperson system to ensure that all significant information is disclosed timely and appropriately. This allows shareholders and stakeholders to access relevant financial and business information about the Company.

(2) Audit Committee Meeting Status

A. 2nd regular meeting of 2023 (term: July 12, 2021, to July 11, 2024). There were 6 regular meetings (A) convened and the attendance status as of December 31, 2023, is as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) (Note1, Note 2) | Notes |
|----------------------|-----------------|--------------------------|----------|---|-------|
| Independent Director | Sung-Yuan Liao | 6 | 0 | 100% | |
| Independent Director | Zhong-Ming Zeng | 6 | 0 | 100% | |
| Independent Director | Shih-Ming Li | 5 | 1 | 83.33% | |

Annotations:

1. If any of the following situations occur in the operation of the Audit Committee, the date of the meeting, session, agenda items, dissenting opinions of independent directors, reserved opinions, or significant recommendations shall be specified. Additionally, the resolution of the Audit Committee and the Company's response to the Audit Committee's opinions shall be documented.
 - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: Please refer to Section 11 and other significant matters stipulated by the Company or the competent authority.
 - (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
2. If there is independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance, and voting should be specified.
3. Communications between the independent directors, the Company's audit committee and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

Note 1: If an independent director resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of audit committee meetings and the actual number of attendances during their tenure.

Note 2: Before the end of the year, if there is an independent director re-election, the new and old independent directors should be filled in, and the old, new or re-appointed and re-election date of the independent director should be indicated in the remark's column. The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee and the actual attendance during his or her employment.

The terms of reference of this committee are as follows:

1. Establish or amend the internal control system in accordance with the provisions of Article 14 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Per Article 36-1 of the Securities and Act, the Company shall establish or amend procedures for handling significant financial transactions involving the acquisition or disposal of assets, derivative transactions, lending of funds to others, or endorsement or guarantee of others.
4. Matters concerning the interests of the Directors.
5. Significant asset or derivative transactions.
6. Substantial capital loan, endorsement or guarantee of funds.
7. Raising, issuing or private placement of securities with equity nature.
8. Appointment, dismissal or compensation of CPAs.

9. Appointment and removal of the supervisor of finance, accounting or internal audit.
10. The annual financial report signed or sealed by the Chairman of the Board of Directors, the manager and the chief accounting officer, and the second quarterly financial report subject to audit and certification by the accountant.
11. Other significant matters as stipulated by the Company or the competent authority.

| Meeting Date | Proposal | Resolution | MBI's Response to Resolution |
|-----------------------------------|---|----------------------------|------------------------------------|
| 1st meeting of 2023 2023.03.22 | <p>Proposal 1: Personnel adjustment of the financial manager and adjustment of salary remuneration.</p> <p>Proposal 2: Adoption of the 2022 business report and financial statements.</p> <p>Proposal 3: The Company's 2022 distribution of employees' and directors' remuneration.</p> <p>Proposal 4: The 2023 remuneration plan for the CPA.</p> <p>Proposal 5: The Company's Internal Control System Statement.</p> <p>Proposal 6: Amendment to the Company's "Ethical Management Code of Conduct" and "Procedures for Ethical Management and Guidelines for Conduct."</p> <p>Proposal 7: Amendment to the Company's "Personal Data Protection Management Regulations and Security Maintenance Plan."</p> <p>Proposal 8: Proposal to apply for a financing loan limit from financial institutions.</p> | Approved without objection | Approved by the Board of Directors |
| 2nd meeting of 2023 2023.04.21 | <p>Proposal 1: Proposal for the company to acquire marketable securities.</p> | Approved without objection | Approved by the Board of Director |
| 3rd meeting of 2023 2023.05.03 | <p>Proposal 1: The Company's Consolidated Financial Statements for the 1st quarter of 2023.</p> <p>Proposal 2: Proposal for the distribution of the Company's 2022 profits.</p> <p>Proposal 3: Converting surplus into capital and issuing new shares in 2023</p> <p>Proposal 4: Proposal to apply for a financing loan limit from financial institutions.</p> | Approved without objection | Approved by the Board of Director |
| 4th meeting of 2023 2023.07.26 | <p>Proposal 1: The Company's Consolidated Financial Statements for the 2nd quarter of 2023.</p> | Approved without objection | Approved by the Board of Director |
| 5th meeting of 2023 2023.11.08 | <p>Proposal 1: The Company's Consolidated Financial Statements for the 3rd quarter of 2023.</p> <p>Proposal 2: Proposal for the Company to provide a loan to its wholly-owned subsidiary, "MBI Biotechnology (Shanghai) Co., Ltd."</p> <p>Proposal 3: Proposal to ratify the Company's sale of investment property.</p> <p>Proposal 4: Amendment of the Company's internal control system and management system.</p> | Approved without objection | Approved by the Board of Director |
| 6th meeting of 2023 2023.12.18 | <p>Proposal 1: The Company's Operating Plan and Budget for 2024.</p> <p>Proposal 2: The Company's 2024 Audit Plan.</p> <p>Proposal 3: Proposal to assess the independence and suitability of the Company's certified public accountant.</p> <p>Proposal 4: To accommodate the internal adjustments of PwC Taiwan, the Company will change its certified public accountant starting from the first quarter of 2024.</p> | Approved without objection | Approved by the Board of Directors |

(3) The operation of corporate governance and the differences between it and the Code of Corporate Governance Practices of listed and listed companies and the reasons therefor

| Item | Operation Status | | | Differences from the Code of Corporate Governance Practices of listed and |
|--|------------------|----|--|---|
| | Yes | No | Explanation | |
| Does the Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices? | V | | The Company has formulated the Corporate Governance Best Practice Principles and disclosed the relevant information on the official website and the Market Observation Post System (MOPS). | No significant difference |
| Shareholding Structure & Shareholders’ Rights | | | | No significant difference |
| (1) Does the Company have Internal Operating Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? | V | | (1) The Company has a spokesperson and an agent spokesperson to deal with matters such as shareholder suggestions or disputes and has a stock department to consult relevant shareholder issues. | |
| (2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders? | V | | (2) The Company keeps track of the shareholdings of directors, managers and major shareholders holding 10% or more of the shares, and reports the shareholdings of major shareholders on a regular basis. | |
| (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? | V | | (3) The Company has established the relevant control mechanism in the Company’s internal regulations and internal control system in accordance with regulations, which will be implemented in accordance with the management practices of the relevant subsidiaries. | |
| (4) Has the Company established internal rules prohibiting insider trading on undisclosed information? | V | | (4) The Company has established “Internal Material Information Procedures” to prevent insider trading. | |
| Composition and Responsibilities of the Board of Directors | | | | No significant difference |
| (1) Does the Board of Directors have a diversity policy, specific management objectives, and implementation? | V | | (1) The composition of the Board of Directors of the Company is in accordance with the provisions of the Company’s Articles of Incorporation and the Rules Governing the Election of Directors to | |

| Item | Operation Status | | Explanation | Differences from the Code of Corporate Governance Practices of listed and |
|------|------------------|----|--|---|
| | Yes | No | | |
| | | | <p>ensure the diversity and independence of the Board members. The current Board members are all distinguished professionals in industry and academia, with experience in corporate management practices of listed companies or in management positions in government agencies, and with leadership and decision-making, crisis management and international market perspectives. The important objectives of the Board members are as follows:</p> <ol style="list-style-type: none"> 1. The Board members possess expertise in accounting, medicine, and business management. 2. 3 female Directors <p>(2) The brief introduction of the directors are as follows:</p> <ol style="list-style-type: none"> 1. 3 Independent Directors: <ol style="list-style-type: none"> (1) Independent director Dr. Song-Yuan Liao graduated from National Chung Hsing University with a doctorate in industrial knowledge and medical professions. (2) Independent director, Zhong-Ming Zeng holds a Master's degree from the Institute of Industrial Engineering, National Taiwan Chiao Tung University, Bachelor's degree in Industrial Engineering Management, National Taiwan Chiao Tung University, Chairman of Longzhong Internet (Stock) Company, Director of the Corporate Action Value-Added Division of Fuerte Technology (Stock), Yaoshuo Director of Telecom Division of Technology (Stock) Company. He possesses expertise in industry knowledge and business management. (3) Independent Director Shih-Ming Li graduated from the University of California, USA, a researcher in reproductive endocrinology and infertility, Liming Obstetrics and Gynecology, director of the Obstetrics and Gynecology | |

| Item | Operation Status | | Explanation | Differences from the Code of Corporate Governance Practices of listed and |
|------|------------------|----|--|---|
| | Yes | No | | |
| | | | <p>Department of the Air Force General Hospital, and head of the Reproductive Medicine Center of the Air Force General Hospital, with a major in medicine.</p> <p>2. 6 Regular Directors:</p> <p>(1) Chairman of the Board Yung-Hsiang Lin holds a Bachelor's Degree in Botany, National Chung Hsing University, Deputy General Manager, TCI Co., Ltd., Manager of Biomedical Department of Ta Chiang International Co., Ltd. Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. He possesses expertise in business management, finance, and operational judgment.</p> <p>(2) Director Xiu-Yuan Li once served as a securities analyst of CITIC Securities and a project manager of the Institute of Electronics, Industrial Technology Research Institute. She has professional skills such as business management, industry knowledge and business judgment.</p> <p>(3) Director Shih-Ming Lai graduated with an MBA from the University of Portland, Oregon, USA. He has served in various roles at Formosa Plastics Group, including in the Office of the General Manager, the Procurement Department, and the Medical Business Development Center. He has also been involved with Formosa Lithium Iron Materials Co. Ltd. He possesses expertise in business management, industry knowledge, and operational judgment.</p> <p>(4) Director Zhen-Zhen Fu graduated from Feng Chia University with a bachelor's degree in finance and taxation, and has professional skills in business management, accounting and finance.</p> | |

| Item | Operation Status | | | Differences from the Code of Corporate Governance Practices of listed and | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|------------------|-------------|---|---|--|-------------------------------|--|-----------------------------|--|-------------------------------|--------------------------|--------------------|------------------------------|-------------------|------------------------|-----------------|------|-----|---|---|---|---|---|---|---|---|---|-------------|--------|-----|---|---|---|---|---|---|---|---|---|--------------|--------|-----|---|---|---|---|---|---|---|---|---|-----------------|--------|-----|---|---|---|---|---|---|---|---|---|--------------|------|-----|---|---|---|---|---|---|---|---|---|---------------|------|-----|---|---|---|---|---|---|---|---|---|--|------|-----|---|---|--|---|---|---|---|---|---|---|------|-----|---|---|---|---|---|---|---|---|---|--|------|-----|---|---|--|---|---|---|---|---|---|--|
| | Yes | No | Explanation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>(5) Director Jing-Ting Chen graduated from National Taiwan University with a master's degree in chemistry. She won two gold medals and one special award at the Pittsburgh Invention Exhibition in 2013 and 2016. She has research and development capabilities, industrial knowledge and other professional capabilities.</p> <p>(6) Cong-Jie Qiu holds a master's degree in chemical engineering from National Cheng Kung University. He has served as a Customer Success Manager at TCI Co., Ltd. and as an Associate Researcher at the Food Industry Research and Development Institute. He possesses expertise in R&D and other professional capabilities.</p> <p>(3) The implementation of the various objectives of the Directors is as follows:</p> <p>1. From the above description, the existing directors are all leaders from industry and academia, who have experience in the management of listed companies in operating companies or in government agencies, and have leadership decision-making, crisis management, and international market outlook. The implementation of multiple goals is disclosed as follows:</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>Name</th> <th>Gender</th> <th>Nationality</th> <th>Length of time as an Independent Director of the Company</th> <th>Operational Judgment Skills</th> <th>Accounting and financial analysis skills</th> <th>Operational management skills</th> <th>Crisis management skills</th> <th>Industry knowledge</th> <th>International market outlook</th> <th>Leadership skills</th> <th>Decision-making skills</th> </tr> </thead> <tbody> <tr> <td>Yung-Hsiang Lin</td> <td>Male</td> <td>ROC</td> <td>0</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Xiu-Yuan Li</td> <td>Female</td> <td>ROC</td> <td>0</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Chen-Chen Fu</td> <td>Female</td> <td>ROC</td> <td>0</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Ching-Ting Chen</td> <td>Female</td> <td>ROC</td> <td>0</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Cong-Jie Qiu</td> <td>Male</td> <td>ROC</td> <td>0</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Shih-Ming Lai</td> <td>Male</td> <td>ROC</td> <td>0</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Song-Yuan Liao (Independent Director)</td> <td>Male</td> <td>ROC</td> <td>2</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Zhong-Ming Zeng (Independent Director)</td> <td>Male</td> <td>ROC</td> <td>2</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Shih-Ming Li (Independent Director)</td> <td>Male</td> <td>ROC</td> <td>2</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> </tbody> </table> | Name | Gender | Nationality | Length of time as an Independent Director of the Company | Operational Judgment Skills | Accounting and financial analysis skills | Operational management skills | Crisis management skills | Industry knowledge | International market outlook | Leadership skills | Decision-making skills | Yung-Hsiang Lin | Male | ROC | 0 | V | V | V | V | V | V | V | V | Xiu-Yuan Li | Female | ROC | 0 | V | V | V | V | V | V | V | V | Chen-Chen Fu | Female | ROC | 0 | V | V | V | V | V | V | V | V | Ching-Ting Chen | Female | ROC | 0 | V | V | V | V | V | V | V | V | Cong-Jie Qiu | Male | ROC | 0 | V | V | V | V | V | V | V | V | Shih-Ming Lai | Male | ROC | 0 | V | V | V | V | V | V | V | V | Song-Yuan Liao (Independent Director) | Male | ROC | 2 | V | | V | V | V | V | V | V | Zhong-Ming Zeng (Independent Director) | Male | ROC | 2 | V | V | V | V | V | V | V | V | Shih-Ming Li (Independent Director) | Male | ROC | 2 | V | | V | V | V | V | V | V | |
| Name | Gender | Nationality | Length of time as an Independent Director of the Company | Operational Judgment Skills | Accounting and financial analysis skills | Operational management skills | Crisis management skills | Industry knowledge | International market outlook | Leadership skills | Decision-making skills | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Yung-Hsiang Lin | Male | ROC | 0 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Xiu-Yuan Li | Female | ROC | 0 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chen-Chen Fu | Female | ROC | 0 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ching-Ting Chen | Female | ROC | 0 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cong-Jie Qiu | Male | ROC | 0 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shih-Ming Lai | Male | ROC | 0 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Song-Yuan Liao (Independent Director) | Male | ROC | 2 | V | | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Zhong-Ming Zeng (Independent Director) | Male | ROC | 2 | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shih-Ming Li (Independent Director) | Male | ROC | 2 | V | | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Operation Status | | | Differences from the Code of Corporate Governance Practices of listed and |
|---|------------------|----|---|---|
| | Yes | No | Explanation | |
| (2) Does the Company voluntarily set up various functional committees other than the Remuneration Committee and Audit Committee in accordance with the law? | V | | <p>2. The directors of the Company have professional knowledge in business operations and the latest professional and industrial knowledge required for the Company's business and have met the current development objectives of the Company.</p> <p>3. The Company pays attention to gender equality in the composition of the Board of Directors. Currently, there is one female director on the Board of Directors. Thus, the current goal has been achieved. In the future, the number of female directors will be increased according to the company's operational needs.</p> | |
| (3) Does the Company have a Board of Directors' performance evaluation system and its evaluation method, and conducts performance evaluation annually and regularly, and reports the results of performance evaluation to the Board of Directors for reference of individual director's salary compensation and nomination for reappointment? | V | | (2) The Company has established a Remuneration Committee and an Audit Committee in June 2020. | |
| (4) Does the Company periodically evaluate the independence of the CPA? | V | | (3) The Company has established a performance evaluation method for the Board of Directors and its evaluation process. Additionally, the Board conducted its 2023 performance evaluation at the beginning of 2024 (Performance Evaluation Report of External Organizations, Corporate Governance Association of Societies). | |
| | | | (4) The Company evaluates the independence of the certifying accountant annually and submits it to the 6th Board of Directors meeting in 2023 for consideration and approval. After the company's assessment, the accountants of Zicheng United Certified Public Accountants - Ming-Chuan Xu and Bing-Jun Zhi, both meet the Company's independent assessment standards and are qualified to serve as the Company's certified accountants, and the accounting firm has issued a letter of declaration. | |

| Item | Operation Status | | | Differences from the Code of Corporate Governance Practices of listed and |
|--|------------------|----|--|---|
| | Yes | No | Explanation | |
| 4. Has the Company established a full- (or part-) time corporate governance unit or assigned personnel to take charge of corporate governance affairs (including but not limited to provide information required for business execution for directors and supervisors, handle matters related to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings)? | V | | On November 3, 2021, the Company newly appointed Zhen-Jia Huang as the Corporate Governance Officer to be responsible for corporate governance matters. Main Responsibilities (1) Conduct meetings of the board of directors and shareholders in accordance with the law (2) Preparation of minutes of the Board of Directors' and shareholders' meetings. (3) Assist the Directors in their appointment and continuing education. (4) Provide information necessary for the directors to carry out their business. (5) Assist directors to comply with the law. (6) Other matters as provided for in the Articles of Incorporation or contract, etc. | No significant difference |
| 5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities? | V | | The Company has a spokesperson and shareholder column on the Company's website, providing a contact channel for stakeholders, including shareholders, bankers and other creditors, employees, customers, and suppliers. | No significant difference |
| 6. Has the Company appointed a professional registrar for its Shareholders' Meetings? | V | | The Company has appointed Yuanta Securities to handle the affairs of the shareholders' meetings. | No significant difference |
| 7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an | V V | | (1) The Company makes announcements on financial operations and corporate governance matters in accordance with the law, and the information is available on the Market Observation Post System. (2) The Company has a dedicated department responsible for the collection and dissemination of information and has established a | No significant difference |

| Item | Operation Status | | | Differences from the Code of Corporate Governance Practices of listed and |
|---|------------------|----|---|---|
| | Yes | No | Explanation | |
| <p>English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)?</p> <p>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third-quarter financial reports and the monthly operating situation within the prescribed deadline?</p> | V | | <p>spokesperson mechanism in accordance with the regulations.</p> <p>(3) The Company reports its annual financial statements and first, second and third quarter financial statements and operations for each month in accordance with the regulations.</p> | |
| <p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p> | V | | <p>(1) Employees' Rights and Interests: The Company always treats employees with honesty and trust and protects their rights and interests in accordance with relevant laws and regulations.</p> <p>(2) Employee care: The Company has established a good relationship with employees through a good welfare system, education and training, and by strengthening interactive communication and mutual trust.</p> <p>(3) Investor Relations: Through the Public Information Observation Post System and the Company's website, we disclose sufficient information for investors to fully understand the Company's operation and communicate with investors through the shareholders' meeting and spokesperson mechanism, pay attention to investors' opinions and handle them appropriately.</p> <p>(4) Rights of interested parties:</p> <ol style="list-style-type: none"> 1. Responsibility to customers: The Company provides safe and quality products, values customer opinions, takes immediate action to address customer complaints to meet customer needs. 2. For shareholders' liability: The goal of the Company's efforts is to create shareholder rights and interests. <p>(5) Status of further education for Directors and Supervisors: As required by law.</p> | No significant difference |

| Item | Operation Status | | Differences from the Code of Corporate Governance Practices of listed and |
|------|------------------|----|---|
| | Yes | No | |
| | | | <p>(6) Implementation of risk management policies and risk measurement standards: Implementation of risk management policies and risk measurement standards: The Company follows the spirit of the Company's internal control design, and each department regularly implements internal self-assessment, followed by review and improvement by auditors, to reduce operational risks.</p> <p>(7) Implementation of the policy to protect consumers or customers: The Company has passed ISO13485 and medical device QMS certification and obtained product certification in various countries.</p> <p>(8) The Company has taken out liability insurance for directors and supervisors: The Company has taken out liability insurance for directors and supervisors to cover possible risks.</p> <p>(9) Establishment of Information Security Risk Management Framework, Formulation of Information Security Policies and Specific Management Plans: Upon MBI's establishment in 1998, the Company set up an Information Management Department. The Company conducts annual assessments of information security risks, reviewed and audited by external and internal audit units. Monthly reports on information-related matters are presented to the General Manager during management meetings. The key points of the Company's information security assessment are as follows:</p> <ol style="list-style-type: none"> 1. Information architecture review <ol style="list-style-type: none"> (1) Network activity review Inspection of network equipment, servers, and terminals Website security testing (2) Security configuration review. The main evaluation items and specific management plans are detailed as follows: Information architecture inspection Review the appropriateness of the measures taken for the continuity of operations. Review the structure and maintenance mechanism of related |

| Item | Operation Status | | Explanation | Differences from the Code of Corporate Governance Practices of listed and |
|------|------------------|----|--|---|
| | Yes | No | | |
| | | | <p>measures for the risk of single point failure, and to conduct risk analysis for the appropriateness of business continuity, such as ERP system and network equipment, and to present the results and recommendations of information architecture security assessment.</p> <p>View maximum impact and risk tolerance for a single point of failure Evaluate whether the impact is within the risk tolerance, and if not, discuss and implement improvement plans.</p> <p>2. Network activity inspection</p> <p>(1) View device access records and account privileges.</p> <p>(2) Review the access records, account privileges granted and monitoring mechanisms of network devices, information security devices and servers for compliance with internal control practices.</p> <p>3. Network equipment, server and terminal equipment inspection</p> <p>(1) Weakness scanning and patching</p> <p>(2) The policies of network equipment, servers and terminals are reviewed periodically or in a timely manner, and improvements and fixes are made to address any inappropriate policies found. Based on the results, the evaluation recommendations focus on identifying possible weaknesses and loopholes in the structure, improving and fixing them, and reducing the overall information security risk.</p> <p>4. Website security inspection</p> <p>(1) Website penetration testing</p> <p>(2) The penetration test is divided into three steps: data collection, information analysis, and target penetration, etc. The execution method simulates hacker attacks, using security testing tools to conduct penetration tests on websites with</p> | |

| Item | Operation Status | | Explanation | Differences from the Code of Corporate Governance Practices of listed and |
|--|------------------|----|--|---|
| | Yes | No | | |
| | | | <p>open external links to examine whether there are any vulnerabilities and fix them.</p> <p>5. Security settings inspection</p> <p>(1) Server security policy settings</p> <p>(2) Regularly review the server (e.g., domain service Active Directory) settings regarding “password setting policy” and “account locking policy” to check whether the relevant domain security policy settings comply with internal control regulations through human work.</p> <p>(3) In 2018, external professional manufacturers were hired to conduct information security inspections, and systems such as firewalls and data backup were established. Information security course training was held on June 13, 2019, for 94 people and October 31 for 80 people. 100 people attended the information security course training from April 15th to 20th, 2020, 110 people on October 14, 80 people on October 20, 2021. On October 26, 2022, 120 people took the information security training course. Additionally, audits conducted from 2019 to 2023 identified no major deficiencies in information security risk management.</p> | |
| <p>9. Please describe the improvements that have been made to the results of the corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year and propose priorities and measures to enhance those that have not yet been improved.</p> <p>(1) Each year, the Company reviews the recent corporate governance evaluation results and the most recent corporate governance evaluation to individually examine the indicators that still meet the scoring standards. Improvement schedules are arranged to continuously improve most of the items that have not yet met the standards.</p> <p>(2) The Company will strengthen the promotion of integrity management and internal work rules throughout the Company, enhance the promotion of unethical behavior reporting and its whistleblowing system, and disclose relevant rules and regulations on the company's website.</p> | | | | |

Note 1: Criteria for assessing the independence of accountants

| Item | Result |
|--|------------|
| 1. As of the latest visa operation, there has not been a five-year period of non-replacement. | ■ Yes □ No |
| 2. The appointed accountants have no significant financial interest in the Company. | ■ Yes □ No |
| 3. The appointed accountants shall avoid any inappropriate relationship with the Company. | ■ Yes □ No |
| 4. The appointed accountants should ensure that their assistants are honest, impartial and independent. | ■ Yes □ No |
| 5. The financial statements of the service provider for the two years prior to the commencement of business shall not be subject to audit. | ■ Yes □ No |
| 6. The name of an appointed accountant shall not be used by others. | ■ Yes □ No |
| 7. Does not hold shares in the Company and its affiliates. | Yes □ No |
| 8. Loans between the appointed accountants and the Company and its affiliates are not allowed. | ■ Yes □ No |
| 9. The appointed accountants shall not have a joint investment or share of interest with the Company and its affiliates. | ■ Yes □ No |
| 10. The appointed accountants shall not concurrently serve as regular employees of the Company and its affiliates and shall be entitled to a fixed salary. | ■ Yes □ No |
| 11. The appointed accountants shall not be involved in the management functions of the Company and its affiliates in making decisions. | ■ Yes □ No |
| 12. The appointed accountants shall not engage in any other business that may lose its independence. | ■ Yes □ No |
| 13. The appointed accountant is not a spouse, direct blood relative, or relationship through direct marriage with the Company's management personnel. | ■ Yes □ No |
| 14. The appointed accountants shall not receive any commission related to the business. | ■ Yes □ No |
| 15. To date, no disciplinary action has been taken or the principle of independence has been compromised. | ■ Yes □ No |

Note 2: Accountant's Independence Statement

To: Maxigen Biotech Inc.

Issuance No.: PwC23006397

Subject: At MBI's request, the firm has evaluated its independence in accordance with Statement No. 10 of the Code of Professional Ethics for Certified Public Accountants, titled "Integrity, Fairness, Objectivity, and Independence." The evaluation results and the issued statement are as follows for your review.

Explanation:

1. Per Article 4 of The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 (hereinafter referred to as "Bulletin No. 10"), when auditing or reviewing financial statements," the accountant needs to maintain independence, not only in substance but also in form. Accordingly, members of the audit service team, other certified public accountants in common practice, the firm, and affiliates of the firm (hereinafter referred to as members of the audit service team and affiliates of the firm) are required to maintain their independence from the audited client. In addition, Article 7 of Bulletin No. 10 states that "independence may be affected by self-interest, self-assessment, defense, familiarity, and coercion. Therefore, the Firm would like to declare to the Company that the independence of the Firm is not affected by any of the factors mentioned in Article 7 that may affect independence.
2. Independence from self-interest: The Firm declares that the members of the audit service team and affiliates of the firm do not have (i) direct or significant indirect financial interests, (ii) close business relationships, (iii) potential employment relationships, or (iv) financing or assurance practices with the Company or its directors and supervisors.
3. Independence is not affected by self-assessment: The Firm states that no member of the audit services team is currently or has been a director or supervisor of the Company or has held a position directly and materially affecting an audit case within the last two years. The Firm has not provided non-audit services that directly affect a material aspect of an audit case.

4. Independence not affected by advocacy: The Firm represents that members of the audit services team have not been engaged to advocate for the Company's positions or opinions or to act as intermediaries on behalf of the Company in coordinating conflicts with other third parties.
5. Independence not affected by advocacy: The Firm represents that members of the audit services team have not been engaged to advocate for the Company's positions or opinions or to act as intermediaries on behalf of the Company in coordinating conflicts with other third parties.
6. Independence is not affected by coercion: The Firm declares that the members of the audit service team have not been subjected to or perceived to be subjected to improper requests from the Company's management regarding the selection of accounting policies or the disclosure of financial statements, or the reduction of audit work to be performed on the grounds of reducing public expenses, which would affect the objectivity and professional doubt.
7. The above matters have been carried out per the relevant procedures of the Firm in relation to customer independence verification, and professional caution has been exercised.

PwC Taiwan

Ming-Chuan Hsu



Accountant

Ping-Chun Chih



December 04, 2023

2023 Directors' and Supervisors' training:

| Title | Name | Inauguration Date: | Course Date: | Organizer | Course Name | Course Hours | Does the course comply with the regulations for further education (Note 1) | Notes |
|-------------------------------|-----------------|--------------------|-------------------|-----------|--|--------------|--|-------|
| Legal Director Representative | Yung-Hsiang Lin | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Legal Director Representative | Xiu-Yuan Li | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Legal Director Representative | Chen-Chen Fu | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Legal Director Representative | Ching-Ting Chen | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Legal Director Representative | Shih-Ming Lai | June 21, 2022 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Legal Director Representative | Cong-Jie Qiu | June 21, 2022 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Independent Director | Sung-Yuan Liao | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |

| Title | Name | Inauguration Date: | Course Date: | Organizer | Course Name | Course Hours | Does the course comply with the regulations for further education (Note 1) | Notes |
|----------------------|-----------------|--------------------|-------------------|-----------|--|--------------|--|-------|
| Independent Director | Zhong-Ming Zeng | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |
| Independent Director | Shih-Ming Li | July 12, 2021 | December 01, 2023 | WBSD | Risks of Major Corporate Transactions/Operation Rights Disputes and Corporate Governance | 3.0 | Yes | |
| | | | December 01, 2023 | WBSD | Reflecting on Corporate Risk in Response to Technological Development and Legal Changes through AI Sustainability Issues | 3.0 | | |

(4) If a company has a remuneration committee, it shall disclose its composition, responsibilities and operation:

A. Information on Remuneration Committee Members:

April 15, 2024

| Title (note 1) | Condition Name | Professional qualifications and experience (Note 2) | Independence Criteria (Note 3) | Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member |
|-------------------------|---------------------|--|---|---|
| Independent Director | Zhong- Ming Zeng | Engineering Technology and Organizational leadership Business-related industry experience | Independence compliance 1. No spouse, second degree relative or other relative is a director, supervisor or employee of the Company or its affiliates. 2. The number and proportion of the company's shares not held by the person, spouse, or second-degree relatives (or in the name of others) 3. Not serving as a director of a company with which the Company has a specific relationship 4. No remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years | 0 |
| Independent Director | Sung- Yuan Liao | Life Sciences and Organizational Management Teaching-related industry experience | Independence compliance 1. No spouse, second degree relative or other relative is a director, supervisor or employee of the Company or its affiliates. 2. The number and proportion of the company's shares not held by the person, spouse, or second-degree relatives (or in the name of others) 3. Not serving as a director of a company with which the Company has a specific relationship 4. No remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years | 1 |
| Independent Director | Shih- Ming Li | Medical and Organizational leadership Medical-related industry experience | Independence compliance 1. No spouse, second degree relative or other relative is a director, supervisor or employee of the Company or its affiliates. 2. The number and proportion of the company's shares not held by the person, spouse, or second-degree relatives (or in the name of others) 3. Not serving as a director of a company with which the Company has a specific relationship 4. No remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years | 1 |

B. Remuneration Committee Meeting Status

(A) The Company has 3 members in the Remuneration Committee.

2023 5th session (term: July 12, 2021 to July 11, 2024). There were 5 meetings

(A) convened. The attendance as of December 31, 2023 is as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) (Note) | Notes |
|--------|-----------------|--------------------------|----------|--|-------|
| Chair | Zhong-Ming Zeng | 5 | 0 | 100% | |
| Member | Sung-Yuan Liao | 5 | 0 | 100% | |
| Member | Shih-Ming Li | 5 | 0 | 100% | |

Annotations:

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling of the opinions proposed by the Remuneration Committee (if the compensation approved by the Board of Directors is better than that recommended by the Remuneration Committee, the difference shall be stated and the reasons for the difference).
2. If the members of the Remuneration Committee have objections or reservations, and if there are records or written statements, the date and period of the Remuneration Committee, the content of the motion, the opinions of all members, and the treatment of the opinions of the members shall be stated.

Note:

- (1) If a member of the Remuneration Committee resigns before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee and the number of actual attendances during the term of office.
- (2) Before the end of the year, if there is a re-election of the Remuneration Committee, the new and old members of the Remuneration Committee shall be filled in, and the remarks column shall indicate the old, new or re-appointed and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of attendances during the term of office.
- (3) The content of the motion, the results of the resolution and the Company's handling of the salary and Remuneration Committee's opinion

| Remuneration Committee | Proposal | Resolution | MBI's Response to the Resolution |
|-----------------------------------|---|----------------------------|------------------------------------|
| 1st meeting of 2023 2023.03.22 | Proposal 1: Personnel adjustment of the financial manager and adjustment of salary remuneration. Proposal 2: The Company's 2022 distribution of employees' and directors' remuneration. Proposal 3: The salary and compensation adjustment plan for the Company's managers. | Approved without objection | Approved by the Board of Directors |
| 2023 2nd meeting 2023.05.03 | Proposal 1: Explanation of the Company's 2022 distribution of director's and employee remuneration. Proposal 2: Adjustment of the Company's Audit supervisor's salary related matters. | Approved without objection | Approved by the Board of Directors |
| 3rd meeting of 2023 2023.07.26 | Proposal 1: Explanation of the Company's 2022 distribution of employee remuneration. | Approved without objection | Approved by the Board of Directors |

| Remuneration Committee | Proposal | Resolution | MBI's Response to the Resolution |
|-----------------------------------|---|----------------------------|------------------------------------|
| 4th meeting of 2023 2023.11.08 | Proposal 1: Explanation of the Company's 2022 distribution of employee remuneration. | Approved without objection | Approved by the Board of Directors |
| 5th meeting of 2023 2023.12.18 | Proposal 1: Matter related to the distribution of the year-end bonuses for the Company's managers for 2023. | Approved without objection | Approved by the Board of Directors |

C. Information on Nominating Committee members and operations

(A) The qualifications and responsibilities of the members of the Company's Nominating Committee are described.

(B) Professional qualifications and experience of the members of the Nominating Committee and their operation:

1) The Nominating Committee of the Company has 3 members.

2) 2023 1st session (term: July 12, 2021, to July 11, 2024). There were 2 (A) meetings convened. The professional qualifications and experience of the members, as of the attendance of December 31, 2023, members are as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) (Note) | Notes |
|--------|-----------------|--------------------------|----------|--|-------|
| Chair | Sung-Yuan Liao | 2 | 0 | 100% | |
| Member | Zhong-Ming Zeng | 2 | 0 | 100% | |
| Member | Shih-Ming Li | 2 | 0 | 100% | |
| Member | Yung-Hsiang Lin | 2 | 0 | 100% | |

Annotations:

The date and duration of the meeting of the Nominating Committee, the content of the motion, the content of the proposal or objection of the members of the Nominating Committee, the result of the resolution of the Nominating Committee and the Company's handling of the opinions of the Nominating Committee.

| Nomination Committee | Proposal | Result | MBI's Response to the Resolution |
|-----------------------------------|--|--|-----------------------------------|
| 1st meeting of 2023 2023.03.22 | All of which were reported items with no discussion | Report items (resolution not applicable) | Approved without objection |
| 2023 2nd meeting 2023.12.18 | Proposal 1: Proposal for the nomination of a dedicated Chief Information Security Officer. | Approved without objection | Approved by the Board of Director |

Note:

(1) If a member of the Nominating Committee resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the Nominating Committee and the number of actual attendances during the term of office.

(2) Before the end of the year, if there is a re-election of the Nominating Committee, the new and old members of the Nominating Committee shall be filled in, and the remarks column shall indicate the old, new or re-

elected members and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by the Nominating Committee and the number of actual attendances during the term of office.

D. Information on Risk Management Committee members and operations

(A) The qualifications and responsibilities of the members of the Company's Risk Management Committee are described.

(B) Professional qualifications and experience of the members of the Risk Management Committee and their operation:

- 1) The Risk Management Committee of the Company has 5 members.
- 2) 2023 1st session (term: July 12, 2021, to July 11, 2024). There were 2 (A) meetings convened. The professional qualifications and experience of the members, as of the attendance of December 31, 2023, members are as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) (Note) | Notes |
|--------|-----------------|--------------------------|----------|--|-------|
| Chair | Sung-Yuan Liao | 1 | 0 | 100% | |
| Member | Zhong-Ming Zeng | 1 | 0 | 100% | |
| Member | Shih-Ming Li | 1 | 0 | 100% | |
| Member | Yung-Hsiang Lin | 1 | 0 | 100% | |
| Member | Ching-Ting Chen | 1 | 0 | 100% | |

Annotations:
 The date and duration of the meeting of the Risk Management Committee, the content of the motion, the content of the proposal or objection of the members of the Risk Management Committee, the result of the resolution of the Risk Management Committee and the Company's handling of the opinions of the Risk Management Committee.

Note:

- (1) If a member of the Risk Management Committee resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the Nominating Committee and the number of actual attendances during the Risk management of office.
- (2) Before the end of the year, if there is a re-election of the Risk Management Committee, the new and old members of the Risk Management Committee shall be filled in, and the remarks column shall indicate the old, new or re-elected members and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by the Risk Management Committee and the number of actual attendances during the term of office.
- (3) The content of the motion, the results of the resolution and the Company's handling of the Remuneration Committee's opinion.

| Risk Management Committee | Proposal | Resolution | MBI's Response to the Resolution |
|-----------------------------------|--|----------------------------|-----------------------------------|
| 1st meeting of 2023 2023.12.18 | Proposal 1: Draft the Company's 2024 risk management plan. | Approved without objection | Approved by the Board of Director |

(5) Implementation of sustainable development and differences from the Code of Practice for Sustainable Development of listed and listed companies and reasons:

| Item | Operation Status | | | Differences from the Code \ of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|---|------------------|----|--|--|
| | Yes | No | Explanation | |
| 1. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and is the Board of Directors supervising the situation? | V | | <p>(1) For sustainable development, the Company established the Greenhouse Gas Inventory Committee in May 2022.</p> <p>(2) The Committee members and responsibilities are as follows: On May 13, 2020, the Company adopted the risk management policy, which defines various types of risks in accordance with the Company's operating policies, prevents possible losses within the tolerable risk range, and achieves the principle of optimizing resource allocation. The Company does not have a dedicated risk unit but emphasizes comprehensive risk control by all employees and conducts risk analysis with annual year-end budget management to effectively manage risk. Overall, the company's exposure to risk is divided into six categories, as described below:</p> <ol style="list-style-type: none"> 1. Market risk: External changes such as domestic and international economic factors, technology, environment, and changes in consumer patterns have impacted the Company's industry. 2. Investment risk: Includes fluctuations in the market price of short-term investments and the operational management of long-term investments in investee companies. Such as interest rates, exchange rates, financial and capital lending risks. 3. Credit risk: Refers to the risk of loss due to the counter-party's failure to meet its contractual obligations. 4. Operational risk: Refers to losses incurred by the Company because of internal control lapses, R&D quality control and human error or mismanagement. | No significant difference |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | <p>5. Legal risk: Refers to the risk of financial or goodwill loss resulting from the inability to bind the counterparty to perform its obligations in accordance with the contract due to inadequate contracts, inaccurate authorization, incomplete laws and regulations, lack of legal validity of the counter-party, or other factors.</p> <p>6. Risk management of information systems: To maintain the normal operation of the business, the company has established disaster prevention and protection measures such as an uninterruptible power supply system and firefighting in the server room. To reduce the risk and establish a mechanism for off-site backup, the company has built a computer room with the same function as the head office to reduce the impact of accidents.</p> <p>7. Labor Safety and Health Risk Control: Considering the impact of routine and non-routine activities and statutory infections, all persons entering the workplace, including employees, contractors and visitors, are controlled. In case of significant changes in high-risk operations, environments or processes, we will evaluate and identify them before they occur, decide on the priority of risk management, and manage and control them in stages according to the evaluated risk levels; we will consider elimination, substitution, engineering control, signs/warnings and administrative control, personal protective gear, emergency response measures, and other sequential methods to reduce risks.</p> <p>8. Natural Disasters and Climate Change: The Company shall assess the impact of natural disasters and</p> | |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|---|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>climate change on their operations to reduce potential losses.</p> <p>9. Other risks: The term “risk” refers to a risk that is not one of the above, but which would cause the Company to incur a significant loss.</p> <p>The Company implemented a risk management analysis and review at the end of 2023 and reported to the Board of Directors on December 18, 2023, a risk assessment analysis report on environmental, social and corporate governance issues related to the Company's operations.</p> | |
| 2. Has the Company conducted a risk assessment on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies? | V | | <p>(1) The Company has established a corporate social responsibility policy that has reported to the Board of Directors on a regular and annual basis since 2019.</p> <p>(2) The Company’s corporate social responsibility is organized by the General Manager’s Office, and the main members are department heads.</p> <p>1. Corporate Social Responsibility Main Tasks</p> <p>(1) Propose a corporate social responsibility mission or vision and formulate corporate social responsibility policies, systems or related management guidelines.</p> <p>(2) Incorporate Corporate Social Responsibility into the Company’s operation activities and development direction and approve the specific promotion plan of Corporate Social Responsibility.</p> <p>(3) Ensure the timeliness and accuracy of disclosure of corporate social responsibility-related information.</p> <p>2. Additional Job Description: Regular annual reports to the Board of Directors on significant social welfare, corporate governance and corporate integrity issues</p> | No significant difference |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | <p>(1) July 3, 2015, The Board of Directors reported the donation of HealiAid Collagen Wound Dressing to the Ministry of Health and Welfare.</p> <p>(2) The Company also donates beauty care products to beauty students each year according to the school's needs. For example, in October 2018, Chang Gung University of Science and Technology, Hong Kong University of Science and Technology, and National Cheng Ming University of Science and Technology donated 450 boxes of the High-Efficiency Brightening and Firming Eye Cream, 3,320 boxes of the Crystal Fine Cream, and 900 boxes of the High-Efficiency Moisturizing Hyaluronic Acid Serum; in May 2019, Hong Kong University of Science and Technology and National Cheng Ming University of Science and Technology donated 500 boxes of the Crystal Fine Cleansing Milk and 700 boxes of the Purifying Cleansing Mud; in January 2020, National Cheng Ming University of Science and Technology donated 500 boxes of the Crystal Fine Water Gel and 500 boxes of the Moisturizing Mask to help develop the nation's beauty professionals.</p> <p>(3) In September 2018, rescue activities such as the charity concert of Fuda Hospital were held.</p> <p>(4) The status of Corporate Social Responsibility implementation was reported to the Board of Directors on December 18, 2019, and December 14, 2020.</p> | |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>(5) In February 2022, the Company donated intra-articular injections to Tzu Chi Hospital Taitung Guanshan Branch.</p> <p>(6) Attended the mountain cleaning event at Mt. Guanyin and received the Green Corporate Label on September 23, 2022.</p> <p>(7) Awarded the 2022 Low Carbon Technology Industry Grant and Incentive Program and received a certificate of encouragement from the Taoyuan City Government for outstanding energy saving and carbon reduction.</p> <p>(8) 2023 ACES Asia Corporate Excellence & Sustainability Awards.</p> <p>(9) 2023 Happy Enterprise Silver Award.</p> <p>(10) A total of 21 health education seminars were held in 2023 to care for the elderly in the community, sponsoring Good Joint 633 and MaxiCollagen Drink to support elderly health care.</p> <p>(11) By May 2024, 6 community public health education seminars were held, caring for disadvantaged groups and fulfilling corporate social responsibility.</p> <p>(12) In March 2024, a digital intraoral wired scanner was donated to the Periodontics Department of Tri-Service General Hospital to enhance clinical medical diagnosis and treatment.</p> <p>(13) In April 2024, MBI conducted an industry-academia lecture in the field of medical devices at National Tsing Hua University, inspiring students to move forward bravely on their future life paths.</p> | |

| Item | Operation Status | | | Differences from the Code \ of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|--|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | <p>(14) In April 2024, MBI partnered with the well-known domestic medical aesthetics brand, Jingyan Medical Aesthetics, to jointly promote the "Picosure Tattoo Removal Charity Project" to help young people or disadvantaged groups remove tattoos. They also donated Formaderm products for post-tattoo removal care.</p> <p>(15) In May 2024, MBI collaborated with the Meishan Social Welfare Foundation to create Dragon Boat Festival gift boxes, helping individuals with disabilities develop self-reliance skills and spreading love and warmth to society.</p> | |
| 3. Environment sustainability (1) Has the Company established a suitable environmental management system according to its industrial characteristics? | V | | The Company is in the low-pollution medical material and beauty care industry but is gradually building an environmental management system to meet the needs of environmental protection. | No significant difference |
| (2) Is the company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment? | V | | The Company is committed to improving the efficiency of the utilization of its resources and reducing unnecessary waste of resources. The raw material of the Company is beef tendon extracted collagen, and the related bionic products are made without causing pollution or violating the relevant environmental regulations. | No significant difference |
| (3) Has the Company assessed the potential risks and opportunities of climate change for the business now and in the future, and taken measures to address climate related issues? | V | | Extreme climate change is gradually affecting the global ecosystem and human survival and has become a "truth that has to be faced." In view of this, the Company's Management Department has set reduction targets based on the concept of sustainability and is actively promoting energy saving and carbon reduction management measures to mitigate the possible impact of climate change on the Company and to incorporate them into the | No significant difference |

| Item | Operation Status | | | Differences from the Code \ of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|--|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | <p>Company's overall operations so as to provide early warning and mitigate the impact of risks on the Company's operations. The main climate risks identified so far are 1. extreme weather such as typhoons and floods, which may cause production stoppages, production interruptions, transportation difficulties and supply chain breakdowns, etc. 2. Extreme changes in rainfall make it more difficult to plan the acquisition and use of water resources. 3. Rising temperatures may affect process components, leading to increased investment in equipment and higher electricity consumption. 4. Deliveries cannot be made on time or production is reduced. etc. The Company analyzed and developed countermeasures according to the occurrence rate and impact level to reduce climate risks.</p> | |
| (4) Has the Company measured its greenhouse gas emissions, water consumption, and the total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management? | V | | <p>1. Annual greenhouse gas emissions, converted into carbon dioxide equivalent emissions according to the coefficient of electricity emissions, were 2171 tons of carbon emissions in 2019; 2114 tons of carbon emissions in 2020; 1894 tons of carbon emissions in 2021; and 1927 tons in 2022. The Lin Kou factory has introduced energy-saving computer equipment to monitor electricity, with the goal of reducing electricity costs by 1% annually.</p> <p>2. Water consumption: 14,452 kWh in 2019 (2.3 tons of carbon emissions); 20,760 kWh in 2020 (3.3 tons of carbon emissions); 14,262 kWh in 2021 (2.2 tons of carbon emissions); 12,792 kWh in 2022 (1.9 tons of carbon emissions), with the goal of reducing water costs by 1% annually.</p> <p>3. Total waste weight, 26.5 tons in 2019; 25.5 tons in 2020; 26.1 tons in 2021; 25.02 tons in 2022; 24.18 tons in 2023, with a 1% annual reduction target.</p> <p>The overall energy saving, and carbon reduction and greenhouse gas reduction strategies are as follows:</p> | No significant difference |

| Item | Operation Status | | | Differences from the Code \ of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|---|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>(1) Water conservation: The building uses water-saving facilities to reduce the waste and consumption of water resources, such as recycling of air-conditioning condensate, controlling the amount of water discharged from faucets, sensor-activated urinal flushing and water-saving toilets.</p> <p>(2) Air conditioning system energy saving: dual-pressure chilled water mainframe, variable frequency air conditioning box, variable flow chilled water system, variable frequency cooling water tower, sand filter system, office air conditioning energy saving control.</p> <p>(3) In terms of energy saving in lighting equipment, we have strengthened the control of lighting equipment (such as turning off lights during lunch break and turning off lights manually), replaced traditional T8 lamps with LED lamps, and installed induction lamps in office corridors, stairwells, parking lots, and signboard lights with time controllers to achieve energy saving.</p> <p>(4) Garbage separation and recycling: Garbage separation and resource recovery bins are set up, in response to the EPD's "toilet paper in toilet" policy, and staple toilet paper is replaced to achieve garbage reduction and resource recovery and reuse, to achieve the purpose of environmental cleanliness and protection.</p> <p>(5) The above-mentioned strategies and practices will be announced and implemented by all employees.</p> | |
| <p>4. Social welfare</p> <p>(1) Has the Company stipulated management policies and procedures in accordance with the human right-related laws</p> | V | | <p>The Company has already established the "Work Rules" in accordance with the Labor Standards Act and enforces them. In addition, to fulfill its corporate social responsibility and to protect the basic</p> | No significant difference |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|--|------------------|----|--|--|
| | Yes | No | Explanation | |
| and regulations and international conventions on human rights? | | | <p>human rights of all its employees, customers and stakeholders, MBI follows the principles outlined in the United Nations Universal Declaration of Human Rights and the International Labor Organization Convention and other international human rights conventions, and respects internationally recognized basic human rights, including freedom of association, care for the disadvantaged, prohibition of child labor, elimination of all forms of forced labor, elimination of employment and employment discrimination, etc., and adheres to the labor-related laws and regulations of the company's location. The relevant human rights policies are described below:</p> <ol style="list-style-type: none"> 1. Diversity Inclusion and Equal Opportunity: The Company embraces the diversity of characteristics of all employees and does not discriminate against any employee or applicant for employment based on any characteristic protected by law. Including gender, color, race, ethnicity, national origin, creed, age, marital status, sexual orientation, disability, pregnancy, military service status, and political affiliation. To ensure that there is no differential treatment in employment policies, to implement fair and equitable employment, compensation and benefits, training, evaluation and promotion opportunities, and to provide an effective and appropriate grievance mechanism to avoid and respond to situations that jeopardize employees' rights and interests, and to create a working environment of equal employment and freedom from discrimination and harassment. 2. Reasonable working hours: To ensure that employees do not fall into the risk of excessively long working hours, the working hours and extended working hours are clearly defined, and the | |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>attendance status of employees is regularly monitored and managed.</p> <p>3. Health and safety workplace: Comply with occupational safety and health policies, provide a safe and healthy working environment, and take necessary and effective measures to reduce the potential for hazards in the working environment as much as possible under feasible conditions, to avoid health hazards to employees at work or as a result of accidents occurring at work or work-related accidents. To avoid potential health and safety risks associated with work style, the Company regularly reviews employee health and safety annually.</p> <p>4. Compliance with the law: The Company complies with the Labor Standards Act and does not employ child labor under the age of 16, nor shall it require employees to pay a deposit or deposit their identification documents at the beginning of their employment.</p> <p>5. Labor-management negotiation: Establish smooth communication channels and hold regular labor-management meetings to ensure the rights and interests of both parties.</p> <p>6. Privacy Protection: To fully protect the privacy of our customers and all stakeholders, the Company has established a comprehensive information security management mechanism and follows strict control regulations and protection measures.</p> <p>7. The Company has included a human rights risk statement in the new employee training since July 2020 and reported the status of human rights risk assessment in the risk assessment report to the Board of Directors on December 14, 2020. Furthermore, in October 2023, the Company conducted training on sexual harassment prevention and the prevention of unlawful harm.</p> | |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|--|------------------|----|--|--|
| | Yes | No | Explanation | |
| (2) Does the company formulate and implement reasonable employee benefit measures (including compensation, vacations and other benefits), and is the Company's operating performance or results properly reflected in employee compensation? | V | | In addition to labor insurance, health insurance, pension and parental leave regulated by the law, the Company also provides annual health checkups, performance bonuses, wedding and business celebrations and consolation, group insurance for employees, and other welfare measures. | No significant difference |
| (3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education for employees regularly?? | V | | <ol style="list-style-type: none"> 1. The Company is committed to building a perfect environment to provide a comfortable, safe and healthy workplace environment for our employees, including the implementation of necessary access control measures, regular labor safety training, comprehensive indoor non-smoking and related education and training. 2. The Company holds at least two fire drills every year and all employees are required to receive practical fire training every year to ensure a safe and healthy working environment for our employees. 3. In accordance with the law, the Company participates in labor insurance, universal health insurance and group insurance, and conducts regular employee health checkups for employee health. 4. The Company has set up an employee welfare committee to hold various welfare activities and organize employee trips to promote physical, mental and spiritual health and bring colleagues closer together. In addition, free employee health checkups are held regularly every year to maintain the physical and mental health of our employees. 5. The Company holds quarterly labor-management meetings to provide a channel of communication between the Company and its employees. In | No significant difference |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|--|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | addition, the Chairman and the General Manager will call on employees from time to time to explain the Company's operations and future direction. | |
| (4) Has the Company established an effective career ability development program for the employees? | V | | <p>Training courses are held sometimes to meet the Company's objectives and to enrich the knowledge of employees, managers and directors. The Company also provides external training to enhance the professional competence of our staff, managers and directors. The succession plan for members of the Board of Directors and key management personnel of the Company is described below:</p> <p>1. Board of Directors:</p> <p>(1) Unless otherwise provided by law or the Articles of Incorporation, the election of directors of the Company shall be conducted in accordance with the Company's method of election of directors, taking into account the overall configuration and diversity of the Board of Directors and the results of performance evaluation, and adjusting the composition of the members in a timely manner. In addition, in the succession plan's planning, the successor must meet the standards required by the company and be able to perform the duties.</p> <p>(2) Among the officers present at the Company's Board of Directors, General Manager Jing-Ting Chen met the criteria for directorship and became a director in December 2021.</p> <p>(3) The Directors of the Company are professional industrial and academic leaders with experience in corporate management practices of listed companies or in management positions in government agencies, and are equipped with leadership and decision making, crisis management and international market perspectives.</p> | No significant difference |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>2. Key Management:</p> <p>(1) The Company's succession plan for key management focuses on developing a talent pool and identifying high-potential employees. A comprehensive training and promotion system is in place, providing continuous improvement and development opportunities to meet the future needs of key management succession.</p> <p>(2) In addition to internal training, the Company also encourages employees to participate in external training to improve their professional ability.</p> <p>(3) The management of the Company is organized in a hierarchical manner, with senior and middle-level supervisors in each department. All employees have completed job descriptions and have been assigned job agents for training and development. In addition, the Company rotates key personnel according to the development strategy to facilitate the succession of talents. In addition, the employee performance appraisal is carried out every six months, and the evaluation of the supervisor at the assistant manager level or above is:</p> <p>A. Departmental Achievement Rate (30 points)</p> <p>B. Annual Goal Plan/Execution (30 points)</p> <p>C. Decision-making and problem-handling skills (20 points)</p> <p>D. Innovation/change skills (10 points)</p> <p>E. Lead/authorize the use of human resources (10 points)</p> <p>(4) In terms of the succession of the General Manager, senior executives can understand the areas for</p> | |

| Item | Operation Status | | | Differences from the Code \ of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|---|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | improvement and their personal expectations through the above evaluation, and the results are used as a reference for the succession planning of the General Manager. In recent years, Bo-Hong Lai was promoted to Deputy General Manager, as part of MBI's succession plan to prepare for future senior management roles (General Manager). | |
| (5) Does the Company comply with relevant laws and regulations and international standards in terms of the marketing and labeling of its products and services? | V | | The Company has a customer service unit and a telephone line, and dedicated staff to handle related issues. The marketing and labeling of our products and services are in accordance with relevant laws and regulations and international standards. The Company is a ISO manufacturer and has a supplier evaluation and management system for suppliers, and follow relevant regulations in environmental protection, safety and hygiene issues, and work together to improve corporate social responsibility in management. | |
| (6) Has the Company formulated supplier management policies that require suppliers to follow regulations related to environmental protection, occupational safety and health or labor rights, and ensured their implementation? | V | | The Company establishes partnerships with suppliers based on the principle of equality and reciprocity to build a stable supply chain and communicate fully to create a mutually beneficial win-win situation. In addition to the quality of the products purchased, the Company attaches more importance to the social responsibility of suppliers and passed the Supplier Social Responsibility Law in September 2019, with the following requirements: 1. Vendor implementation policy (1) The Company focuses cooperation with suppliers and, if necessary, through interviews, questionnaires, education and training to understand the suppliers' awareness of social responsibility and the results of implementation. (2) The Company considers the legal requirements, industrial | |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | <p>characteristics, geographical environment, operating conditions, employee structure and organization size of the supplier's location and encourage joint efforts to fulfill social responsibility.</p> <p>(3) When the Company enters into a contract with a major supplier, the content of the contract may include compliance with the CSR policy of both parties, and if the supplier is involved in a violation of the policy that has a significant impact on the environment and society in the community where the supply is made, the supplier must propose an improvement plan, and if no improvement can be made or if the situation is significant, the supplier may propose a termination or cancellation clause.</p> <p>2. The Company shall consider the following labor issues when selecting a vendor:</p> <p>(1) Prohibition of child labor.</p> <p>(2) Prohibition of forced labor.</p> <p>(3) Hours of work and pay should be in accordance with local laws and regulations.</p> <p>(4) Prohibition of any form of discrimination.</p> <p>(5) Respect freedom of association and negotiation.</p> <p>(6) Relevant health and safety issues are regulated.</p> <p>3. Labor Health and Safety Suppliers shall undertake to abide by labor safety and health regulations and other relevant laws and agree to unconditionally abide by the relevant contractor safety, health and environmental management measures formulated by the Company.</p> <p>4. Environment Protection (1) The Company shall evaluate the environmental and social impacts of</p> | |

| Item | Operation Status | | | Differences from the Code of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|------|------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>its procurement practices on the communities from which it supplies and urge suppliers to work together to implement corporate social responsibility.</p> <p>(2) Suppliers shall strive to reduce or eliminate all forms of waste, including water and energy. Suppliers may use energy-saving measures in equipment, maintenance or production processes, or achieve energy savings through recycling, reuse or substitution of materials.</p> <p>(3) Suppliers shall strive to reduce emissions of pollutants, toxins, and wastes and shall dispose of wastes properly. The disposal of waste should be in accordance with the relevant regulations to reduce the impact on the natural environment.</p> <p>5. Integrity Management Ethics</p> <p>(1) The Company shall comply with the Integrity Management Code and the Integrity Procedures and Conduct Guidelines and shall consider the ethical standards of suppliers when selecting suppliers, including but not limited to integrity, fair trade, open information and avoidance of improper earnings and false advertising, and compliance with intellectual property rights related regulations.</p> <p>(2) When entering a contract with a supplier, both parties shall operate in good faith and conduct transactions in an open and transparent manner. If one party is involved in dishonest acts and the circumstances are so significant that the contract cannot be performed, the other party may terminate or cancel the contract at any time.</p> <p>(3) In 2020, new suppliers will be required to sign a total of eight social responsibility pledges, and from</p> | |

| Item | Operation Status | | | Differences from the Code \ of Corporate Social Responsibility Practices of listed and listed companies and the reasons therefore. |
|--|------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | 2021, contracts with major suppliers will be planned to incorporate social responsibility clauses and suppliers will perform Corporate Social Responsibility self-assessment surveys. | |
| (5) Does the Company refer to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the Company, such as sustainability reports? Has the previous disclosure report been verified or the verification opinion of a third-party verification unit? | | V | The Company expects to prepare corporate social responsibility reports and other reports disclosing non-financial information in accordance with international standards or guidelines for the preparation of reports starting in 2024. | No significant difference |
| 6. If the Company has its own code of conduct for sustainable development in accordance with the “Code of Conduct for Sustainable Development of Listed Companies,” please state the differences between its operation and the code: A Corporate Sustainable Responsibility policy has been established, and it has been implemented in accordance with the order, and there are no differences. | | | | |
| 7. Other important information to help understand the implementation of promoting sustainable development: Our company uses collagen and hyaluronic acid extracted from cow tendons as raw materials and makes related products without violating relevant environmental regulations. | | | | |

(6) Climate-related information for listed and over-the-counter companies:

A. Implementation of climate-related information

| Item | Implementation | | | | | | | | | | | |
|--|--|---|--|--|--------------------------------|--------------------------------|---|-------------------|---------------------------|---|--|--|
| <p>1. Oversight and governance of climate-related risks and opportunities by the Board and management.</p> | <p>To address climate-related risks, opportunities, and the associated high levels of uncertainty and rapid changes in policies and markets, the Company takes proactive measures. This includes identifying potential future impacts of climate change and estimating the possible effects. Each year, high-level executives from various departments are convened to identify significant climate risks and opportunities. Additionally, the Company evaluates the potential risks posed by floods, droughts, typhoons, and high temperatures. This allows for a more comprehensive consideration of overall operational strategy planning by staying informed about external environmental climate changes and market dynamics.</p> <p>Under the Board of Directors, a "Risk Management Committee" has been established. This Committee consists of 5 Board members who possess professional knowledge and capabilities in corporate sustainability, authorized by the Board. The Committee meets annually and is responsible for formulating, promoting, and strengthening important policies for the Company's sustainable development, including climate-related issues. They also oversee action plans and capital expenditures, review, track, and amend the implementation and effectiveness of sustainability and risk management activities, and report to the Board. The Committee also has a Risk Management Task Force, which manages the promotion, reporting, assistance, supervision, coordination, and communication of policies and procedures. Several supervisors from different fields collaboratively drive the company's sustainability development plan. This includes addressing climate-related risk issues, updating on the latest regulatory requirements for industry climate risks, and reviewing the results of identifying climate risks and opportunities.</p> <p>Other functional committees are also responsible for certain aspects of climate-related governance, including: The "Audit Committee" meets quarterly to discuss relevant issues. They regularly receive reports from internal audit supervisors on the design and effectiveness of internal control systems for climate-related risks and on audit findings.</p> | | | | | | | | | | | |
| <p>2. Identified climate risks and opportunities are assessed for their potential impact on the Company's business, strategy, and financial (short, medium, and long term). This comprehensive approach ensures that the Company remains resilient and adaptive to climate change while seizing opportunities that may arise from evolving environmental conditions.</p> | <p>The Company actively devises solutions to evaluate short-term, medium-term, and long-term climate risks and opportunities. Measures are formulated to enhance climate resilience, ensuring stable operations and sustainable development.</p> <table border="1" data-bbox="696 1189 2072 1420"> <thead> <tr> <th data-bbox="696 1189 891 1300">Risk Factors/ Opportunities</th> <th data-bbox="891 1189 1368 1300">Financial and Business Impact:</th> <th data-bbox="1368 1189 1592 1300">Period (Short, medium, long-term)</th> <th data-bbox="1592 1189 2072 1300">Response measures</th> </tr> </thead> <tbody> <tr> <td data-bbox="696 1300 891 1420">Increased extreme weather</td> <td data-bbox="891 1300 1368 1420">Extreme weather events such as typhoons and floods may disrupt supply chains, affecting the supply of</td> <td data-bbox="1368 1300 1592 1420">Short-term Medium-term Long-term</td> <td data-bbox="1592 1300 2072 1420">1. Develop and implement a robust supply chain risk management strategy.</td> </tr> </tbody> </table> | | | | Risk Factors/ Opportunities | Financial and Business Impact: | Period (Short, medium, long-term) | Response measures | Increased extreme weather | Extreme weather events such as typhoons and floods may disrupt supply chains, affecting the supply of | Short-term Medium-term Long-term | 1. Develop and implement a robust supply chain risk management strategy. |
| Risk Factors/ Opportunities | Financial and Business Impact: | Period (Short, medium, long-term) | Response measures | | | | | | | | | |
| Increased extreme weather | Extreme weather events such as typhoons and floods may disrupt supply chains, affecting the supply of | Short-term Medium-term Long-term | 1. Develop and implement a robust supply chain risk management strategy. | | | | | | | | | |

| | | | | |
|--|--|---|--|--|
| | events | raw materials and production operations. This can lead to reduced sales revenue and increased operating costs. | | <ol style="list-style-type: none"> 2. Establish emergency preparedness and disaster response plans. 3. Invest in green energy equipment. |
| | Regulation and policy change. | Changes in regulatory requirements (e.g., carbon emission limits, energy efficiency standards) result in increased compliance costs and impacts on production and operations. | Short-term Medium-term | <ol style="list-style-type: none"> 1. Continuously monitor and evaluate regulatory changes to adjust company strategy in advance. 2. Improve the efficiency of products and production processes. |
| | Transition Risk | The increase in market demand for environmentally friendly products may affect the sales of traditional products in the future, which in turn may have an impact on the Company's financial and market competitiveness. | Short-term Medium-term Long-term | <ol style="list-style-type: none"> 1. Strengthen investment in research and development to enhance our technological innovation capability. 2. Continuously monitor and synchronize market demand and trends, and quickly adjust market strategies. 3. Expand product lines and promote environmental protection products. |
| | Resource deprivation | Climate change may result in the deprivation of certain resources, such as water resources, which may affect production and operating costs and increase financial stress. | Short-term Medium-term Long-term | <ol style="list-style-type: none"> 1. Adopt water conservation measures and optimize water management. 2. Seek renewable energy (solar energy), procure energy-saving equipment and technological innovations. 3. Enhance environmental awareness and resource conservation by adopting an environmental management system to track energy use. |
| 3. Describe the financial impacts of extreme weather events and restructuring actions. | <p>The Company's strategies to cope with the financial impacts of extreme climate events and restructuring actions are summarized below:</p> <ol style="list-style-type: none"> 1. Strengthening the supply chain: Establishing diversified supply chain management and reducing reliance on a single supplier to cope with supply disruptions caused by extreme weather events. In addition, contingency plans | | | |

| | <p>and disaster response plans will be put in place to ensure continuity of production and supply chain to minimize the risk of increase in production costs.</p> <ol style="list-style-type: none"> 2. Planning in advance: Continuously monitor and evaluate changes in climate-related regulations and policies and carry out technological modifications and equipment upgrades in advance to ensure compliance. Reduce long-term compliance costs and minimize environmental impacts by introducing clean energy and improving energy efficiency. 3. Infrastructure upgrade: Upgrade infrastructure to withstand the impact of extreme climate events. For example, establishing backup power and water systems ensures the stability of production operations and minimizes financial losses due to disasters. 4. Enhance resource management and conservation: To address the issue of resource scarcity, the Company has implemented energy conservation and power reduction, and optimized production processes to improve resource utilization efficiency and reduce the impact of resource scarcity on production and costs. In addition, we promote recycling and reuse to reduce our reliance on natural resources. 5. Employee training and awareness enhancement: Enhance employee training on climate change and environmental protection to improve environmental awareness and the ability of all employees to respond to climate risks. Through in-house education and training, we promote the participation of all employees in energy saving, emission reduction and environmental protection. | | | | |
|---|---|--------------------|---------|---------------------|--|
| <p>4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.</p> | <ol style="list-style-type: none"> 1. As mentioned in the first point, the Risk Management Team of the General Manager's Office is responsible for promoting, reporting, assisting, and supervising risk management, and several center supervisors work together to promote the sustainability program. The Risk Management Team serves as a platform for cross-departmental communication, identifying sustainability issues, formulating strategies and policies, implementing annual programs, and tracking results to ensure strategy implementation. In addition, a Risk Management Committee was established in 2011 to review risk management policies in accordance with protocols, and the Risk Management Team regularly reports to the Board of Directors at the end of each year on the progress of its work and oversees the programs and makes timely adjustments. In the past two years, the Risk Management Committee met on December 27, 2022, and December 18, 2023, respectively. 2. The Company's climate risk management process is divided into five major steps, namely risk identification, risk measurement, risk monitoring, risk reporting and risk response, which are summarized below: <table border="1" data-bbox="696 1225 2085 1422"> <thead> <tr> <th data-bbox="696 1225 965 1265">Management process</th> <th data-bbox="965 1225 2085 1265">Content</th> </tr> </thead> <tbody> <tr> <td data-bbox="696 1265 965 1422">Risk identification</td> <td data-bbox="965 1265 2085 1422">The Company identifies and evaluates economic (including corporate governance), environmental, social, and other risks associated with the Company's operations based on the principle of materiality, and the types of risks are: market risk, operational risk, environmental risk, and human resource risk.</td> </tr> </tbody> </table> | Management process | Content | Risk identification | The Company identifies and evaluates economic (including corporate governance), environmental, social, and other risks associated with the Company's operations based on the principle of materiality, and the types of risks are: market risk, operational risk, environmental risk, and human resource risk. |
| Management process | Content | | | | |
| Risk identification | The Company identifies and evaluates economic (including corporate governance), environmental, social, and other risks associated with the Company's operations based on the principle of materiality, and the types of risks are: market risk, operational risk, environmental risk, and human resource risk. | | | | |

| | Risk measurement | After the Company and its subsidiaries have identified the risks they may face, they shall establish appropriate measurement methods to serve as the basis for risk management. Risk measurement includes risk analysis and evaluation, which analyzes the likelihood and impact of a risk event to assess the impact of the risk on the Company and serves as a reference for the subsequent prioritization of risk control and the selection of response measures. | | | | | | | | | | |
|---|--|--|--|------|---------|----------------------|--------------------------|---|---|-----------------------------|--|---|
| | Risk control | The Company shall monitor and control the risks of its business, and the department shall propose countermeasures and provide the risks and countermeasures to the risk management team. | | | | | | | | | | |
| | Risk reporting | The Risk Management Team shall adjust the control mechanism periodically according to changes in the internal (and external) operating environment and summarize the risk status of each unit and report to the Risk Management Committee and the Board of Directors on a regular basis. | | | | | | | | | | |
| | Risk Response | After evaluating and summarizing the risks, each unit and subsidiary of the Company adopts four types of measures, namely, risk avoidance, risk reduction, risk sharing, and risk assumption, to deal with the risks they face. | | | | | | | | | | |
| 5. If scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analyzing factors, and major financial impacts shall be described. | As of the printing date of the annual report, the Company has not yet used scenario analysis to evaluate the resilience to climate change risks and will disclose the relevant analysis in the annual report if it is used in the future. | | | | | | | | | | | |
| 6. If the Company has a transformation plan for managing climate-related risks, the contents of the plan, as well as the indicators and targets for identifying and managing entity risks and transformation risks, will be disclosed in the annual report. | <p>The Company has formulated the following plan contents, indicators and targets for identifying and managing physical risks and transformation risks for the transformation plan to manage climate-related risks:</p> <p>1. Program description:</p> <table border="1" data-bbox="696 986 2078 1394"> <thead> <tr> <th data-bbox="696 986 882 1024">Item</th> <th data-bbox="882 986 1335 1024">Content</th> <th data-bbox="1335 986 2078 1024">Implementation steps</th> </tr> </thead> <tbody> <tr> <td data-bbox="696 1024 882 1193">Carbon reduction program</td> <td data-bbox="882 1024 1335 1193">The Company will gradually reduce carbon emissions, promote low-carbon production technologies and processes, introduce clean energy and enhance energy efficiency.</td> <td data-bbox="1335 1024 2078 1193"> <ol style="list-style-type: none"> 1. Evaluate existing production processes and energy usage; 2. Set carbon reduction targets and select appropriate low-carbon equipment, 3. Implement technological renovation and equipment renewal in phases. </td> </tr> <tr> <td data-bbox="696 1193 882 1394">Resource management program</td> <td data-bbox="882 1193 1335 1394">The Company will optimize its resource management, promote energy and water conservation programs, and implement a circular economy model.</td> <td data-bbox="1335 1193 2078 1394"> <ol style="list-style-type: none"> 1. Review existing resource usage and identify room for optimization 2. Setting targets for energy and water conservation and promoting the reuse of resources. 3. Introduce resource management technologies to enhance resource utilization efficiency. </td> </tr> </tbody> </table> | | | Item | Content | Implementation steps | Carbon reduction program | The Company will gradually reduce carbon emissions, promote low-carbon production technologies and processes, introduce clean energy and enhance energy efficiency. | <ol style="list-style-type: none"> 1. Evaluate existing production processes and energy usage; 2. Set carbon reduction targets and select appropriate low-carbon equipment, 3. Implement technological renovation and equipment renewal in phases. | Resource management program | The Company will optimize its resource management, promote energy and water conservation programs, and implement a circular economy model. | <ol style="list-style-type: none"> 1. Review existing resource usage and identify room for optimization 2. Setting targets for energy and water conservation and promoting the reuse of resources. 3. Introduce resource management technologies to enhance resource utilization efficiency. |
| Item | Content | Implementation steps | | | | | | | | | | |
| Carbon reduction program | The Company will gradually reduce carbon emissions, promote low-carbon production technologies and processes, introduce clean energy and enhance energy efficiency. | <ol style="list-style-type: none"> 1. Evaluate existing production processes and energy usage; 2. Set carbon reduction targets and select appropriate low-carbon equipment, 3. Implement technological renovation and equipment renewal in phases. | | | | | | | | | | |
| Resource management program | The Company will optimize its resource management, promote energy and water conservation programs, and implement a circular economy model. | <ol style="list-style-type: none"> 1. Review existing resource usage and identify room for optimization 2. Setting targets for energy and water conservation and promoting the reuse of resources. 3. Introduce resource management technologies to enhance resource utilization efficiency. | | | | | | | | | | |

| | 2. Indicators and objectives: | | | | | | | | | | | | | | | |
|---|---|---|-----------|-----------|------------------|--------------------------------|--|-------------------|---|--|----------------------|--|--|--------------------------------------|--|---|
| | <table border="1"> <thead> <tr> <th>Item</th> <th>Indicator</th> <th>Objective</th> </tr> </thead> <tbody> <tr> <td>Carbon emissions</td> <td>Annual carbon emissions (tons)</td> <td>Reduce carbon emissions by 2% per year</td> </tr> <tr> <td>Energy efficiency</td> <td>Energy consumption per unit product (kWh/product)</td> <td>5% improvement in energy efficiency per year</td> </tr> <tr> <td>R&D investment ratio</td> <td>Annual R&D investment as a percentage of total revenue (%)</td> <td>Annual R&D investment as a percentage of total revenue (15%)</td> </tr> <tr> <td>Employee training participation rate</td> <td>Proportion of employees participating in climate change education and training (%)</td> <td>Ensure that 90% of employees participate in relevant education and training every year.</td> </tr> </tbody> </table> | Item | Indicator | Objective | Carbon emissions | Annual carbon emissions (tons) | Reduce carbon emissions by 2% per year | Energy efficiency | Energy consumption per unit product (kWh/product) | 5% improvement in energy efficiency per year | R&D investment ratio | Annual R&D investment as a percentage of total revenue (%) | Annual R&D investment as a percentage of total revenue (15%) | Employee training participation rate | Proportion of employees participating in climate change education and training (%) | Ensure that 90% of employees participate in relevant education and training every year. |
| Item | Indicator | Objective | | | | | | | | | | | | | | |
| Carbon emissions | Annual carbon emissions (tons) | Reduce carbon emissions by 2% per year | | | | | | | | | | | | | | |
| Energy efficiency | Energy consumption per unit product (kWh/product) | 5% improvement in energy efficiency per year | | | | | | | | | | | | | | |
| R&D investment ratio | Annual R&D investment as a percentage of total revenue (%) | Annual R&D investment as a percentage of total revenue (15%) | | | | | | | | | | | | | | |
| Employee training participation rate | Proportion of employees participating in climate change education and training (%) | Ensure that 90% of employees participate in relevant education and training every year. | | | | | | | | | | | | | | |
| 7. If internal carbon pricing is used as a planning tool, the basis for price setting should be specified. | In 2021, the Company has started to conduct an inventory of the Company's greenhouse gas emissions, and then based on the carbon inventory to grasp the sources of emissions and introduce mechanisms to reduce the sources of emissions and lower emissions, including workflow improvement, equipment retirement and renewal, and company-wide replacement of LED lighting, etc. The Company will continue to pay attention to the carbon pricing mechanism of the countries in which the Group companies are located to assess the benefits of promoting internal carbon pricing and then plan for the implementation of the program. | | | | | | | | | | | | | | | |
| 8. If the Company has set climate-related targets, it shall provide information on the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement; if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, it shall provide information on the sources and quantities of carbon reduction credits or renewable energy certificates (RECs) to be offset. | The Company set climate risk-related targets at the beginning of 2024 and will continue to make progress in achieving the set targets. The status of the implementation of climate-related targets in the future will be disclosed in the annual report or on the Company's official website. | | | | | | | | | | | | | | | |
| 9. Greenhouse gas inventory and confirmation status, reduction targets, strategies, and specific action plans. | As of the printing date of the annual report, the 2023 greenhouse gas inventory and confirmation are still in progress, therefore, the Company presents the results of the 2022 and 2021 annual inventories, which are summarized in the table below. | | | | | | | | | | | | | | | |

B. Greenhouse gas inventory & assurance

| | | | |
|--|--|---|--|
| Basic information of the Company <input type="checkbox"/> Capitalization of over NT\$10 billion, steel industry, cement industry <input type="checkbox"/> Capitalization of over NT\$5 billion but less than NT\$10 billion. <input checked="" type="checkbox"/> Capitalization less than NT\$5,000 million | | According to the sustainable development roadmap of listed companies, at least the following shall be disclosed <input checked="" type="checkbox"/> Parent company's individual inventory <input type="checkbox"/> Consolidated financial report subsidiary's inventory <input checked="" type="checkbox"/> Parent company's individual assurance <input type="checkbox"/> Consolidated financial reporting subsidiaries' assurance | |
| Scope of confirmation | | 2021 | 2022 |
| MBI | Scope 1 Direct greenhouse gas emissions | 115.6290 | 119.0783 |
| | Scope 2 Indirect greenhouse gas emissions | 1912.6184 | 19271835 |
| | Total | 2028.2474 | 2046.2618 |
| Assurance institution | | TUV NORD Taiwan Co., Ltd. | TUV NORD Taiwan Co., Ltd. |
| Statement of assurance | | ISO 14064-3:2018 Reasonable assurance | ISO 14064-3:2018 Reasonable assurance |
| Assurance opinion/conclusion | | None | None |

(7) Implementation of integrity management and differences from the Integrity Management Code for Listed and OTC Companies, and the reasons therefor:

| Item | Operation Status | | | Differences from the Code of Conduct for Integrity of Listed Companies and Reasons |
|---|------------------|----|--|--|
| | Yes | No | Explanation | |
| <p>1. Establishing integrity management policies and programs</p> <p>(1) Has the Company explicitly declared the ethical management policy and method in the Articles of Incorporation and external documents as well as the commitment of the Board of Directors and the management to actively implement the operating policies?</p> <p>(2) Has the Company adopted preventive measures in response to Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or preventive measures for business activities within their business scope which are at a higher risk of being involved in unethical conduct?</p> <p>(3) Has the Company stipulated the prevention programs to forestall unethical conduct and specified in the programs the operational procedures, guidelines, and punishments and the grievance system and implemented the programs?</p> | V | | <p>(1) The Company has established the "Code of Conduct for Integrity Management" and the "Code of Conduct for Integrity Management," as well as a code of conduct for employees to express the policy of integrity management, which stipulates that employees shall not use their official position to obtain unlawful benefits and accept hospitality, gifts, kickbacks, embezzlement of public funds or other unlawful benefits, in the hope of eliminating dishonest behaviors that affect business relationships or transactions.</p> <p>(2) The Company has established the "Code of Conduct for Integrity Management" and the "Code of Conduct and Procedures for Integrity Management" as well as the Code of Conduct for Employees to regulate the behavior of employees and to conduct orientation and training for new employees. At the same time, the Company will establish a risk prevention process and report the implementation status regularly.</p> <p>(3) To prevent dishonest behavior, the Company has established the "Code of Conduct for Integrity" and the "Procedures and Conduct Guidelines for Integrity," which specify the ethical standards that employees should follow when engaging in any business activities.</p> | No significant difference |
| <p>2. Implementation of Ethical Management</p> <p>(1) Does the Company evaluate the integrity record of the counterparty and clearly stipulate the terms of</p> | V | | <p>(1) Before entering into formal trading activities with business partners, the Company conducts various assessments, including integrity, to</p> | No significant difference |

| Item | Operation Status | | | Differences from the Code of Conduct for Integrity of Listed Companies and Reasons |
|--|------------------|----|--|--|
| | Yes | No | Explanation | |
| integrity in the contract signed with the counterparty? | | | avoid trading with those with a record of dishonest behavior, and the relevant contracts are integrated into the integrity management. | |
| (2) Has the Company set up a dedicated unit affiliated to the Board of Directors to promote ethical corporate management, which regularly (at least once a year) reports its implementation to the board of directors? | V | | (2) The Company's General Manager's Office, whose main members are the managers of the business department, promotes integrity management. The "Code of Conduct for Integrity Management" and "Procedures and Guidelines for Integrity Management" have been established internally, and the "Code of Conduct for Integrity Management" and "Procedures and Guidelines for Integrity Management" were amended by the Board of Directors on March 27, 2020, to provide a basis for the implementation of integrity management. Since 2019, the Company has reported the implementation status of integrity management to the Board of Directors annually. | |
| (3) Has the Company developed policies to prevent conflicts of interest, provided adequate channels for communication and implemented the policies? | V | | (3) The Company provides various channels so that colleagues can provide information at any time, and regular reports on the operation status are compiled by specialists. | |
| (4) Has the Company established effective accounting and internal control systems to implement ethical management; also, have audits been performed by the internal audit unit regularly or by the commissioned CPAs? | V | | (4) The Company requires its employees to comply with the Company Act, the Securities and Exchange Act, the Political Contribution Act, the Corruption Control Act, the Government Procurement Act, and the relevant internal regulations on auditing and internal control and shall comply with the "Code of Conduct for Integrity Management" and the "Procedures and Conduct Guidelines for Integrity Management" as the basis for the implementation of integrity management. | |
| (5) Does the Company regularly organize internal and external education and training programs on ethical management? | V | | (5) In 2020, MBI organized internal and external education and training courses and related work of integrity management. 1. On December 1, 2023, the Association | |

| Item | Operation Status | | | Differences from the Code of Conduct for Integrity of Listed Companies and Reasons |
|--|----------------------------|----|--|--|
| | Yes | No | Explanation | |
| | | | <p>for Corporate Management and Sustainable Development of the Republic of China provided education and training for directors and managers on "Major Corporate Transactions/Disputes over Management Rights and Corporate Governance: Reflecting on Risks in the Context of AI Sustainability, Technological Development, and Legal Changes." 9 participants attended, each for 6 hours.</p> <p>2. In 2023, the online course on preventing insider trading was available from July 24 to July 31. The online course on trade secret promotion was available from January 6 to December 31. These courses provided comprehensive compliance concepts to all group employees, emphasizing the importance of corporate integrity.</p> <p>3. A total of 10 copies of the "Statement of Integrity" were signed by new directors and incumbent managers in 2022.</p> | |
| <p>3. The operation of the Company's whistleblowing system</p> <p>(1) Has the Company formulated a specific reporting and reward system, established convenient whistleblowing channels, and assigned appropriate persons in charge of handling the whistleblowing case according to the subject?</p> <p>(2) Has the Company established the standard operating procedures for whistleblowing investigations, the follow-up measures to be taken after the investigations are completed, and the relevant confidentiality mechanism?</p> | <p>V</p> <p>V</p> <p>V</p> | | <p>(1) The Company provides a whistleblower mailbox and related disciplinary measures for violations and reviews and revises them sometimes.</p> <p>(2) The Company's "Rules for Handling Cases of Reporting Illegal, Unethical or Dishonest Behavior" clearly stipulate that the procedures are clear and that the parties involved shall be treated in a confidential manner.</p> | No significant difference |

| Item | Operation Status | | | Differences from the Code of Conduct for Integrity of Listed Companies and Reasons |
|--|------------------|----|--|--|
| | Yes | No | Explanation | |
| (3) Has the Company taken measures to protect the whistleblowers from improper treatment due to the whistleblowing? | | | (3) The Company has an open attitude to encourage employees to report misconduct, and to protect whistleblowers by providing anonymous reporting through a dedicated mailbox. | |
| 4. Enhancement of information disclosure Has the company disclosed on its website and MOPS the content of the Ethical Corporate Management Best Practice Principles and implementation results? | V | | (1) The Company has set up a website and is actively planning to include financial operations and corporate governance information on the website. (2) The Company has a person responsible for the collection of disclosure information and the implementation of the spokesperson system. | No significant difference |
| <p>5. If the company has established its own Integrity Management Code based on the "Integrity Management Code for Listed and OTC Companies," please explain the differences in its operation compared to the established code.</p> <p>In accordance with the "Code of Conduct for Integrity in Listed Companies," the Company has its own Code of Conduct for Integrity in Management and informs all employees during employee education and training. 1. Integrity in Management: (1) Avoid conflicts of interest arising from personal work and dealings with suppliers, customers and others. 2. No illegitimate gains: (1) All colleagues are not allowed to obtain benefits through improper means. (2) Bribery of any form is prohibited. (3) Before accepting a gift or hospitality, all employees must submit it to the department head for approval beforehand.</p> | | | | |
| <p>6. Other important information helpful understanding the ethical management operation:(For example, reviews and revision of the Company's Ethical Corporate Management Best Practice Principles)</p> <p>The Company always pays attention to the development of domestic and foreign integrity management related regulations, and reviews and improves the Company's integrity management policies to enhance the effectiveness of the Company's integrity management.</p> | | | | |

(8) The Company has the corporate governance Best-Practice Principle and the related inquiries established: The Company has established a code of corporate governance and related regulations, which are available on the Company's website.

(9) Other important information helpful in understanding the corporate governance operation: None.

(10) The implementation of the internal control system

A. Statement of Internal Control System: Please refer to page 78.

B. If a CPA is commissioned to review the internal control system specifically, the review report shall be disclosed: None.

(11) The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and up to the publication of the annual report: None.

Maxigen Biotech Inc.

Statement of Internal Control System

Date: March 12, 2024

Based on the findings of a self-assessment, Maxigen Biotech Inc. (“MBI”) states the following regarding its internal control system during the year 2023:

1. MBI’s Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and MBI has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment of the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of MBI contains self-monitoring mechanisms, and MBI takes actions in response to any identified deficiencies.
3. MBI evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (herein below, the Regulations”). The criteria adopted by the Regulations identify five components of managerial internal control; (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Please refer to the Regulations for details. Each component has several items.
4. MBI has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned (preceding paragraph, MBI believes that, on December 31, 2023, it has maintained, in all material respects, and effective internal control system (that included the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of MBI’s Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 12, 2024, with all the 9 attending directors all affirming the content of this Statement.

Maxigen Biotech Inc.



Chairman of the Board: Yung-Hsiang Lin



(Signature)

General Manager: Jing-Ting Chen



(Signature)

(12) The material resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication of the annual report:

A. Important resolutions reached in the shareholders' meeting

| Meeting category | Meeting date | Important Resolution | Result | Implementation |
|---------------------|--------------|--|---|--|
| Shareholder Meeting | 2023.6.19 | 1. Adoption of the 2022 business report and financial statements. | After consultation with all shareholders present, the Chairman approved the proposal without any objection. | Not applicable. |
| | | 2. Adoption of the proposal for distribution of 2022 profits. | | (1) Cash dividends of NT\$42,349,579 or NT\$0.50 per share on common shares. |
| | | 3. Converting surplus into capital and issuing new shares in 2023. | | Operate in accordance with the revised method. |

B. Significant resolutions of the Board of Directors for the latest year and up to the date of publishing of the annual report

| Meeting Date | Category | Important Resolutions of the Board of Directors |
|-----------------------------------|--------------------|---|
| 1st meeting of 2023 2023.03.22 | Board of Directors | <p>Proposal 1: Personnel adjustment of the financial manager and adjustment of salary remuneration.</p> <p>Proposal 2: Adoption of the 2022 business report and financial statements.</p> <p>Proposal 3: The Company's 2022 distribution of employees' and directors' remuneration.</p> <p>Proposal 4: The salary and compensation adjustment plan for the Company's managers.</p> <p>Proposal 5: The 2023 remuneration plan for the CPA.</p> <p>Proposal 6: The Company's Internal Control System Statement.</p> <p>Proposal 7: Amendment to the Company's "Ethical Management Code of Conduct" and "Procedures for Ethical Management and Guidelines for Conduct."</p> <p>Proposal 8: Amendment to the Company's "Personal Data Protection Management Regulations and Security Maintenance Plan."</p> <p>Proposal 9: Planning of the Company's greenhouse gas inventory schedule (including merged subsidiaries).</p> <p>Proposal 10: Planning of the date, place and reason for the meeting of the Company's 2023 shareholders' meeting</p> <p>Article 11: Proposal to apply for a financing loan limit from financial institutions.</p> |
| 2nd meeting of 2023 2023.04.21 | Board of Directors | <p>Proposal 1: Proposal for the company to acquire marketable securities.</p> |
| 3rd meeting of 2023 2023.05.03 | Board of Directors | <p>Proposal 1: The Company's Consolidated Financial Statements for the 1st quarter of 2023.</p> <p>Proposal 2: Proposal for the distribution of the Company's 2022 profits.</p> <p>Proposal 3: Converting surplus into capital and issuing new shares in 2023</p> <p>Proposal 4: Proposal to apply for a financing loan limit from financial institutions.</p> <p>Proposal 5: Explanation of the Company's 2022 distribution of director's and employee remuneration.</p> <p>Proposal 6: Proposal to add items to the agenda of the shareholders' meeting.</p> <p>Proposal 7: Adjustment of the Company's Audit supervisor's salary related matters.</p> |
| 4th meeting of 2023 2023.07.26 | Board of Directors | <p>Proposal 1: The Company's Consolidated Financial Statements for the 2nd quarter of 2023.</p> <p>Proposal 2: Explanation of the Company's 2022 distribution of employee remuneration.</p> |

| Meeting Date | Category | Important Resolutions of the Board of Directors |
|-----------------------------------|--------------------|--|
| 5th meeting of 2023 2023.10.25 | Board of Directors | <p>Proposal 1: The Company's financial report for the 3rd quarter of 2023.</p> <p>Proposal 2: Proposal for the Company to provide a loan to its wholly-owned subsidiary, "MBI Biotechnology (Shanghai) Co., Ltd."</p> <p>Proposal 3: Proposal to ratify the Company's sale of investment property.</p> <p>Proposal 4: Amendment of the Company's internal control system and management system.</p> <p>Proposal 5: Explanation of the Company's 2022 distribution of employee remuneration.</p> |
| 6th meeting of 2023 2023.12.18 | Board of Directors | <p>Proposal 1: The Company's Operating Plan and Budget for 2024.</p> <p>Proposal 2: The Company's 2024 Audit Plan Proposal.</p> <p>Proposal 3: Proposal to assess the independence and suitability of the Company's certified public accountant.</p> <p>Proposal 4: To accommodate the internal adjustments of PwC Taiwan, the Company will change its certified public accountant starting from the first quarter of 2024.</p> <p>Proposal 5: Draft the Company's 2024 risk management plan.</p> <p>Proposal 6: Proposal for the nomination of a dedicated Chief Information Security Officer.</p> <p>Proposal 7: Matter related to the distribution of the year-end bonuses for the Company's managers for 2023.</p> |
| 1st meeting of 2024 2024.03.12 | Board of Directors | <p>Proposal 1: The Company's 2023 Internal Control System Statement.</p> <p>Proposal 2: Adoption of the 2023 business report and financial statements.</p> <p>Proposal 3: Explanation of the distribution plan for employee compensation for the 4th quarter of 2022.</p> <p>Proposal 4: The Company's 2023 distribution of employees' and directors' remuneration.</p> <p>Proposal 5: The salary and compensation adjustment plan for the Company's managers.</p> <p>Proposal 6: The 2024 remuneration plan for the CPA.</p> <p>Proposal 7: Propose a capital increase base date.</p> <p>Proposal 8: Proposal to approve the Audit Committee's election of the Company's representative in the matter of Article 223 of the Company Act.</p> <p>Proposal 9: Amendments to the Company's Articles of Incorporation.</p> <p>Proposal 10: Proposed general election of directors of the Company at the 2024 annual shareholders' meeting.</p> <p>Proposal 11: Nomination of candidates for election as directors (including independent directors).</p> <p>Proposal 12: Proposal for the removal of restrictions on new directors and their representatives from engaging in competitive activities.</p> <p>Proposal 13: Planning of the date, place and reason for the meeting of the Company's 2024 shareholders' meeting.</p> |
| 2nd meeting of 2024 2024.05.03 | Board of Directors | <p>Proposal 1: The Company's Consolidated Financial Statements for the 1st quarter of 2024.</p> <p>Proposal 2: Proposal for the distribution of the Company's 2023 profits.</p> <p>Proposal 3: Explanation of the distribution plan for employee compensation for the 1st quarter of 2024.</p> <p>Proposal 4: Amendment to the Company's "Organizational Charter of the Audit Committee and "Rules of Procedure of the Board of Directors."</p> <p>Proposal 5: Propose a capital increase base date.</p> |

- (13) The contents of the Board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None.
- (14) Summary table of resignation and dismissal of the Company's Chairman, General Manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor and R&D supervisor in the most recent year and as of the publication date of the annual report: None.

5. Information Regarding the Company's CPA Audit Fee

- (1) If the amount of non-audit fees paid to the certified public accountant, the certified public accountant's firm, and its affiliates is more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed.

Unit: NT\$ thousand

| CPA Firm | Name of CPAs | Audit Period | Audit fees | Non-audit fee | Total | Notes |
|------------|----------------|----------------------|------------|---------------|-------|--|
| PwC Taiwan | Ming-Chuan Hsu | 112.01.01- 112.12.31 | 2,500 | 100 | 2,600 | Converting surplus into capital and issuing new shares |
| | Bing-Jun Zhi | | | | | |

- (2) If the replacement of the accounting firm and the audit fee amount paid in the year of the replacement is lower than the audit fee amount in the year before the replacement, the amount and reason for the audit fee amounts before and after the replacement shall be disclosed: None.
- (3) If the public audit fee is reduced by more than 10% compared with the previous year, the amount, proportion and reason for the reduction of the public audit fee shall be disclosed: None.

6. Replacement of CPAs: None.

7. The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent accounting firm or its affiliates over the past year: None.

8. Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report.

(1) Shareholding changes of directors, supervisors, managers and major shareholders

Unit: Share

| Title | Name | 2023 | | As of April 15, 2024 | |
|--|---|--|---|--|---|
| | | Current Shareholding Increase (decrease) | Increase (decrease) of shares pledged Increase (decrease) | Current Shareholding Increase (decrease) | Increase (decrease) of shares pledged Increase (decrease) |
| Chairman | TCI Co., Ltd. | 966,893 | — | — | — |
| | TCI Co., Ltd. Authorized Representative: Yung-Hsiang Lin | | — | — | — |
| Director | TCI Co., Ltd. | 966,893 | — | — | — |
| | TCI Co., Ltd. Authorized Representative: Jing-Ting Chen | | — | — | — |
| Director | TCI Co., Ltd. | 966,893 | — | — | — |
| | TCI Co., Ltd. Authorized Representative: Zhen-Zhen Fu | | — | — | — |
| Director | TCI Co., Ltd. | 966,893 | — | — | — |
| | TCI Co., Ltd. Representative: Cong-Jie Qiu | | — | — | — |
| Director | China Investment and Development Co., Ltd. | 65,556 | — | — | — |
| | China INVESTMENT AND DEVELOPMENT Authorized Representative: Xiu-Yuan Li | | — | — | — |
| Director | Formosa Biomedical Technology Corp. | 414,382 | — | — | — |
| | Formosa Biomedical Technology Corp. Representative : Shih-Ming Lai | — | — | — | — |
| Independent Director | Sung-Yuan Liao | — | — | — | — |
| Independent Director | Shih-Ming Li | — | — | — | — |
| Independent Director | Zhong-Ming Zeng | — | — | — | — |
| General Manager | Ching-Ting Chen | 1,402 | — | 96,000 | — |
| Deputy General Manager | Bo-Hong Lai | 4,095 | — | — | — |
| Supervisor of accounting and financing | Ruei-Yi Wu | — | — | — | — |
| Major shareholder | TCI Co., Ltd. | 966,893 | — | — | — |

(2) The counterparty of the equity transfer is a related party: None.

9. The top-10 shareholders who are the spouses or relatives within the two degree of kinship to each other

Unit: Share April 15, 2024

| Name | Current shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top 10 Shareholders, or Spouses or Relatives Within the Two Degree of Kinship | | Notes |
|--|----------------------|---------|-----------------------------|---|-------------------------------------|---|---|---------------------------|-------|
| | Shares | % Ratio | Shares | % | Shares | % | Name | Relationship | |
| TCI Co., Ltd. | 20,304,762 | 22.80% | – | – | – | – | YYC Corp. | Same authorized personnel | – |
| Formosa Biomedical Technology Corp. | 8,702,040 | 9.77% | – | – | – | – | – | – | – |
| NuVasive, Inc., USA | 4,758,600 | 5.34% | – | – | – | – | – | – | – |
| Global Investment Holdings | 3,520,510 | 3.95% | – | – | – | – | GRAND CATHAY VENTURE CAPITAL CO., LTD., CHINA INVESTMENT AND DEVELOPMENT CO., LTD. | Same authorized personnel | – |
| GRAND CATHAY VENTURE CAPITAL CO., LTD. | 2,440,481 | 2.74% | – | – | – | – | Global Investment Holdings, China Investment and Development Co., Ltd. | Same authorized personnel | – |
| Shu-Ping Lai | 1,501,500 | 1.69% | – | – | – | – | – | – | – |
| YYC Corp. | 1,427,580 | 1.60% | – | – | – | – | TCI Co., Ltd. | Same authorized personnel | – |
| China Investment and Development Co., Ltd. | 1,376,688 | 1.55% | – | – | – | – | Global Investment Holdings, GRAND CATHAY VENTURE CAPITAL CO., LTD. | Same authorized personnel | – |
| Jin-Lian Li | 968,592 | 1.09% | – | – | – | – | – | – | – |
| Bing-Zhang Zhang | 947,100 | 1.06% | – | – | – | – | – | – | – |

10. The shares of the invested company held by the Company, the Company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding ratio

As of April 15, 2024 / Unit: Share; %

| Investment Business | Investment by MBI | | Investment by MBI's Directors, Supervisors, Managers and its directly or indirectly controlled business | | Total Investment | |
|--|-------------------|------|---|---|------------------|------|
| | Shares | % | Shares | % | Shares | % |
| Maxigen Biotech Inc. (Shanghai) (Note 1) | - | 100% | - | - | - | 100% |
| Horay Inc. (Note 2) | - | - | - | - | - | - |

Note 1: The Company's direct investment in Mainland China is in the form of a limited liability company with no shares. The company was formerly known as Dingshi Trading (Shanghai) Co., Ltd. and the Company name was changed to Maxigen Biotech Inc. (Shanghai) on February 22, 2022.

Note 2: As of December 31, 2023, the company is undergoing dissolution and liquidation.

IV. Business Capitalization

1. Capital and Shares

(1) Capitalization

A. Equity formation

Unit: Thousand shares; NT\$ thousand

| Year/ Month | Issue price (per share) | Authorized Capital | | Capital Stock | | Notes | | |
|----------------|----------------------------|--------------------|---------|---------------|---------|---------------------------------------|--|--|
| | | Shares | Amount | Shares | Amount | Source of Capital | Shares offset by property other than cash | Other |
| 1998/12 | 10 | 30,000 | 300,000 | 10,000 | 100,000 | Establish | — | — |
| 2000/03 | 10 | 30,000 | 300,000 | 19,800 | 198,000 | Capitalization by Cash 98,000 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-089114639 received on May 11, 2000. |
| 2002/07 | 13 | 30,000 | 300,000 | 26,000 | 260,000 | Capitalization by Cash 62,000 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-0911308790 received on August 12, 2002. |
| 2003/12 | 15 | 40,000 | 400,000 | 30,000 | 300,000 | Capitalization by Cash 40,000 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-0923323950 received on December 31, 2003 |
| 2006/12 | 10 | 40,000 | 400,000 | 37,000 | 370,000 | Capitalization by Cash 70,000 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-09631567820 received on January 17, 2007. |
| 2007/05 | 16 | 60,000 | 600,000 | 41,120 | 411,200 | Capitalization by Cash 41,200 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-09632228870 received on June 6, 2007. |
| 2010/02 | 20 | 60,000 | 600,000 | 50,120 | 501,200 | Capitalization by Cash 90,000 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-09901049980 received on March 19, 2010. |
| 2011/09 | 10 | 60,000 | 600,000 | 50,306 | 503,600 | Employee stock option of NT\$1,860 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10001213260 received on September 14, 2011. |
| 2011/12 | 10 | 60,000 | 600,000 | 50,620 | 506,200 | Employee stock option of NT\$3,140 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10001294180 received on December 30, 2011. |
| 2012/02 | 10 | 60,000 | 600,000 | 50,814 | 508,140 | Employee stock option of NT\$1,940 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10101015680 received on February 3, 2012. |
| 2012/07 | 10 | 60,000 | 600,000 | 50,982 | 509,820 | Employee stock option of NT\$1,680 | — | The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10101131590 received on July 12 |

| Year/ Month | Issue price (per share) | Authorized Capital | | Capital Stock | | Notes | | |
|----------------|----------------------------|--------------------|-----------|---------------|---------|---|--|---|
| | | Shares | Amount | Shares | Amount | Source of Capital | Shares offset by property other than cash | Other |
| 2012/11 | 10 | 60,000 | 600,000 | 51,281 | 512,810 | Employee stock option of NT\$2,990 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10101237920 received on November 15, 2012. |
| 2013/04 | 22.5 | 100,000 | 1,000,000 | 61,281 | 612,810 | Capitalization by Cash 100,000 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10201061770 received on April 11, 2013. |
| 2013/04 | 10 | 100,000 | 1,000,000 | 62,054 | 620,540 | Employee stock option of NT\$7,730 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10201061770 received on April 11, 2013. |
| 2013/04 | 10 | 100,000 | 1,000,000 | 62,106 | 621,060 | Employee stock option of NT\$520 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10201095770 received on May 27, 2013. |
| 2013/08 | 10 | 100,000 | 1,000,000 | 62,294 | 622,940 | Employee stock option of NT\$1,880 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10201171330 received on August 20, 2013. |
| 2014/01 | 35 | 100,000 | 1,000,000 | 70,084 | 700,840 | Capitalization by Cash 77,900 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10301000640 received on January 1, 2014. |
| 2014/11 | 18.7 | 100,000 | 1,000,000 | 70,349 | 703,490 | Employee stock option of NT\$2,650 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10301238900 received on November 19, 2014. |
| 2015/03 | 18.7 | 100,000 | 1,000,000 | 70,464 | 704,640 | Employee stock option of NT\$1,150 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10401035200 received on March 17, 2015. |
| 2015/05 | 18.7 | 100,000 | 1,000,000 | 70,837 | 708,370 | Employee stock option of NT\$3,730 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10401097100 received on May 21, 2015. |
| | 23.7 | | | | | | | |
| 2015/08 | 23.7 | 100,000 | 1,000,000 | 70,847 | 708,470 | Employee stock option of NT\$100 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10401183860 received on August 26, 2015. |
| 2015/11 | 27.1225 | 100,000 | 1,000,000 | 78,757 | 787,570 | Private placement convertible preferred stock of \$79,100 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10401251100 received on November 27, 2015. |
| 2019/04 | - | 100,000 | 1,000,000 | 77,375 | 773,750 | Cancellation of treasury shares NT\$13,820 | — | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801045500 received on April 18, 2019. |

| Year/ Month | Issue price (per share) | Authorized Capital | | Capital Stock | | Notes | | |
|----------------|----------------------------|--------------------|-----------|---------------|---------|--|--|--|
| | | Shares | Amount | Shares | Amount | Source of Capital | Shares offset by property other than cash | Other |
| 2020/02 | - | 100,000 | 1,000,000 | 69,465 | 694,650 | Cancellation of private equity share NT\$79,100 | - | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901018570 received on February 26, 2020 |
| 2021/09 | - | 100,000 | 1,000,000 | 76,999 | 769,990 | Private equity NT\$75,342 | - | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-11001152840 received on September 10, 2021. |
| 2022/12 | - | 100,000 | 1,000,000 | 84,699 | 846,990 | Transfer of earnings to issue new shares of NT\$76,999 | | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-111012300220 received on December 07, 2022 |
| 2023/11 | - | 100,000 | 1,000,000 | 88,934 | 889,341 | Converting surplus into capital and issuing new shares of NT\$42,350 | | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-11230196210 received on November 03, 2023 |
| 2024/04 | | 100,000 | 1,000,000 | 88,957 | 889,571 | Employee stock option of NT\$23 | | The approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-11330059870 received on April 15, 2024 |

B. Share type

Unit: Share / April 15, 2024

| Share type | Authorized Capital | | | Notes |
|-----------------|--------------------|-----------------|-------------|-----------------------|
| | Issued shares | Unissued shares | Total | |
| Common stock | 89,070,115 | 10,929,885 | 100,000,000 | Listed company shares |
| Preferred stock | - | - | - | - |
| Total | 89,070,115 | 10,929,885 | 100,000,000 | |

(2) Composition of Shareholders

Unit: Share / April 15, 2024

| Structure of Shareholder Quantity | Government Agencies | Financial Institutions | Other Institutions | Individuals | Foreign Institutions & Individuals | Total |
|--------------------------------------|---------------------|------------------------|--------------------|-------------|------------------------------------|------------|
| Number of Shareholders | — | — | 184 | 30,147 | 46 | 26,667 |
| Current Shareholding | — | — | 39,624,954 | 43,138,581 | 6,306,580 | 89,070,115 |
| % | — | — | 44.49% | 48.43% | 7.08% | 100% |

(3) Distribution Profile of Share Ownership

A. Common stock

April 15, 2024

| Shareholder Ownership (Shares) | Number of Shareholders | Current Shareholding | % |
|--------------------------------|------------------------|----------------------|--------|
| 1 to 999 | 24,550 | 359,154 | 0.40% |
| 1,000 to 5,000 | 4,439 | 8,378,484 | 9.41% |
| 5,001 to 10,000 | 665 | 4,577,115 | 5.14% |
| 10,001 to 15,000 | 286 | 3,366,595 | 3.78% |
| 15,001 to 20,000 | 100 | 1,731,040 | 1.94% |
| 20,001 to 30,000 | 114 | 2,747,126 | 3.08% |
| 30,001 to 40,000 | 64 | 2,263,881 | 2.54% |
| 40,001 to 50,000 | 24 | 1,071,005 | 1.2% |
| 50,001 to 100,000 | 64 | 4,465,837 | 5.01% |
| 100,001 to 200,000 | 33 | 4,336,843 | 4.87% |
| 200,001 to 400,000 | 19 | 4,960,230 | 5.57% |
| 400,001 to 600,000 | 6 | 2,737,698 | 3.07% |
| 600,001 to 800,000 | 3 | 2,127,254 | 2.39% |
| 800,001 to 1,000,000 | 2 | 1,915,692 | 2.15% |
| Over 1,000,001 | 8 | 44,032,161 | 49.45% |
| Total | 30,377 | 89,070,115 | 100% |

(4) List of major shareholders

Unit: Share / April 15, 2024

| Name | Shares | Current Shareholding | % |
|--|--------|----------------------|--------|
| TCI Co., Ltd. | | 20,304,762 | 22.80% |
| Formosa Biomedical Technology Corp. | | 8,702,040 | 9.77% |
| NUVASIVE, INC. | | 4,758,600 | 5.34% |
| Global Investment Holdings | | 3,520,510 | 3.95% |
| GRAND CATHAY VENTURE CAPITAL CO., LTD. | | 2,440,481 | 2.74% |
| Shu-Ping Lai | | 1,501,500 | 1.69% |
| YYC Corp. | | 1,427,580 | 1.60% |
| China Investment and Development Co., Ltd. | | 1,376,688 | 1.55% |
| Jin-Lian Li | | 968,592 | 1.09% |
| Bing-Zhang Zhang | | 947,100 | 1.06% |

(5) Market Price, Net Worth, Earnings, and Dividends of Per Share within 2 Years

Unit: NT\$, 1,000 shares

| Item | | Year | 111 | 112 |
|-------------------------------|------------------------------------|--------|--------|--------|
| | | | | |
| Market Price per Share | High | | 54.67 | 75 |
| | Low | | 34.20 | 44.30 |
| | Average | | 42.47 | 55.90 |
| Net Worth per Share | Before distribution | | 15.30 | 15.30 |
| | After distribution | | 14.80 | Note 1 |
| Earnings per Shares | Weighted Average Shares | | 84,699 | 88,934 |
| | Earnings per Shares | | 1.65 | 1.86 |
| Dividend per share | Cash dividend | | 42,350 | Note 1 |
| | Stock dividend | Note 1 | 42,350 | Note 1 |
| | | - | - | - |
| | Accumulative Unpaid Dividend | | - | - |
| Return on Investment Analysis | Price Earnings Ratio (Note 2) | | 25.74 | 30.05 |
| | Price to Dividend Ratio (Note 3) | | 84.94 | - |
| | Cash Dividend Yield Ratio (Note 4) | | 0.01 | - |

Note 1: To be finalized upon the resolution of the shareholders' meeting.

Note 2: Price earnings ratio = Average closing price 24.04 / earnings per share

Note 3: Price to cash dividend Ratio = Average closing price 24.04/ cash dividend per share

Note 4: Cash dividend yield Ratio = Cash dividend per share / average closing price

(6) Company dividend policy and implementation

A. Dividend policy as set out in the Articles of Incorporation:

If the Company's annual final accounts have net profit after tax, they should first pay taxes to make up for past losses and set 10% of their balance as statutory surplus reserve, but the statutory surplus accumulation has reached the Company. When the total amount of capital is exceeded, this is not the limit. The special surplus reserve is proposed or reversed in accordance with the relevant laws and regulations. If there is a balance, and the available-distributed surplus calculated from the undistributed surplus at the beginning of the period, the Board of Directors proposes a surplus distribution case, which is distributed after the resolution of the shareholders' meeting.

The Company is a technology and capital-intensive business and is in a growth phase. To meet the Company's long-term capital planning for sustainable operation and stable growth, the dividend policy is to adopt a residual dividend policy.

The amount of dividends to shareholders shall be at least 50% of the current year's net income, after setting aside all the reserves required by law. Under the principle of balanced dividends, undistributed earnings from prior years may be used to offset any shortfall in the current year's net income after tax. Dividends are paid primarily in consideration of the Company's future expansion plans and cash flow requirements, with at least 50% stock dividends and a portion of cash dividends.

The types and percentages of the appropriation of earnings may be adjusted by a resolution of the shareholders' meeting, depending on the actual profit and capital situation of the year.

B. The proposed dividend distribution of the shareholders meeting (approved by the Board of Directors and not yet approved by the Shareholders' Meeting):

On May 3, 2023, the Board of Directors approved the following distribution of earnings for 2022: The Company's net income for 2023 was NT\$165,828,194, minus employee stock options recognized in retained earnings of NT\$6,501,084, plus the remeasurement of defined benefit plans of NT\$27,494, minus the legal reserve of NT\$15,935,460, minus the special reserve of NT\$66,711,606 (reversal of conversion differences of financial statements of foreign operating institutions), resulting in distributable earnings of NT\$116,799,653, which is calculated to the nearest dollar and rounded off to the nearest dollar. Distribution of cash dividends to common shareholders at NT\$1 per share, totaling NT\$88,957,115 NTD. The cash dividends are rounded down to the nearest whole NTD, with amounts less than NT\$1 being discarded. Any residual amounts less than NT\$1 will be adjusted in descending order of fractional amounts and in the order of account numbers until the total cash dividend distribution amount is met. Upon the approval of the shareholders' meeting, the Chairman is authorized to set another ex-dividend basis, payment date and other related matters. If there is a subsequent change in the number of

outstanding shares due to a change in the Company's capital stock, resulting in a change in the dividend distribution rate, it is proposed that the shareholders' meeting authorize the chairman of the board of directors to handle the dividend distribution in accordance with the Company Act or its related laws and regulations.

C. Whether there are expected significant changes in dividend policy: None.

(7) The Effect on Business Performance, EPS, and ROE by the Company's Stock Dividend Distributed as Bonus Shares in This Shareholders' Meeting: Not applicable.

(8) Employee Compensation and Remuneration to Directors and Supervisors

A. The number or scope of compensation for employees, directors and supervisors as set out in the Articles of Incorporation:

If the Company makes a profit in a year, it shall set aside not less than 5% as employee compensation, which shall be distributed in shares or cash by resolution of the Board of Directors to employees of the subordinate companies who meet certain criteria; the Company may set aside not more than 5% of the above-mentioned profit as remuneration to directors and supervisors by resolution of the Board of Directors. The remuneration to employees and remuneration to directors and supervisors should be reported to the shareholders' meeting.

However, if the Company still has accumulated losses, the amount of compensation should be retained in advance, and the compensation to employees and directors and supervisors should be provided in proportion to the aforementioned amount.

The compensation to directors and supervisors is based on the Company's overall operating performance, future operating risks and development trends of the industry, and the contribution rate of the industry, as well as the individual's contribution to the Company. The related compensation is reviewed by the Remuneration Committee and the Board of Directors and reported to the shareholders' meeting in order to balance the Company's sustainable operation and risk management.

B. The basis for estimating the amount of compensation and remuneration for employees, directors, and supervisors in the current period, the basis for calculating the number of shares for employee compensation for stock distribution and the accounting treatment when the actual distribution amount is different from the estimated

The basis for estimating the amount of compensation to employees and directors and supervisors for the current period is described in the above-mentioned Articles of Incorporation.

The number of shares used to calculate employee compensation for the current period is not applicable because the Company's employee compensation for the current period is not distributed in shares.

If the actual allotment amount differs from the estimated amount, it is recognized as operating expense in the current year. If the actual allotment amount differs from the estimated amount at a subsequent shareholders' meeting, it is recognized as profit or loss in the following year.

C. Information about the proposed distribution of employee bonus as approved by the Board of Director:

(A) The amount of the proposed distribution of employee bonus and remuneration to directors is shown below. If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment:

On March 12, 20223, the Board of Directors resolved to appropriate the amount of employee compensation of NT\$21,455,033 and Director compensation of NT\$5,400,000 for 2023, both of which were paid in cash.

The above amounts are not different from the estimated amounts in the year in which the expenses were recognized and were paid in cash.

(B) The proportion of the employee's remuneration distributed by the stock and the total net profit after tax and the total amount of employee compensation in the current period: No stock dividends distributed.

D. If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment scenarios:

On March 12, 20223, the Board of Directors resolved to appropriate the amount of employee compensation of NT\$21,455,033 and Director compensation of NT\$5,400,000 for 2023, both of which were paid in cash. The above amounts are not different from the estimated amounts in the year in which the expenses were recognized and were paid in cash.

(9) The Company bought back the shares of the Company: None.

2. Corporate Bond: None.

3. Preferred Stock Issued: None.

4. Global Depositary Receipts Issued: None.

5. Employees Stock Options Issued:

Employees Stock Options Issued

April 15, 2024

| | |
|---|--|
| Types of Employee Stock Option Certificate (Note 2) | First issuance of employee stock options in 2021 (Note 5) |
| Effective date of declaration and total number of units. | September 27, 2021 |
| Issue Date (Note 4) | November 3, 2021 August 3, 2022 |
| The Number of Units Issued | 2,630,000 Share (November 03, 2021) 770,000 Share (August, 03, 2022) |
| The Number of Units Available for Issuance | 0 (November 03, 2021) 0 (August, 03, 2022) |
| Ratio of the Number of Shares Available for Subscription to the Total Number of Shares Issued 總數比率 | 3.41562% (November 03, 2021) 1.00000% (August, 03, 2022) |
| Duration of Subscription | 6 years (November 03, 2021 - November 02, 2027) 6 years (August 03, 2022 - August 02, 2028) |
| Method of Performance (Note 3) | The employee's options certificate shall be delivered by the Company by issuing new shares. |
| Restrictive Subscription Period and Ratio (%) | Not applicable |
| Number of Shares Subscribed | 136,000 Share (November 03, 2021) 0 Share (August 03, 2022) |
| Amount of Shares Subscribed | NT\$ 5,657,600 NT\$ 0 |
| Number of Shares yet to be Subscribed | 2,494,000 Share (November 03, 2021) 770,000 Share (August 03, 2022) |
| Subscription Price Per Share for the Unsubscribed Shares | 41.6 (November 03, 2021) 33.8 (August 03, 2022) |
| Ratio of the Unsubscribed Shares to the Total Number of Shares Issued (%) | 2.80% (November 03, 2021) 0.86% (August 03, 2022) |
| Impact on Shareholders' Equity | Not applicable |

Note 1: The status of handling employee stock options includes both public and private placements in progress. Publicly offered employee stock options in progress refer to those approved by the regulatory authority. Privately offered employee stock options in progress refer to those that have been approved by the shareholders' meeting.

Note 2: The number of fields shall be adjusted according to the actual number of issuances.

Note 3: It shall be specified whether issued shares are delivered or new shares are issued.

Note 4: Issuance (handling) dates that differ should be listed separately.

Note 5: For private placements, it shall be prominently indicated.

Name of the managers with employee stock option certificates obtained, the top-10 employees with stock option certificates obtained, the respective acquisition and subscription.

April 15, 2024

| | Title (Note 1) | Name | Number of Shares acquired | Ratio of Subscribed Shares to Total Number of Shares Issued (Note 4) | Subscribed (Note 2) | | | Unsubscribed (Note 2) | | | | |
|-----------------------|----------------------|-----------------------|---------------------------------|---|-----------------------------------|--|---|---|-----------------------------------|--|-----------------------------------|---|
| | | | | | Number of Shares Subscribed | Price of Shares Subscribed (Note 5) | Amount of Shares Subscribed Amount | Ratio of Subscribed Shares to Total Number of Shares Issued (Note 4) | Number of Shares Subscribed | Price of Shares Subscribed (Note 6) | Amount of Shares Subscribed | Ratio of Subscribed Shares to Total Number of Shares Issued (Note 4) |
| Managers | General Manager | Ching- Ting Chen | 380,000 | 0.43% | 96,000 | 41.6 | 3,993,600 | 0.11% | 284,000 | 41.6 | 11,814,400 | 0.32% |
| Employees (Note 3) | General Manger | Su- Mei Liu | 30,000 | 0.03% | 12,000 | 41.6 | 499,200 | 0.01% | 18,000 | 41.6 | 748,800 | 0.02% |
| | Assistant Manager | Yu- Jhen Jhang | 15,000 | 0.02% | 6,000 | 41.6 | 249,600 | 0.01% | 9,000 | 41.6 | 374,400 | 0.01% |
| | Section Chief | Shu- Yu Huang | 20,000 | 0.02% | 8,000 | 41.6 | 332,800 | 0.01% | 12,000 | 41.6 | 499,200 | 0.01% |
| | Senior Researcher | Guan- Hao Huang | 15,000 | 0.02% | 6,000 | 41.6 | 249,600 | 0.01% | 9,000 | 41.6 | 374,400 | 0.01% |
| | Specialist | Ru- Han Yang | 30,000 | 0.03% | 5,000 | 41.6 | 208,000 | 0.01% | 25,000 | 41.6 | 1,040,000 | 0.03% |

Note 1: This includes managers and employees (for those who have resigned or passed away, this shall be indicated). Individual names and titles shall be disclosed, but the acquisition and subscription status can be disclosed in an aggregated manner.

Note 2: The number of fields shall be adjusted according to the actual number of issuances.

Note 3: The top ten employees acquiring stock options refer to employees other than managers.

Note 4: The total number of issued shares refers to the number of shares listed in the Ministry of Economic Affairs' change registration data.

Note 5: The subscription price of executed employee stock options shall disclose the subscription price at the time of execution.

Note 6: The subscription price of unsubscribed employee stock options shall disclose the adjusted subscription price calculated according to the issuance plan.

6. Merger or acquisition of shares of other companies and issuance of new shares: None.

7. Restricted Employee Shares: None.

8. Funding plan execution situation:

All the Company's securities issuance programs have been completed in accordance with the progress and the benefits have been demonstrated.

V. Operational Highlights

1. Business Activities

(1) Business scope

The Company's main business items are the purification of collagen, the research, development, production and sale of injectable biomedical devices, and the production, manufacture, wholesale and retail of beauty skincare products and health care foods.

A. The scope of business of the Company shall be as follows:

- (1) F108031 Wholesale of Medical Devices
- (2) F108011 Wholesale of Traditional Chinese Medicine
- (3) F108021 Wholesale of Western Pharmaceutical
- (4) F108040 Wholesale of Cosmetics
- (5) IG01010 Biotechnology Services
- (6) C802100 Cosmetics Manufacturing
- (7) C801030 Precision Chemical Material Manufacturing
- (8) CF01011 Medical Devices Manufacturing
- (9) CE01030 Optical Instruments Manufacturing
- (10) C802060 Veterinary Drug Manufacturing
- (11) F102040 Wholesale of Nonalcoholic Beverages
- (12) F102170 Wholesale of Foods and Groceries
- (13) F107070 Wholesale Veterinary Drugs
- (14) F203010 Retail sale of Food Products and Groceries
- (15) F207070 Retail Sale Veterinary Drugs
- (16) F208031 Retail sale Medical Equipments
- (17) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval

B. Sales Mix

Unit: NT\$ thousand

| Product Category | Year 2022 | | Year 2023 | |
|---------------------|-----------|---------|-----------|---------|
| | Amount | % | Amount | % |
| Biomedical products | 559,720 | 92.60% | 601,701 | 96.72% |
| Consumer products | 44,711 | 7.40% | 20,414 | 3.28% |
| Total | 604,431 | 100.00% | 622,115 | 100.00% |

C. Major Product (Service) Categories

(A) Biomedical products

1) Intra-articular Injection

(a) ArtiAid five-dose HA Intra-articular Injection

ArtiAid Intra-articular Injection is a joint injectable manufactured from microbially fermented high purity sodium hyaluronate (also known as hyaluronic acid). Hyaluronic acid is widely distributed in the vitreous fluid of the eyes, bursal fluid of joints and skin of animals and humans. In patients with traumatic or degenerative arthritis, the bursal fluid of the joints is deficient in sodium hyaluronate, resulting in a decrease in lubrication and pain in the joints. ArtiAid can replenish the concentration of sodium hyaluronate in the bursal fluid and increase the viscoelasticity of the joint fluid. It can reduce the inflammatory response, stress buffer, protect joint tissues, relieve joint pain and improve joint mobility. It is a complementary medical product for the relief of degenerative arthritis symptoms. ArtiAid is a five-dose joint injection with a sodium hyaluronate concentration of 1.0% (wt/wt) and a five-week treatment course of one dose per week for five weeks. The efficacy of each course of treatment depends on the patient's condition and generally lasts six to nine months. Clinical trials show that this product can reduce pain for 26 weeks and has over 70% satisfaction rate. The product has been certified by Taiwan TFDA, EU CE, Indonesia MOH and Malaysia MDA and has been sold in Taiwan, EU, Indonesia, Middle East and Southeast Asia.

(b) ArtiAid Plus three-dose Intra-articular Injection

ArtiAid Plus Intra-articular Injection is a three-dosage joint injection developed by MBI to improve the convenience of medical treatment for patients and meet the needs of the international market. The concentration is increased to 1.5% (wt/wt), so it can reduce the number of injections during treatment and reduce the pain and discomfort of the patient. ArtiAid Plus can increase the viscoelastic properties of joint fluid for a long time, and has the functions of reducing inflammation, buffering stress, protecting joint tissue, relieving joint pain and improving joint mobility. ArtiAid Plus is a 3-dose joint injection that is administered once a week over a 3-week period for a period of six to nine months. With the same efficacy, the benefits can reduce the number of patient visits and injections, which not only enhances the convenience of patient treatment, but also reduces the manpower burden of the hospital or clinic. The product has been certified by TFDA, HSA of Singapore and MOH of Indonesia and has been sold in Taiwan, Singapore, Middle East, and Southeast Asia. Clinical trials show that this product can reduce pain for 26 weeks and has over 70% satisfaction rate.

(c) ArtiBest one-dose Intra-Articular Injection

ArtiBest Intra-Articular Injection is a new generation of intra-articular injection derived from MBI's hyaluronic acid cross-linking technology. This product is a 1-dose joint injection that can significantly shorten the current clinical treatment course (currently 5 or 3 doses) and eliminate arthritic symptoms in a single treatment. The launch of this product will enhance the competitiveness of MBI's joint injection product line (5 doses, 3 doses and 1 dose) in the domestic market. This product was approved by the TFDA in Taiwan and included in the health insurance coverage in 2020. The overseas market is also in development, as of May 2023, the product has obtained certification in Malaysia, Indonesia, and Philippines.

(d) ArtiBest Extend one-dose Intra-Articular Injection

ArtiBest Extend intra-articular injection is the latest generation of intra-articular injections derived from MBI's hyaluronic acid cross-linking technology. This product is a 1-dose intra-articular injection and lasts for 12 months, which can significantly shorten the current clinical treatment course (currently most of them are 6 months) and eliminate the arthritic symptoms of patients in one treatment. It can reduce the total consultation time of physicians and the number of hospital visits for patients, which can further reduce the burden of medical resources. This product has been approved by the TFDA in Taiwan and has been included in health insurance since 2023 and is available in Taiwan.

2) Collagen Medical Material

(a) GingivAid Dental Collagen Bone Graft

GingivAid Dental Collagen Bone Graft is a synthetic filling used to fill bone fissures to strengthen and repair missing gums, teeth, periodontal bone and dental implants. Since the alveolar bone is actually bone, the GingivAid Dental Collagen Bone Graft is like the Formagraft collagen bone filler in terms of composition, being a two-phase ceramic particle of collagen and HAP/ β -TCP. GingivAid has the same structure and chemical composition as human sponge bone matrix. It can effectively provide a good environment for dental osteoblasts to adhere and grow, accelerate the synthesis of new bone matrix, and complete the repair of bone tissue. During the process of tooth tissue repair, the GingivAid is also absorbed by the body and gradually replaced by new bone. In clinical use, GingivAid can also be mixed with the patient's own blood or platelet-rich plasma (PRP) to adsorb active substance or growth factor in the blood, thus accelerating tissue regeneration and allowing arbitrary shaping according to the shape or size of the defect, enhancing the operability and convenience of clinical use. This product has been certified for Taiwan TFDA, has Malaysia MDA, and has been sold in Taiwan and Southeast Asia.

(b) FormaAid Guided Tissue Regeneration Membrane

FormaAid Guided Tissue Regeneration (GTR) membrane is a soft membrane that covers the periodontal defect and guides the regeneration process of the defective periodontal tissue. Since the growth rate of new bone regeneration in teeth is usually slower than that of soft tissues such as gingival connective tissue, the use of a dental tissue-directed regeneration film (GTR) after periodontal surgery can prevent the invasion of soft tissues that may cause poor regeneration of new bone tissue in the defective area. Using FormaAid Guided Tissue Regeneration Membrane post-operation can induce the growth of gingival connective tissue over the defect while maintaining space for the growth of periodontal ligament and alveolar bone tissue, thereby completing the regeneration of periodontal tissue over the defect. FormaAid Guided Tissue Regeneration Membrane is made of high purity medical grade collagen, which is an essential substrate for tissue repair. FormaAid is made from fibrous collagen. The structure of the pores is similar to that of normal human bone tissue, which can effectively promote cell embedding, growth and tissue regeneration. In addition, the surgical operability of FormaAid is further enhanced by our unique crosslinking technology. The FormaAid Guided Tissue Regeneration Membrane is completely absorbed by the body, eliminating the need for a second surgical procedure to remove it, adding to the convenience of clinical use. This product has been certified by TFDA in Taiwan and has been sold in Taiwan.

(c) HealiAid Collagen Wound Dressing

HealiAid Collagen Wound Dressing is made of high purity medical grade collagen and has a porous sponge-like structure. Compared with general cellulose based wound dressings, collagen is the main matrix of skin tissue and contains up to 70% in the skin, and is an important regulator of wound repair and clotting mechanism. Its porous sponge structure can absorb blood and wound secretions and promote platelet aggregation to accelerate blood clotting and promote wound healing, making it suitable for general wounds, burns or surgical wounds.

HealiAid Collagen Wound Dressing is made of fibrous collagen, the structure of the pores is similar to the extracellular matrix (ECM) of normal human skin tissue, which can effectively promote cell migration, growth and tissue regeneration, and can facilitate wound healing, therefore, the safety of this product as well as the effectiveness of hemostasis and wound healing are better than that of non-collagen wound healing products available in the market. This product has been certified by TFDA in Taiwan and NMPA in China and has been sold in Taiwan and China.

(d) SurgiAid Collagen Wound Dressing

SurgiAid is made of high purity medical grade collagen and has a porous sponge-like structure. Compared with general cellulose based wound dressings, collagen is the main matrix of skin tissue and contains up to 70% in the skin and is an important regulator of wound repair and clotting mechanism. Its porous sponge structure can absorb blood and wound secretions and promote platelet aggregation to accelerate blood clotting and promote wound healing, making it suitable for general wounds, burns or surgical wounds.

SurgiAid Collagen Wound Dressing is made of fibrous collagen, the structure of the pores is similar to the extracellular matrix (ECM) of normal human skin tissue, which can effectively promote cell migration, growth and tissue regeneration, and can facilitate wound healing, therefore, the safety of this product as well as the effectiveness of hemostasis and wound healing are better than that of non-collagen wound healing products available in the market. This product has passed the product certification of Taiwan TFDA and US FDA 510K and has been sold in Taiwan.

3) Dermal Fillers

(a) Formaderm HA Dermal Filler Injection

In the body, hyaluronic acid exists in the dermis in the form of a gel and its main function is to help maintain water and increase the volume of the skin. As the skin ages, collagen and hyaluronic acid are gradually lost, resulting in wrinkles on the face, so applying hyaluronic acid not only restores the ability to retain moisture, but also increases the volume of the skin. However, hyaluronic acid only lasts 1-2 days in its natural state before it is metabolized. MBI has created a stable hyaluronic acid product, Dermal Fillers, through the core technology of hyaluronic acid cross-linking, to plump up facial tissues, correct wrinkles and plump up lips. Formaderm is naturally integrated into the tissues and is absorbed as it decomposes, but its density decreases and its volume remains unchanged, maintaining the contour of the affected area until the hyaluronic acid is completely absorbed. The duration of Formaderm in the body depends on the patient's condition and is usually about six to nine months. This product has been certified by TFDA in Taiwan and NMPA in China and has been sold in Taiwan and China.

(b) Formaderm Young HA Dermal Filler Injection

Formaderm Young is the second product in MBI's Dermal Filler series. Formaderm Young is a product in the series of products developed using the hyaluronic acid cross-linking technology platform developed by MBI. Unlike Formaderm, which is injected into the middle dermis, Formaderm Young is injected into the lower dermis and subcutaneous

surface to repair deeper skin defects. This product has been approved by TFDA in Taiwan and is sold in Taiwan; China certification is in the application process.

(c) Formaderm Charming HA Dermal Filler Injection

Formaderm Charming is the third product in MBI's Dermal Filler series. Formaderm Charming is a product in the series of products developed using the hyaluronic acid cross-linking technology platform developed by MBI. Formaderm Charming is injected into the tissue under the skin to repair deeper skin defects. This product has been certified by TFDA in Taiwan and has been sold in Taiwan.

(d) Formaderm (Lidocaine) HA Dermal Filler Injection

Formaderm (Lidocaine) is the fourth product in MBI's Dermal Filler series. Formaderm (Lidocaine) is a product in the series of products developed using the hyaluronic acid cross-linking technology platform developed by MBI. Formaderm (Lidocaine) has the same clinical purpose as Formaderm, but with the addition of anesthetic to the product to further enhance user comfort. This product has been certified by TFDA in Taiwan and has been sold in Taiwan.

(e) Formaderm Young (Lidocaine) HA Dermal Filler Injection

Formaderm Young (Lidocaine) is the fourth product in MBI's Dermal Filler series. Formaderm Young (Lidocaine) is a product in the series of products developed using the hyaluronic acid cross-linking technology platform developed by MBI. Formaderm Young (Lidocaine) has the same clinical purpose as Formaderm Young, but with the addition of anesthetic to the product to further enhance user comfort. This product has been certified by TFDA in Taiwan and has been sold in Taiwan.

4) Synthetic Bone Graft

(a) Formagraft Collagen Bone Graft Matrix

Formagraft Collagen Bone Graft Matrix is a synthetic filler used to fill gaps and fissures in the skeletal system of the limbs, spine, and pelvis. In addition, Formagraft can be used for bone defects in loading areas with the aid of internal and external fixation devices. Formagraft is used as a filler for bone defects and is gradually fused and replaced by the body's own new bone tissue during the bone repair process. Formagraft combines high purity medical grade collagen and hydroxyapatite/ β -tricalcium phosphate (HAP/ β -TCP) biphasic ceramic granule, which is a synthetic artificial bone material. Its structure and chemical composition are the same as the bone matrix of human sponge bone (cancellous bone), which can provide a good environment for osteoblast cells to adhere and grow and has osteoconductivity and can promote bone regeneration. Formagraft can be added to the patient's bone marrow prior to surgical

implantation. The bone marrow contains various bone morphological proteins and stem cells, which can bind with collagen in the bone marrow and stimulate and induce migration, proliferation and differentiation of the patient's own osteoblasts. The osteoconductivity and osteoinductivity of osteoblasts can stimulate and induce the migration, proliferation and differentiation of the patient's own osteoblasts, thus stimulating bone regeneration more effectively. According to the results of a clinical trial conducted by NuVasive in 113 patients in the U.S., the rate of bone defect repair and bone regeneration after mixing Formagraft with bone marrow is the same as that of the patient's own bone, and the efficacy is comparable to that of autologous bone. This product is an ideal synthetic bone filling material with good surgical operability, high stability and convenient storage. This product has been approved by FDA in 2005 and TFDA in 2009 and has been sold in Taiwan and the United States. In addition, the second-generation bone material "Attrax Scaffold," developed in collaboration with NuVasive, not only contains new bio-ceramics with osteoinductive properties, but also produces artificial bone material with excellent clinical operability through a unique collagen compounding technology. It was cleared for marketing by the FDA in December 2016, has been marketed in the U.S., and will be certified as an import number in Taiwan in November 2021.

(b) BestAid Collagen Bone Graft

BestAid Collagen Bone Graft is a synthetic filler used to fill bone cracks to strengthen and repair defects. The structure and chemical composition of BestAid is the same as that of human sponge bone matrix, which can effectively provide a good environment for osteoblast cells to adhere and grow, accelerate the synthesis of new bone matrix, and complete the repair of bone tissue. During the process of bone tissue repair, BestAid is absorbed by the body and gradually replaced by new bone. In clinical use, BestAid can also be mixed with the patient's own blood or platelet-rich plasma (PRP) to adsorb active substance or growth factor in the blood, thus accelerating tissue regeneration and allowing arbitrary shaping according to the shape or size of the defect, enhancing the operability and convenience of clinical use. This product has been certified for Taiwan TFDA and MDA Malaysia and is sold in Taiwan.

(c) Foramic Bone Substitute Granules

Foramic is a bone filling material designed and manufactured by combining the advantages of both HAP and β -TCP medical materials. It is a biphasic calcium phosphate ceramic consisting of 60% hydroxyapatite HAP and 40% β -tri-calcium phosphate β -TCP. Another feature of Foramic is its excellent double-pore construction. The structure of the pores mainly provides space for human cells (osteoblasts, etc.) to adhere and grow, and serves as a channel for oxygen and waste metabolism. The pore structure of Foramic is 60% macropores (pores of

300-600 μm) and 40% micropores (pores of about 10 μm). However, as Foramic degrades in the body, the adjacent micropores gradually fuse with each other to form large pores, thus providing an environment for the next wave of osteoblasts to adhere and grow. This excellent dual pore structure and distribution provides an environment for continuous osteoblast proliferation, enhances the mechanical properties and mass transfer of Foramic bone material, and accelerates bone tissue repair. This product has been certified by TFDA in Taiwan and NMPA in China and has been sold in Taiwan and China.

(d) Formasetin Bone Void Filler

Currently, PMMA (Polymethylmethacrylate) known as acrylic or plexiglass) and calcium sulfate bone cement are used for the clinical treatment of spinal compression fractures caused by osteoporosis, but the high temperature released during the molding process of PMMA implantation will cause necrosis of adjacent bones and excessive toxicity. This material cannot be absorbed by the body and cannot be fused with the bones, so it cannot be absorbed in the human body. Calcium sulfate bone cement has the disadvantage of decomposing too quickly in the human body. Calcium phosphate bone cement can solve the shortcomings of PMMA and calcium sulfate bone cement. After implantation of calcium phosphate bone cement, its composition is similar to human bone, and it will solidify into a high-strength calcium phosphate compound, which will not release high temperature and cause bone necrosis, nor will it release other substances to stimulate human tissues, which is safe and can be absorbed in the body.

The injectable calcium phosphate bone cement developed by MBI not only has a patent-protected special formula, but also solves the shortcomings of the current commercially available products that have inconsistent degradation rate and autologous bone regeneration time. The injectable dosage form of this product can be clinically applied to fill bone defects or bone gaps of various shapes and uneven surfaces and can break through the bottleneck of traditional bone materials unsuitable for minimally invasive surgery to perform bone repair with minimally invasive orthopedic surgery, reducing patient pain and speeding up recovery. This product has been certified by TFDA in Taiwan and has been sold in Taiwan.

(e) MaxiBone Calcium Phosphate Ceramic

MaxiBone Calcium Phosphate Ceramic is a new generation of biomedical ceramics developed by MBI to improve the problem of too fast or too slow resorption of commercially available products in the body. They can be used clinically as fillers for post-teeth extraction and can also be used to increase or reconstruct periodontal bone defects and oral/jaw defects. According to the demand of dental clinical applications,

the best absorption time for synthetic bone fillings is three to six months, otherwise it will affect the process of bone tissue healing or bone regeneration, and there is no biomedical ceramic product that can be absorbed by human body within three to six months. MaxiBone Calcium Phosphate Ceramic is composed of dicalcium phosphate and hydroxyapatite. The structure is similar to that of human sponge bone and is highly biocompatible, resorbable and has good bone guidance. Maxibone can be absorbed by the human body in three to six months. The biodegradation and resorption properties and the speed of new bone repair are similar to those of autologous bone, which can improve the shortcomings of commercially available products that are too fast or too slow to be resorbed. This product has been certified by TFDA in Taiwan and has been sold in Taiwan.

5) Other Medical Materials

(a) ViscAid Cohesive Ophthalmic Viscoelastic

ViscAid Cohesive Ophthalmic Viscoelastic is an auxiliary medical material for ophthalmic surgery produced by microbial fermentation of high-purity hyaluronic acid. Surgery and retinal reattachment surgery, etc., and in the two surgeries of vitrectomy and retinal detachment, it is used as a filling material for vitreous body replacement. Hyaluronic acid has the properties of lubricity, elasticity, transparency, and protection of corneal endothelial cells. It is used in ophthalmic surgery to help reduce the interaction between corneal endothelial cells and tissues, maintain the depth of the anterior chamber of the eye and surgical visibility, and to cover the lens of the inner eye and the surface of the surgical instrument before implantation of the IOL to prevent possible trauma to the eye caused by the surgical instrument. When used to fill the anterior and posterior segments of the eye during ophthalmologic surgery, ViscAid also maintains tissue integrity and clear visibility. This product is non-antigenic, non-pyrogenic, non-allergic and well tolerated by human eyes. This product has been certified for Taiwan TFDA, China NMPA, Indonesia MOH and Malaysia MDA and has been sold in Taiwan, China and Southeast Asia.

(b) PreviscAid Dispersive Ophthalmic Viscoelastic

Unlike ViscAid, which is a cohesive ophthalmic binder, PreviscAid is a dispersible ophthalmic binder that contains small molecules of microbially fermented high purity hyaluronic acid and medical grade Chondroitin Sulfate, which is superior in protecting corneal endothelial cells and reducing the interaction between corneal endothelial cells and tissues. PreviscAid is suitable in all types of ophthalmic surgeries. Due to its lubricity, viscoelasticity and transparency, it can be used to cover the lens of the inner eye and the tip of the surgical instrument to prevent possible trauma caused by the surgical instrument. This product has been

certified by TFDA in Taiwan and MOH in Indonesia and has been sold in Taiwan and Indonesia.

(c) BiVisc Ophthalmic Viscoelastic System

BiVisc Ophthalmic Viscoelastic System is a combination product of current existing PreviscAid Ophthalmic Viscoelastic and ViscAid Ophthalmic Viscoelastic. In conjunction with clinical use, we provide two doses of adhesive products for pre- and post-operative use, effectively enhancing the convenience of clinical use.

(B) Health Supplements

1) Good Joint 633 Lactobacillus Capsule

The Good Joint 633 Lactobacillus Capsule contains hyaluronic acid. The main ingredients are the exclusive patented TCI633 hyaluronic acid self-generating bacteria, organic sulfide-MSM and acerola unripe fruit, without animal -derived raw materials, and vegetarian. The use of patented probiotics can contribute to the generation of hyaluronic acid, with the exclusive proprietary ProBio-Ark technology greatly enhances the survival of probiotics; thus, providing dynamic energy and strong gait to support health.

2) Radiant Collagen

The Radiant Collagen contains a high concentration of collagen tripeptides, created through proprietary manufacturing technology to create small molecules well absorbed by the human body. It is also combined with Streptococcus zooepidemicus (Sodium hyaluronate) and konjac ceramide to maintain healthy skin. It is patented in five countries and has won six awards.

D. New products (services) the Company planned to develop.

(A) Hyaluronic Acid Crosslinking Core Technology Derivatives

1) Injectable anti-adhesion fillers

The injectable anti-adhesive filler is a cross-linked hyaluronic acid product mainly used to prevent adhesions after spinal surgery, gynecological surgery, or hepatobiliary and gastrointestinal surgery. Currently, the clinical anti-stick products are in the form of thin films, which often limit the clinical effect due to the dispersion of the adhesive area in operation. This product is an injectable dosage form that is suitable for coating various surface shapes and greatly enhances the convenience of current clinical operations. This product will provide the best option for optimal post-operative recovery for abdominal surgery patients in the future.

(B) New resorbable bone material with osteoconductive properties

MBI has built up a wide range of orthopedic products, including intra-articular injectables, calcium phosphate ceramics, injectable bone cement and collagen/ceramic composite bone materials, which have been marketed in Taiwan, the European Union and Southeast Asia. To continue to deepen the product line, the Company is developing new bone materials with osteo-induction properties based on our current bone material products with osteo-conduction properties, combined with new active factors and a special loading method with patent protection. This is an innovative product that has not yet been launched. It is expected that the introduction of this technology and product will lay one of the foundations for the development of a medical product that is an international benchmark for MBI. The product technology has started the relevant research and development work, and is expected to complete the pre-market clinical testing, successive clinical trials and application for product marketing approval in 3~4 years.

(C) Vegan Collagen Wound Dressing

The medical device sector includes animal tissues and other animal-derived materials. Compared to non-animal derived materials, animal-derived materials may provide some therapeutic and biocompatible effects; however, their use in medical devices also has the risk of transmitting disease from animals to humans. Thus, there is potential for non-animal-derived medical materials with biocompatibility in the future. The combination of TCI's collagen cutting and production capabilities and MBI's technology for manufacturing collagen regenerative wound dressing is a long-term development trend. This is an innovative product, which is expected to take 10~15 years to develop, including R&D, biocompatibility, animal efficacy trials, and clinical trials.

(2) Industry Overview

A. Status Quo and the Development Trend

(A) International Biomedical Market

According to the US Census Bureau, 8.5% of the world's population, or more than 600 million people, will be over 65 years old by 2050, and 1.6 billion people, or 17%, will be over 65. The global average life expectancy is estimated to increase from 68.6 years in 2015 to 76.2 years, and the number of "super old" people over 80 years old will increase from 126.5 million in 2015 to 446.6 million. It is estimated that the future growth of the medical materials market will be greatly influenced. The trend has always been to improve the efficiency of medical treatment, such as the simplicity and efficiency of surgery, the perfection of post-operative tissue healing, the comfort of patients, and the effective use of medical resources. The trends and forecasts analyzed in the above-mentioned reports confirm that the growth of the medical materials market will be significantly driven.

The demand for medical devices in the global market is continuously growing, primarily due to an aging population, an increase in chronic disease patients, and advancements in medical technology. According to the latest report, the global medical device market is expected to reach \$54.221 billion by 2024 and grow to \$88.680 billion by 2032, with a compound annual growth rate (CAGR) of 6.3%. This growth is driven by several factors, including increased demand for high-quality medical services and rising healthcare expenditure.

Within the global medical device market, innovations in medical technology are propelling the development of specialized fields, particularly intra-articular injectables, ophthalmic viscosurgical devices, dermal fillers, and regenerative medical materials. These products play a crucial role in improving patients' quality of life and treatment outcomes.

Intra-Articular Injections: These products, such as hyaluronic acid injections, are primarily used to treat conditions like knee osteoarthritis. They effectively relieve pain and improve joint function. In the future, these products may incorporate nanotechnology to enhance the local retention time and efficacy of the drug.

Ophthalmic Viscosurgical Devices: These products play a crucial role in ophthalmic surgeries, such as cataract surgery, where they are used to protect corneal tissue and maintain anterior chamber depth. With the aging population, the demand for these products is expected to increase. Additionally, new formulations may offer better surgical visibility and higher safety.

Dermal Fillers: With advancements in aesthetic medical technology, dermal fillers are gaining prominence in cosmetic surgery and skin regeneration. These products help improve the structure and appearance of the skin. Future development trends may focus on enhancing the longevity and naturalness of the filling effects.

Regenerative Medical Materials: This is a rapidly evolving field that includes a variety of materials, from stem cell technologies to biodegradable scaffolds. These technologies enable the repair and regeneration of tissues within the body. Future developments are likely to focus on improving the precision and effectiveness of treatments, particularly in supporting tissue repair for chronic disease patients.

The Chinese market is benefiting from economic growth and increasing health care needs, creating significant opportunities for the high-value medical consumables market. In recent years, this market in China has been steadily growing. According to the "China Medical Device Industry Blue Book (2023)," the market size for high-value medical consumables in China reached 151.5 billion RMB in 2022, a year-on-year increase of 3.48%. Preliminary forecasts suggest that the market size could exceed 160 billion RMB in 2023. In the Chinese market, dermal fillers and dental regenerative matrices show significant growth potential. In 2023, the market size for dermal fillers in China

reached 35.3 billion RMB and is expected to continue expanding at a compound annual growth rate (CAGR) of approximately 8% until 2028. This growth is primarily driven by the increasing demand for cosmetic surgeries and the high consumer interest in beauty products. Dental regenerative matrices in China are also experiencing rapid development, particularly in applications such as dental implants and periodontal disease treatment. Innovations in this field, including the use of advanced biomaterials to promote the regeneration of teeth and periodontal tissues, are gradually gaining acceptance in the market.

Analyzing the European market, the main population is distributed in the western half of Europe, the population of Western Europe is about 420 million. Italy, Germany, Portugal, Finland, Greece, and Sweden are among the top 10 countries in the world in terms of the proportion of people over 65 years old. The demand for healthcare products will continue to grow.

The medical device industry in emerging markets has shown strong growth potential in recent years. In 2023, the industry's market size in these regions was estimated to reach \$50 billion, and it is expected to continue expanding at a compound annual growth rate of 10% over the next five years. This growth is primarily driven by increased health awareness, improvements in medical infrastructure, and increased government spending on health care. Additionally, advancements in technology, particularly in mobile health and telemedicine, are expected to drive innovation in medical devices, providing more solutions to improve patient care. The key to future development will depend on the integration of innovative technologies, while maintaining cost-effectiveness and enhancing product quality and availability.

(B) Domestic Biomedical Market

Taiwan's medical device market continues to exhibit a steady growth trend. According to the latest market analysis, the market size reached \$2.7 billion in 2021. From 2022 to 2027, this market is expected to grow at a compound annual growth rate (CAGR) of over 3%. This growth is primarily driven by the increasing aging population in Taiwan, the rising prevalence of chronic diseases, and advancements in health care technology.

Among various segments, medical devices for dental and dermatological applications are particularly noteworthy. With increasing awareness of oral health and growing demand for aesthetic and anti-aging treatments, the demand for dental regenerative materials and skin fillers is also rising. Taiwan's innovation in these fields is particularly significant, with many new technologies and products continuously emerging to meet market needs.

In the future, Taiwan's medical device market is expected to continue being driven by innovation, particularly in digital health care and remote monitoring technologies. Government support policies for the medical device industry, such as measures to improve health care quality and accessibility, will also further promote market development. Additionally, connections and collaborations with international markets offer further opportunities for

Taiwanese medical device companies to expand and innovate. Driven by global trends, Taiwan's medical device market has a promising outlook and is expected to occupy a more significant position in the global medical device market.

(C) Nutritional Supplement Market

In response to an aging society, the trend towards health consciousness has been growing steadily in recent years, and the COVID-19 pandemic has further heightened consumers' health needs. In 2022, the domestic production value of health and nutritional foods reached approximately NT\$99.3 billion, an increase of 4.4% compared to NT\$95.1 billion in 2021. The export value in 2022 was around NT\$24 billion, a decrease of about 4.0% compared to NT\$25 billion in 2021. The import value was approximately NT\$41 billion, showing a significant growth of 11.4% compared to NT\$36.8 billion in 2021. The domestic market demand in 2022 reached NT\$116.3 billion, with a growth rate of nearly 5%. According to Euromonitor research, the global market size for health and nutritional foods was US\$869.7 billion in 2022, with a compound annual growth rate (CAGR) of 5.5%. The market size is expected to exceed US\$1 trillion by 2026.

The ITIS team of the Food Industry Research and Development Institute (Food Institute) has expanded its estimate of the value of the overall industry chain and categorized health food products as "traditional foods with added functional ingredients" and "dietary supplements in the form of tablets and capsules." The size of the health food market in Taiwan will reach NT\$160.8 billion in 2021 and is estimated to reach NT\$170.8 billion in 2022, a 19% increase compared to the NT\$143.5 billion in 2019 before the pandemic.

International market consulting firm Innova Market Insights analyzed global dietary supplement launches over the past five years (October 2017 to September 2022), and "immune health" was the most widely used product claim, accounting for one-third of all new product launches in the category in 2022. The growth of claims such as 'mental focus,' 'sleep health,' 'lung health,' 'energy and stamina,' and 'skin health' is significant, indicating that the dietary supplement sector still has great potential for growth as consumers' needs for daily nutrition become more refined.

Aging is one of the most severe challenges for Taiwanese society. In 2020, Taiwan's population displayed a death cross for the first time, sending a shock wave through the society. The number of births was lower than the number of deaths for several months in a row, foreseeing that the younger population would gradually decrease. On the contrary, the number of elderly over 65 years old has reached 3.67 million. According to the latest statistics from the National Development Council, Taiwan will become a super-aged society by 2025.

Research by Industrial Technology Research Institute (ITRI) indicates that the global anti-aging market will reach US\$86 billion in 2022. According to a report published by the World Health Organization (WHO), the population

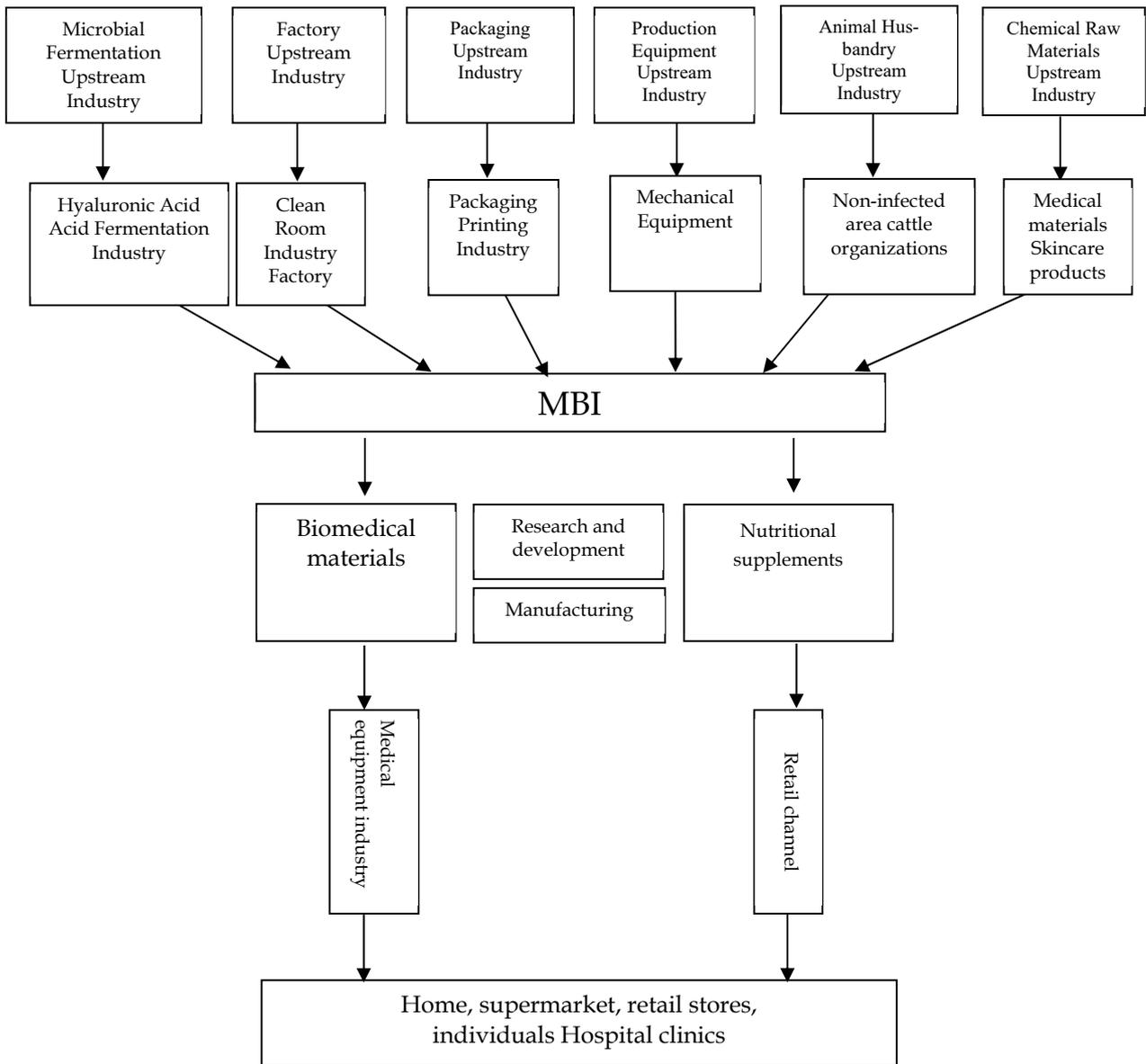
over 65 years old is expected to reach twice its current size in 2050. The compound growth rate will be 6.5% from 2017 to 2022, with nutritional supplements accounting for 48% of the highest, and the market size will be about US\$30.2 billion.

In 2025, Taiwan will enter a super-aged society, with one in five people aged 65 or older. Ten years from now, every 2.7 young adults in Taiwan will have to support one elderly person, compared to 4.5 today. Therefore, the burden on young adults will become heavier and heavier. However, the crisis is also the beginning of the next opportunity. Therefore, cardiovascular, joint health, dental, vision care, and others are all markets that can be developed.

B. Correlations between Upstream, Midstream, and Downstream Companies

Our company produces collagen, hyaluronic acid and other surgical products, covering a wide range of upstream, midstream, downstream biotech and non-biotech industries. In terms of upstream raw materials, the Company purchased the processing technology from the BSE bovine team in New Zealand and Africa to build a supply chain of hyaluronic acid produced by fermentation process and are also engaged in the preparation of high-end bio-ceramic raw materials. For upstream equipment, the Company discusses and designs production directly with precision equipment manufacturers to meet the special specifications required for internal production, and only after strict validation is the equipment used in production lines. The Company's equipment also covers the medical-grade machine equipment industry and the packaging materials industry. Medical grade equipment includes medical grade steel reactors, centrifuges, mixers, crushers, various conveyors, freeze dryers, high pressure steam sterilizers, high temperature dry heat ovens, clean rooms (Class 1000, Class 10,000, Class 100,000), air conditioning equipment, super filtration equipment, and concentration equipment. Midstream industries, such as the Company's production of medical grade collagen, are supplied to midstream industries as raw materials for their products, such as manufacturers of medical devices and cosmetics.

The downstream industry covers a wide range of areas including hospitals, pharmacies, clinics, cosmetic stores, and beauty centers.



C. Various development trends and competition of products

(A) Product development trends

1) Biomedical materials

The growth of the medical industry is driven by (1). Aging population, (2). Continuous improvement of medical technology, (3). The improvement of economic conditions, and (4). The emergence of new countries. According to United Nations statistics, the global population will reach 9.3 billion in 2050, of which the number of people over 65 years old is about 1.9 billion, which is about three times of the current number. The medical expenditure of the elderly population accounts for 13% of the overall consumption, much higher than the 3.5% of the young group, so with the baby boomers into old age, the business opportunities brought by the aging population cover the entire medical industry, including orthopedics, dentistry, ophthalmology, cardiovascular, psychiatric, etc., with far-reaching effects. In addition, due to the continuous advancement of clinical medicine, new products and new treatment methods are constantly introduced, which is also an important factor to drive the growth of the pharmaceutical industry. In addition, the improvement of economic conditions is also the reason for the pursuit of health and quality of life. Improvements in economic conditions have led to an increase in the proportion of people seeking medical care, especially in emerging countries.

Degenerative arthritis of the knee is a nightmare of many elderly people. Not only does it cause reduced mobility, but pain, swelling and stiffness of the joint also reduce the quality of life. According to statistics, the incidence of arthritis is 20~ 30% at age 50 and up to 70% at age 70 or older. Intra-articular hyaluronic acid injections are injections of hyaluronic acid, a substance that is already present in the joint fluid, to help reduce the burden on the joints. Studies have found that when degenerative knee arthritis occurs, the concentration of hyaluronic acid in the joint decreases significantly, and its ability to protect the cartilage and resist inflammation also decreases significantly. If hyaluronic acid is injected into the joint, it can inhibit inflammation and protect the cartilage through a variety of mechanisms. The global aging population continues to rise, and the growth of the aging population is causing an increase in the number of people seeking medical care for aging-related illnesses. In Taiwan, hyaluronic acid injections are covered by health insurance, and can be used when you are 60 years of age or older, when your symptoms and x-rays reach a certain level of severity, and when you have received conservative treatment for more than six months. Ophthalmology is one of the most important diseases of aging, including age-related macular degeneration, cataracts, amblyopia, glaucoma, and diabetes-related diseases, thus driving the global demand for ophthalmology materials. In China, for example, according to statistics from mainland China, the prevalence of cataracts among able-bodied people over the age of 75 is as high as 90%, and the prevalence of cataracts among people over the age of 60 is also 80%, and the number of people blinded by cataracts

in China is currently as high as 5 million, of which the cataract surgery coverage rate is less than 1/3. In addition, in terms of dentistry, Chinese people generally have poor oral hygiene habits, and the prevalence of caries is as high as 90%, and the rate of periodontal disease is also 70%. With the gradual improvement of the Chinese people's economy and the improvement of medical knowledge, people are paying more and more attention to dental care, and coupled with the trend of orthodontic implants, the dental market has been growing rapidly in recent years, and the future market growth potential is huge.

In addition, in other mature markets such as Europe and the U.S., as mentioned above, the increase in operating costs of medical clinics due to the health care reform policy has forced hospital purchasing departments to look for inexpensive and quality medical products, especially in the area of biomedical consumables, which is an opportunity for MBI products to enter the international market.

2) Nutritional supplements

Due to the pandemic and the information age, there are substantial business opportunities in the health food market in Taiwan for all age groups and markets. On the market side, we can observe a trend towards younger consumers in the health food sector, with 39% of consumers aged between 25 and 40. On the market side, in general, we see that consumers' primary needs are efficacy, disease prevention, and dietary supplementation. Among the main goals of 19-25-year-olds are whitening and detoxification, muscle building, and fat loss, while 31-40-year-olds are anti-aging, freezing, liver and stomach care.

Trend 1: The most lucrative "women's health" market

Dietary supplements for women's health are one of the sectors that has continued to grow over the past decade, with a compound annual growth rate of more than 9% from 2011 to 2020, the second highest after immunization and ahead of digestive health. With women's greater willingness to spend on health, this sector has great potential. For a long time, the women's health market has focused on oral beauty, sports nutrition, and weight management, with a lack of focus on other sub-sectors, including women's hormonal health, anti-fatigue, head/shoulder/lumbar pain, and edema, which need to be further developed.

Trend 2: 1 in 10 people in Taiwan have sleep disorders

Emotional health has become one of the significant health issues of concern to consumers. Primarily because of the pandemic, it has affected consumers' daily lives. A survey conducted by the Taiwan Society of Sleep Medicine found that 1 in 10 people in Taiwan have sleep disorders. The average number of sleeping pills taken each year is the highest in Asia, and insomnia affects not only memory and concentration but also anxiety, obesity, and chronic diseases. Insomnia continues to rise, and sleep

disorders have become a social problem. To improve sleep conditions, more consumers will choose to take sleep supplements.

Trend 3: High prevalence of joint degeneration, predominantly in elderly, but gradually moving towards younger population

According to the Ministry of Health and Welfare, the prevalence of knee joint degeneration is about 15%. About 30% of people over 50 have degenerative arthritis, while the proportion of elders over 70 can reach over 70%. Additionally, there is a growing trend of younger patients in the 30 to 40 age group, indicating an increasing prevalence of health issues among young adults. The proportion of people with arthritis problems is growing, the number of people continues to increase, and the use of health foods is only 30%. The Centre for Communication and Public Opinion Research surveyed joint health awareness at the end of last year and received 505 responses. The results showed that more than 50% of the respondents had joint or knee pain 3.5 times more than 20 years ago. Another 40% of respondents aged 30 to 39 had joint pain. However, nearly 45% of those with joint pain did not take any measures to deal with it. More than 35% chose to use painkillers and ointments. 20% would use massage or acupuncture. Nearly 20% took painkillers. In addition, more than 30% of people will use supplements to protect their bones; 57% take glucosamine, 42% take calcium, and 28% take fish oil.

(B) SWOT Analysis and Strategy

Strengths:

- 1) **Product Diversity:** MBI offers a diverse product line, including intra-articular injections, dermal fillers, ophthalmic viscoelastic devices, and regenerative matrices for dental and surgical applications, catering to various medical needs.
- 2) **Technical Expertise:** The Company demonstrates high levels of expertise and innovation in biomaterials and regenerative medicine. It has a competitive advantage in planning product development processes, developing products, ensuring biocompatibility, product efficacy, and obtaining certifications.
- 3) **Policy Support and Market Recognition:** Benefiting from strong support from the Taiwanese government for the biotech and medical industries and market recognition of high-quality local products, the company enjoys a favorable development environment and good market reputation.

Weaknesses:

- 1) **Market Competition Pressure:** Facing numerous domestic and international competitors, especially multinational companies with advantages in technology and market expansion, MBI needs to continuously enhance innovation to maintain its competitiveness.

- 2) **Scale Expansion Limitations:** The Company's relatively limited scale and resources may affect its speed and breadth of expansion into new markets, particularly in highly competitive international markets.

Opportunities:

- 1) **Increasing Market Demand:** With the intensifying global aging trend and rising health awareness, the demand for high-quality medical devices is continuously growing, especially in the fields of arthritis, dermatological aesthetics, ophthalmic surgery, and dental treatments.
- 2) **Technological Collaboration and International Expansion:** By collaborating with international companies and forming strategic alliances, the company can expand into overseas markets, particularly in other regions of Asia and emerging markets.

Threats:

- 1) **Rapid Technological Change:** The fast-paced evolution of technology in the medical device field requires continuous investment in R&D to keep up with technological developments, or the Company risks quickly falling behind.
- 2) **Regulatory Risks:** The medical device industry faces stringent international and regional regulations, and any changes in these regulations could affect market access or product sales.

The following are the Company's development strategies to capitalize on strengths, overcome weaknesses, seize opportunities and respond to threats:

Strategies to Leverage Strengths:

- 1) **Enhance Product Innovation and R&D:** Continuously invest in product development, particularly in the areas of intra-articular injections and regenerative matrices, to develop more innovative and competitive new products.
- 2) **Explore Advanced Technologies:** Investigate the application of cutting-edge technologies such as bioprinting and 3D printing in dental and surgical regenerative matrices.
- 3) **Group Synergy:** Combine the R&D capabilities of TCI and TCI Gene to jointly develop regenerative medical products for the same indications.

Strengthen Brand Building and Market Promotion:

- 1) **Increase Product Awareness:** Raise awareness of products through market education and brand awareness campaigns. The Company will continue to hold online and offline professional seminars and public courses, with an increased focus on overseas exchange activities this year.
- 2) **Utilize Social Media and Digital Marketing:** Enhance brand visibility and market share by leveraging social media and digital marketing strategies, consistently posting on professional medical platforms, LinkedIn, Instagram, Facebook, and Line.

Strategies to Overcome Weaknesses:

- 1) Expand International Market Share: Seek international partners for cross-border investments or joint ventures, especially in target-rich Asian markets.
- 2) Participate in International Medical Exhibitions: Increase interactions and collaboration opportunities with international buyers by participating in international medical exhibitions.
- 3) Improve Production Efficiency and Cost Control: Optimize production processes and supply chain management to reduce production costs and enhance product price competitiveness. Implement advanced manufacturing technologies and automation equipment to boost production efficiency.

Strategies to Seize Opportunities:

- 1) Develop Market-Oriented Products: Focus on the increasing trends of the aging population and chronic disease patients and develop customized medical devices for these groups.
- 2) Actively Participate in Government and Industry Projects: Engage in government-funded medical research projects and public health programs to enhance the Company's influence and credibility within the industry.
- 3) Leverage opportunities from government-driven health care reforms and related policies to seek policy support and funding subsidies.

Strategies to Address Threats:

- 1) Strengthen Regulatory Compliance and Risk Management: Enhance compliance with international and regional regulations by conducting regular compliance reviews and internal training. Develop a comprehensive risk management plan which includes quality control measures for products and monitor market dynamics.
- 2) Diversify Products and Markets: Develop new product lines and services to reduce dependency on a single market or product. Explore synergies with other medical fields, such as innovative products combining drug delivery systems and regenerative medicine technologies.

By implementing these strategies, MBI can fully leverage its expertise in the biomedical field, address market challenges, and maintain sustained growth and success in the competitive global market.

(3) Technology and R&D overview

A. Technical Level and Research Development of the Business

(A) Biomedical materials

1) R&D Operation

Most of the biomedical products are used in the human body, and there are strict regulations on the R&D, production, quality control and sales of

medical products around the world. The development process of our biomedical products follows the quality management system regulations such as GMP, ISO 13485 and FDA Quality System Regulation (QSR) of Taiwan Department of Health. Product development is aimed at realizing medical device product innovation, increasing clinical effectiveness and reducing production costs to achieve product competitiveness.

MBI's high quality biomedical research and development team has academic backgrounds in chemical engineering, medical engineering, materials science and biotechnology, and extensive experience in medical product development. Starting from the core technology of biopolymer materials, the Company has been developing a number of second-grade and third-grade medical products for tissue repair and filling functions. In addition, the R&D team can proactively understand the trend of the medical materials industry and actively focus on the application areas of various disciplines to develop higher value medical materials products through market demand and feedback. In addition to dentistry, orthopedics, ophthalmology, general surgery, and medical aesthetics, we have also invested a lot of R&D resources to actively expand into urology, obstetrics and gynecology, ear, nose and throat, and other medical material products.

MBI's R&D team comprises talented individuals from various fields, with around 30 members. Of these, 90% hold a master's degree or higher and possess considerable experience in medical device product development. Each year, the Company invests more than 10% of its total revenue in research and development.

2) Current progress and future work

| Item | Current progress | Future work |
|---|--|--|
| Global Exhibition Certificate for Joint Injection | <ul style="list-style-type: none"> ● Obtaining MDSAP certification facilitates entry into the US, Japan, Canada, Australia, and Brazil markets. ● The intra-articular injection products have expanded into new markets in Southeast Asia, the Middle East, and Africa. ● Collagen products have expanded into new markets in the United States, Southeast Asia, and the Middle East. | <ul style="list-style-type: none"> ● According to market strategy plans, the Company is also obtaining market approvals for intra-articular injections, cosmetic fillers, and collagen products in regions such as Australia and South America. ● Post-market clinical trials are being conducted to enhance marketing efforts and improve the efficiency of registration in advanced countries. |
| New joint injections | <ul style="list-style-type: none"> ● Evaluation of multifunctional polymers or bioactive substances. ● Technology inventory and registration planning. | <ul style="list-style-type: none"> ● Candidate formulation establishment and differentiation analysis. ● Planning and execution of pre-clinical testing. ● Product launch roadmap |
| New medical fillers | <ul style="list-style-type: none"> ● Market research and development direction. ● Establishment of an active ingredient screening technology platform. ● Development of novel cross-linking technology. | <ul style="list-style-type: none"> ● Candidate formulation establishment and differentiation analysis. ● Planning and execution of pre-clinical testing. ● Product launch roadmap |

| Item | Current progress | Future work |
|--|--|---|
| Injectable anti-adhesive filler | <ul style="list-style-type: none"> ● Establishment of differentiated candidate formulations ● Establishment of mass production processes | <ul style="list-style-type: none"> ● Planning and execution of pre-clinical testing. ● Product launch roadmap |
| New resorbable bone material with osteoconductive properties | <ul style="list-style-type: none"> ● Complete pre-clinical tests. ● Efficacy verification in multiple animal species | <ul style="list-style-type: none"> ● Planning human clinical trial. ● Product launch roadmap |

(B) Technology Source

Maxigen Biotech Inc. was established in 1998, and first set up a technology R&D center in California, USA to research and develop collagen purification process technology, and then introduced collagen purification technology and mass production process to Taiwan by “whole factory imports and technology transfer” mode and set up a production factory. MBI focuses on the application of collagen and hyaluronic acid as advanced medical materials. MBI is one of the few medical material companies that have both collagen and hyaluronic acid product development technology and mass production. The Company has had breakthroughs and innovations in biotechnology research and development and have accumulated 14 patents, including 8 patents in the Republic of China, 2 patents in the United States, and 4 patents in the People’s Republic of China. According to this patented technology, MBI has established five core technologies for research and development, including collagen extraction and reconstruction, collagen ceramic compounding and shaping, calcium phosphate synthesis and sintering, hyaluronic acid cross-linking, and custom product development and OEM.

In addition, through the application and implementation of government subsidy programs such as the Ministry of Economic Affairs’ Forward-Looking Technology Development Program and the Ministry of Science and Technology’s Industry-Academia Cooperation Program, the Company has been able to establish key product technology platforms such as hyaluronic acid cross-linking with the most efficient investment of resources. MBI also has experience in technical cooperation with NuVasive and Exactech in the U.S., as well as experience in on-site factory inspection by the U.S. FDA and experience in planning a new factory in the Hua-Ya Science Park in Lin Kou. The Company has gradually built up complete capabilities in developing the biomedical materials industry, including core competencies in product development, production development, instrumentation validation, factory planning, production management and international certification. Currently, MBI is expanding the cooperation with domestic and foreign research institutions to strengthen the Company’s technical capabilities in biomedical materials and believe that the Company will become a benchmark biotech company in Taiwan.

(C) Technical Cooperation

The biotechnology and pharmaceutical industry are an industry with a high proportion of research and development, and the biotechnology and pharmaceutical industry in Taiwan started late and the market size is also small. It is difficult to develop internationally competitive products in the short term based on the conditions of domestic enterprises alone. Therefore, the Company actively cooperates with international medical material companies such as NuVasive and Exactech to provide staff with more opportunities to discuss and learn from international teams. In 2009, before MBI was inspected by the U.S. FDA, many personnel from NuVasive's quality control department were stationed to help MBI staff improve their deficiencies and rehearse preparations, which greatly contributed to the improvement of the Company's core competencies such as product development, process validation and auditing. In addition, the Company also actively engaged in industrial-academic cooperation with outstanding academic research institutions and medical schools in Taiwan, in the hope that the research and development capabilities of the academic and medical fields in Taiwan can be implemented in the development of Taiwan's biotechnology industry. In the past five years, units that have established industry-university cooperation with MBI include National Taiwan University, Tsinghua University, National Cheng Kung University, National Taiwan University School of Medicine, and National Cheng Kung University School of Medicine. The collaboration with the College of Dentistry of National Taiwan University and the College of Osteopathic Medicine of National Cheng Kung University has established a number of models for evaluating the efficacy of products in animals and designing products for clinical use, which has greatly contributed to the development of the clinical usefulness of the Company's medical products.

B. Investment and development of successful technologies or products

(A) Research and development expenses for the most recent year:

In 2023, the Company invested NT\$68,595 thousand in research and development (R&D), and the ratio of R&D expenses to operating revenues was 11%. The Company expects to continue to invest at least NT\$100 million per year starting in 2024. The following table shows the information of the past years:

Unit: NT\$ thousand

| Year | 2019 | 2020 | 2021 | 111 | 112 |
|----------------------------|---------|---------|---------|---------|---------|
| R&D Expenses (A) | 66,862 | 69,150 | 75,681 | 99,632 | 68,595 |
| Net Operating Revenues (B) | 452,199 | 457,691 | 511,976 | 604,431 | 622,115 |
| Ratio (A)/(B) | 14.78% | 15.11% | 14.78% | 16.48% | 11.03% |

(B) Successful technology or product development of the most recent year:

1) Research and development results of government-sponsored projects

In 2001-2004, the Company received a subsidy of NT\$14,880,000 from the Ministry of Economic Affairs for the "Collagen Tissue Engineering Application Technology Development Project" and a corporate capital contribution of NT\$33,090,000. During the implementation of this program, MBI established a collagen application technology platform and completed the product development of FormaGraft Collagen Bone Graft Matrix and obtained marketing approval from the U.S. FDA and Taiwan TFDA one after another. In 2007, NuVasive acquired Radius, the U.S. distributor of MBI's FormaGraft, for US\$16 million. In addition to entrusting the Company to continue manufacturing FormaGraft, NuVasive also invested US\$3 million in MBI and cooperated in the development of second-generation products. In 2007, MBI was awarded the Small and Medium Enterprise Research and Innovation Award by the Ministry of Economic Affairs and the First Biomedical Industry Competition by the Science and Technology Advisory Group of the Executive Yuan/Times Foundation for the development of FormaGraft. In addition, another product derived from this technology platform, GingivAid Collagen Bone Graft, was approved by the TFDA in Taiwan in 2011, successfully entering the dental bone filling material market. MBI is currently in the process of obtaining marketing approval for GingivAid in the US FDA, EU CE and China. In terms of economic benefits, at this stage, when MBI is new to the medical materials market and has not yet invested a lot of marketing resources, FormaGraft and GingivAid have already generated an annual turnover of over \$40 million, and with the gradual development of the international market in the future, it is believed that they will generate even higher contributions.

From 2008 to 2010, the Company received a subsidy of NT\$21,600,000 from the Ministry of Economic Affairs for the "Injectable Bone Filling Material Application Technology Development Project," with a capital contribution of NT\$38,400,000 from MBI. During the implementation of the project, the Company successfully established a cross-linking technology platform for Hyaluronic Acid. This technology platform has also successfully developed the Formaderm Dermal Filler Injection, a product whose functional properties, such as in vivo degradation time, thrust properties and viscoelastic properties, are significantly ahead of domestic products and even comparable to Restylane (70% market share in Taiwan), a product of Q-Med, a major international manufacturer. The Company has already obtained the marketing approval in Taiwan in April 2012 and in China in April 2016, and the EU certification is under application. Due to the large global market for skin fillers, this product will bring huge potential profits to MBI after receiving international certification. The Company has been using this technology platform to develop a number of other new products related to skin filling, and now this series of products are being

launched one after another to establish a more complete product line to enhance the competitiveness of MBI's products and brand image.

To continuously improve the Company's core competency in biomedical materials, in 2010, the Company hired Dr. Song-Cun Liu, a medical materials expert who stayed in the U.S., as a consultant to help build core competency in calcium phosphate bioceramics. Dr. Liu worked for Biomet, a major medical materials manufacturer in the US, and has 30 years of experience in medical materials research and development. In 2011, the Company was awarded a grant from the Ministry of Economic Affairs to implement the "Absorbable Calcium Phosphate Ceramics and New Calcium Phosphate Bone Cement Product Application Technology Development Project." To date, the project has successfully established a technology platform for absorbable calcium phosphate ceramics and high-strength calcium phosphate bone cement, and has filed nine patent applications in Taiwan, China, and the United States. The first product derived from this program, MaxiBone Calcium Phosphate Ceramic, and the second product, Formasetin Bone Void Filler, have both been approved by the TFDA and are already available for sale in Taiwan. These two products have good operational quality and superior compressive strength compared with similar products. Their performance is not only ahead of domestic products, but also can compete with products of international manufacturers, which has huge market potential in the future.

In terms of new and innovative biomedical products, the Company has formally launched the development of drug-containing medical materials. The Company's "Development Project of High-end Implantable Composite Medical Materials Containing Osteogenic Substances" was approved by the Ministry of Economic Affairs' A+ Enterprise Innovation R&D Cultivation Program (Forward-Looking Technology R&D Program) in August 2018 and received NT\$43.2 million in subsidies. It is expected that the preclinical testing will be completed in three to four years, and the product will enter the human clinical trial and product testing and registration stage, deepening the product technology and product line, and creating new innovative biomedical products with global competitive advantages.

2) System product development results

In addition to the Ministry of Economic Affairs (MOEA) subsidized industrial science project, the Company continues to invest in research and development to establish a more complete core technology and product line, such as ArtiAid Intra-articular Injection and ViscAid Ophthalmic Viscoelastic, of which ArtiAid is the first generation of five-dose injections (5 injections in a course of treatment) for joint injection. In order to further improve user convenience and to meet the needs of the international market, the Company has also completed the launch of ArtiAid-Plus Intra-articular Injection, the second generation of a three-injection (three injections per treatment), and ArtiAid-Plus Intra-articular Injection, the third generation of

a one-dose injection (one injection per treatment). At present, ArtiAid, ArtiAid-Plus and ArtiBest have obtained the marketing approval of TFDA in Taiwan and CE in EU one after another, and have been sold in Taiwan, Southeast Asia and EU. For ophthalmic products, the Company has launched ViscAid Ophthalmic Viscoelastic, a post-operative (cohesive) ophthalmic product, which has been sold in Taiwan, the PRC and Southeast Asia; in addition, the Company has also developed a pre-operative (dispersive) ophthalmic product, PreviscAid Ophthalmic Viscoelastic, which has been sold in Taiwan and Indonesia.

(4) Short-Term and Long-Term Development Plans

A. Short-Term Development Plans

(A) Marketing Strategy

The Company is actively expanding our domestic channels to increase the visibility and exposure of our products and is actively developing our collagen series skincare products and medical products business.

1) In 2023, the Company was actively involved in the Orthopedic Medical Association, the Spinal Surgery Association, the official management of Line, and the revamping of the official website. Below is the list of exhibitions.

| | Field | Organizer | Exhibition name | Activity Dates in 2023 |
|-------------------|--------------------|---|--|------------------------|
| Medical materials | Dental | Taoyuan City Dental Association | 2023 Taoyuan Annual Meeting and Northern Region Taoyuan, Hsinchu, Miaoli Dental Materials Exhibition | 3/12 |
| Medical materials | Dental | Taipei Dental Association New Taipei City Dental Association | 2023 Greater Taipei Dental Exhibition & Convention | 3/18 - 3/19 |
| Medical materials | Aesthetic medicine | Chinese Society of Cosmetic Surgery and Anti-aging Medicine | Annual Spring Symposium of Cosmetic Surgery | 4/9 |
| Medical materials | Dental | Academy of Dental Implantology, Republic of China | Academy of Dental Implantology, Republic of China | 4/15 - 4/16 |
| Medical materials | Dental | Taiwan Academy of Osseointegration | Taiwan Academy of Osseointegration Summer Seminar | 7/22 - 7/23 |
| Medical materials | Aesthetic medicine | Micro Invasive Aesthetic Society | Taiwan Micro Invasive Aesthetic Society Conference | 7/23 |
| Medical materials | All fields | Taiwan Bio Industry Organization | 2023 BIO Asia-Taiwan | 7/27 - 7/30 |
| Medical materials | Aesthetic medicine | Taiwan Society of Aesthetic Plastic Surgery | Taiwan Society of Aesthetic Plastic Surgery 2023 International Annual Meeting | 9/23 - 9/24 |
| Medical materials | Aesthetic medicine | Laser and Photonics Medicine Society of Taiwan | 2023 Laser and Photonics Medicine Society of Taiwan | 10/15 |
| Medical materials | Dental | Taiwanese Association of Oral and Maxillofacial Surgeons | Fall Seminar | 10/14 - 10/15 |
| Medical materials | Orthopedics | Taiwanese Orthopaedic Association | TOA Fall Annual Party | 10/28 - 10/29 |
| Medical materials | Dental | Taipei Medical University Alumni Association | Taipei Medical University Alumni Association | 11/18 - 11/19 |
| Medical materials | Aesthetic medicine | Micro Invasive Aesthetic Society | Taiwan Micro Invasive Aesthetic Society Conference | 7/23 |

- 2) For the promotion plan of medical beauty products on the Little Red Book, the content covers more than 100 thousand fans and big V bloggers publishing grass diaries, on-site store visits and promotion activities; accurate positioning and promotion of keywords and content for online information; for Baidu, etc., Q&A information related to product keywords on mainstream Internet search platforms.
- 3) The Company plans to cooperate with relevant training platforms or academic platforms to launch online product training or other content training.
- 4) Looking for healthcare professionals to train and collaborate with for academic articles and personal IP promotion programs, as well as product targeted training and promotional organizations.
- 5) The MBI public website was organized and operated, and targeted academic and informative articles began to be published one after another.
- 6) Try live classes with the Company's partners to discuss products and the latest information in the industry to enrich the content and increase the attention.
- 7) Discuss with potential partners about academic cooperation, including academic discussions, academic papers, academic interactions and academic marketing activities not limited to KOL for products.

(B) Production Strategy

To meet the demand for flexible production and shipment, our production capacity utilization plan is as follows:

- 1) Flexibility in the use of existing production lines to build up a basic safety stock of major products while producing ordered products. In addition to providing ample production capacity, the Company can also meet customers' needs for flexible production and delivery.
- 2) Strengthening process improvement, process management and equipment maintenance, and quality control to stabilize product quality, reduce costs and reduce re-work and scrap rates.
- 3) Actively seek high quality raw material suppliers and outsourced testing service providers and maintain good interaction with them to reduce procurement risks and costs and improve the quality of testing services, to achieve the goal of establishing stable production lines and producing safe and reliable products.
- 4) The purchase of new equipment will allow us to transfer existing processes to the new machines to improve product yields and productivity, continue to shorten production cycles, and reduce labor input.

(C) Operational Management

Strengthen training, enhance professionalism and work philosophy, recruit and cultivate outstanding talents, and increase team cohesiveness.

B. Long-term Development Plan

(A) Marketing Strategy

Actively expand the business units and will establish three main business teams with about 60 people, namely, the Taiwan direct sales team, the China business team, and the foreign business team, to actively open the worldwide market.

- 1) Develop a rapidly developing short-term product base derived from core technologies to build revenue base in line with channel attributes.
- 2) Actively expand overseas channels of orthopedic and dental biomedical products and extend dental and ophthalmic products to the Chinese market.
- 3) Establish own brand name and further develop the medical supplies market in China.
- 4) Continue to expand core capabilities and capital, acquire new items through mergers and acquisitions and build intellectual property value.
- 5) Development of new products with high added value and high barriers of entry.
- 6) Establish strategic alliances for new channels to enter new industries.

(B) Production Strategy

- 1) Continuous implementation of automated machinery to improve production efficiency, quality management system and international alignment to enhance product quality commitment and reduce manpower.
- 2) Customer (market) oriented production process arranged to effectively shorten the production schedule and reduce the inventory stock.
- 3) Manage production processes to reduce costs, improve quality and create product value.

(C) Operational Management

With the expansion of the Company's business, the marketing of our products will be extended globally in the future. In terms of management, the Company will authorize the development of each business unit and coordinate with each other immediately through network links. In terms of finance, the Company will strengthen the control of exchange rate risk and use capital to operate in a prudent manner, with the aim of internationalization, industrial division of labor, vertical integration and horizontal development of the Company's business objectives.

2. Market, production and sales overview

(1) Market analysis

A. Target Region:

Unit: NT\$ thousand, %

| Sales Region \ Year | | 2022 | | 2023 | |
|-----------------------|----------|-----------------------------|------------------------------------|-----------------------------|------------------------------------|
| | | Sales revenue Net amount | Percentage of net sales revenue | Sales revenue Net amount | Percentage of net sales revenue |
| Overseas customers | Americas | 189,629 | 31.38% | 198,811 | 31.96% |
| | Europe | 30,150 | 4.99% | 27,925 | 4.49% |
| | Asia | 133,538 | 22.09% | 95,817 | 15.40% |
| | Others | 5,888 | 0.97% | 23,940 | 3.85% |
| | Subtotal | 359,205 | 59.43% | 346,493 | 55.70% |
| Domestic Customers | | 245,226 | 40.57% | 275,622 | 44.30% |
| Total | | 604,431 | 100% | 622,115 | 100% |

B. Market share

The Company's main product, intra-articular injections, is estimated to have a market share of approximately 25% in Taiwan based on the analysis of the usage of special materials by the Central Health Insurance Agency of the Ministry of Health and Welfare in 2022. As for collagen-related products for cosmetic and medical use, the collagen industry in Taiwan is a small and medium-sized enterprise, and because the international market is closed to the collagen industry, effective statistics and analysis are not possible.

C. Market supply and demand situation and growth in the future

(A) Stable demand in the medical market:

According to a new report on the biotechnology industry by The Business Research Company, the global market for medical materials will reach US\$456.9 billion in 2019, with an average compound annual growth rate (CAGR) of 4.4% since 2015. Although global growth is expected to stagnate slightly in 2020 due to the impact of COVID-19, the expected market performance trend is expected to grow at a compound annual growth rate of 6.1% to US\$603.5 billion from 2021 to 2023 as underlying demand remains and the global medical market gradually recovers.

Take the domestic market as an example, Taiwan's overall medical device market demand can be divided into two major levels. The first is the demand for medical care linked to the health insurance system and Long-Term Care 2.0, which is related to epidemiology, the number of people suffering from diseases and the number of people requiring care for long term care, and this demand is growing steadily. The second is self-funded quality of life demand, related to orthodontics, medical aesthetics and self-funded medical care, which is closely related to personal affordability and economic development. The changes in demand for medical devices in Taiwan over the years Main related to the aging and increasing demand for medical care for chronic diseases, and the long-term demand is growing steadily.

(B) Aging Market Growth:

According to the US Census Bureau, 8.5% of the world's population, or more than 600 million people, will be over 65 years old by 2050, and 1.6 billion people, or 17%, will be over 65. The global average life expectancy is estimated to increase from 68.6 years in 2015 to 76.2 years, and the number of "super old" people over 80 years old will increase from 126.5 million in 2015 to 446.6 million. It is estimated that the future growth of the medical materials market will be greatly influenced.

According to the National Development Council of the Republic of China's population projection query system, the country became an aging society in 1993, became an aging society in 2018, and is projected to become a super-aging society in 2025. The number of people over 85 years of age in Taiwan accounts for 10.3% of the elderly population and is expected to increase to 27.4% in 2070. The aging population is not only a social problem in Taiwan, but also a global issue. Therefore, the demand for anti-aging beauty products and assistance for diseases caused by aging is also increasing. For example, degeneration of joint cartilage or degenerative arthritis caused by aging or damage to joint cartilage is one of the cases where effective medical treatment is the only way to reduce discomfort and maintain the health of the patient. The growing number of senior citizens has increased the demand for long-term care services. With the official launch of the Long-Term Care 2.0 policy in January 2017, its objectives hope to bridge the front-end of preventive care, vital aging, and disability reduction, promote the health and well-being of the elderly, enhance the quality of life of the elderly, and promote the improvement of overall medical standards.

(C) Medical Beauty Market Drivers:

With the improvement of living standards, beauty has become more important to people, and the medical cosmetic industry has emerged. Plastic surgery such as pulse light, electrophoresis, and laser blemish removal have sprung up, along with therapeutic beauty care products and post-surgical skin care products. With a background in biomedical science, MBI is well positioned to enter the medical aesthetics industry.

D. Competitive niche

(A) High safety of raw material

The Company uses collagen raw material, beef tendon, which is mainly sourced from New Zealand and Australia, which is not a BSE (bovine fever) infected area as announced by the World Health Organization, and the risk of BSE is extremely low. The Company's collagen process is virus-free and effective collagen manufacturing process is virus-free and validated to ensure the safety of our raw materials.

(B) Good functionality of raw materials

The Company's collagen purification technology is high and can be made into soluble collagen and fibrous collagen, and can control the length of fibrous collagen, so that the Company has a variety of raw material specifications to choose from, so it can develop different products according to the design of the use of functions and characteristics to develop the most perfect product functions and meet the clinical needs.

(C) Excellent product quality

The collagen production process may be damaged by inadequate extraction technology or high temperature of the process, resulting in the original structure of collagen cannot be obtained intact, the company's process is mature to obtain low pyrogen (endotoxin) and better anti-cellulite decomposition ability of collagen materials.

(D) Effective cost management

Since the Company's medical grade collagen process is suitable for mass production, the quoted price of the Company's collagen is significantly lower than the quoted price of international medical grade implantable collagen, and the industry is unable to significantly improve its cost structure in the short term.

(E) Highly recognized by the international market

The Company's products have been sold in the U.S. for many years without any clinical adverse events and passed the routine FDA inspection in October 2020. The Company's medical factory has also passed the inspection and visit of major European and American manufacturers, which shows that the international market is highly affirmative of the Company's product quality and production process.

(F) High technical integration capability

As the Company can produce raw materials in-house, it can effectively master the key raw materials and technologies in the upstream, midstream and downstream. The Company's high technology integration capability and experience can be effectively applied to the research and development, production and quality control of new products, which makes it highly competitive compared to its peers.

E. Advantages, Disadvantages and Countermeasures of Developing Prospects

(A) Favorable factors:

1) Better production technology and equipment than the industry

Since some hyaluronic acid products cannot be sterilized after being made into end products, the Company has developed a set of aseptic and automatic production system and equipment, which is more complete than domestic counterparts in terms of product technology in the laboratory and

production practice technology in the factory, so that the Company can maintain the stability of product quality and function. For collagen, the production parameters are adjusted to control the degradation time, hemostasis rate, and the ability to induce tissue regeneration.

2) Quality system with domestic and foreign certification

- (a) Completed FDA inspection in 2018 and received EIR in 2019.
- (b) Completed TFDA QMS update verification in 2022.
- (c) Completed ISO 13485 update verification in May 2023.
- (d) Obtained Korea KGMP certification.
- (e) Completed MDSAP (USA, Canada, Japan, Brazil) audit in May 2023 and received certification in July.
- (f) Underwent TGA inspection in Australia in 2023, and will receive the quality system certificate in 2024.

3) Awards and Recognition

- (a) Formagraft collagen-ceramic composite bone filler was marketed in the U.S. and received the Innovation Research Award from the Ministry of Economic Affairs and the First Taiwan Biomedical Industry Selection Competition Award from the Executive Yuan.
- (b) Won the National Brand Yushan Award for Excellent Enterprise Category
- (c) Won first place for the National Brand Yushan Award for Excellent Enterprise
- (d) Awarded the National Brand Yushan Quality Award for Outstanding Corporate Leader.
- (e) Awarded the National Brand Yushan Quality Award for Best Popular Brand.
- (f) Awarded the National Brand Yushan Quality Award for Best Product.
- (g) Received the Outstanding Biotechnology Industry Award - Potential Benchmark Award.
- (h) Good Joint 633 Probiotics Capsule obtained the SNQ Symbol of national Quality
- (i) MBI's Good Joint 633 won the food industry Oscar - Monde Selection.
- (j) 2023 Biotechnology Breakthrough Award in the USA for "Nutritional Health Product of the Year."
- (k) 2023 ACES Asia Corporate Excellence & Sustainability Award.

4) Strategic Alliance of International Manufacturers

NuVasive, a NASDAQ-listed company in the USA, is a strategic partner of MBI. It sells our biomedical products, Formagraft and AttraX Scaffold, in markets such as North America and the EU. The 2023 merger of Globus Medical and NuVasive provides an opportunity for deeper connections in the orthopedic and surgical markets in the USA.

5) Research and Development Capabilities

Leveraging group resources, such as the multifunctional R&D department of TCI and the stem cell research of TCI Gene, allows for the exchange and support of research equipment and collaboration among professionals, leading to cross-disciplinary development and the creation of differentiated medical devices. With nearly 30 R&D personnel, we achieve balanced development in product development processes, creativity, efficacy verification, and product certification capabilities.

6) Market development capabilities

The Business Center team of over 60 associates, plus TCI, the parent company's KA, total 150 and extends across China, the U.S., Europe, Japan, and Southeast Asia. As a result, our global business continues to develop and refer, and we can achieve comprehensive results.

(B) Unfavorable factors:

Medical materials take a long time to obtain international certification

After the U.S. Congress passed food and drug regulations in 1976, biomedical materials were required to undergo rigorous in vitro and animal testing, and then clinical testing before they could be marketed. Because of the fierce market competition in Europe, the United States and Japan, it is necessary to obtain the certification of the local country before sales, during which the cost of capital and time invested is expensive.

Action Plans:

- 1) The Company strictly controls the production process, and the process is in line with international quality management standards.
- 2) The Company actively cooperates with academic research and development institutions to develop new technologies and products, effectively grasps key technologies and patents, obtains good clinical data and product usage verification report documents, and improves product advantages.
- 3) Medical materials products actively global certification layout, certification time 1-5 years has been the medical materials industry cannot avoid the problem, so the earlier the layout will be relatively more advantageous. Since 2022, we have accelerated our global certification planning and are gradually showing results. In 2023, we obtained over 20 market approvals, the highest number in our history. We expect to continue rapidly accumulating market approvals worldwide from 2024 to 2025.

(2) Main product applications and production process

A. Important Applications of Main Products

The Company's biomedical materials can be divided into three categories according to material types: biopolymers, bioceramics and composites, which are mainly used for implantable orthopedic fillers. Currently, biomedical materials are not only used in traditional medical devices, but also used in tissue engineering materials development. The purpose of tissue engineering is to replace the body parts caused by disease or trauma, to help the wound heal and improve the function of organs and tissues, to repair or replace defective or abnormal tissues and organs, etc. It is one of the research bases of regenerative medicine.

B. Production process

Our medical device manufacturing facilities have passed several important certifications, including ISO 13485, the Quality Management System (QMS) guidelines of the Taiwan Food and Drug Administration (TFDA), the Korean Good Manufacturing Practice (KGMP) by the Ministry of Food and Drug Safety (MFDS), and the Quality System Regulation (QSR) of the United States Food and Drug Administration (US FDA). Under these QMS regulations, we strictly ensure the quality of our products throughout the manufacturing process. From the incoming raw materials to the quality control inspection of the finished products, the Company make sure that all incoming materials, semi-finished products and finished products in the manufacturing process meet the established acceptance standards, so that all products can meet customer requirements.

(3) the names of customers who had accounted for more than 10% of the total amount of receipts (sales) in any one of the last two years and the amount and proportion of their imports (sales), and the reasons for their changes

A. Main Sales Customers

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|----------------|---------|---------|-------------------------------------|----------------|---------|---------|-------------------------------------|
| | Name | Amount | % | Relationship | Name | Amount | % | Relationship |
| 1 | Company A | 86,209 | 14.26% | - | Company A | 95,166 | 15.30% | - |
| 2 | Company B | 74,903 | 12.40% | Investor with significant influence | Company B | 83,143 | 13.36% | Investor with significant influence |
| 3 | Other | 443,319 | 73.34% | - | Other | 443,806 | 71.34% | - |
| - | Annual Revenue | 604,431 | 100.00% | - | Annual Revenue | 622,115 | 100.00% | - |

The Company's main business is the manufacture and sale of skincare products and biomedical material products. Both Company A and B are biomedical material customers, and as they continue to develop and sell products to their customers, they continue to grow in foreign markets.

B. Main Importers

Unit: NT\$ thousand

| Item | Year 2022 | | | | Year 2023 | | | |
|------|------------|---------|---------|-------------------------------------|------------|---------|---------|-------------------------------------|
| | Name | Amount | % | Relationship | Name | Amount | % | Relationship |
| 1 | Company A | 17,443 | 11.59% | Investor with significant influence | Company A | 28,941 | 22.51% | Investor with significant influence |
| 2 | Company B | 27,854 | 18.51% | - | Company B | 14,594 | 11.35% | - |
| 3 | Company C | 37,138 | 24.68% | Parent company of MBI | Company C | 20,920 | 16.27% | Parent company of MBI |
| 4 | Company D | 26,415 | 17.55% | - | Company D | 26,798 | 20.84% | - |
| 5 | Other | 41,633 | 27.67% | - | Other | 37,310 | 29.03% | - |
| 6 | Net import | 150,483 | 100.00% | - | Net import | 128,563 | 100.00% | - |

Company A is a supplier of ceramic raw materials, Company B is a supplier of hyaluronic acid raw materials, Company C is a supplier of skincare products, and Company D is a supplier of hyaluronic acid related products. The changes in the two periods are mainly due to the adjustment of sales strategies in different regions, resulting in an increase in sales for each product line.

(4) Sales and production quantity in the last two years

Units: thousand bottles; thousand pieces; NT\$ thousand

| Production quantity value | Year | 2022 | | | 2023 | | |
|---------------------------|---------------------|---------------------|---------------------|--------------|---------------------|---------------------|--------------|
| | Product Category | Production Capacity | Production Quantity | Output Value | Production Capacity | Production Quantity | Output Value |
| | Biomedical products | Note | Note | 162,144 | Note: | Note | 178,072 |
| | Consumer products | Note | Note | 40,798 | Note | Note | 19,949 |
| | Total | | | 202,942 | | | 198,021 |

Note: Due to inconsistencies in product dosage units, sales volume calculations are not intended.

Change analysis:

In 2023, the Company significantly increased its production value due to a strategic adjustment focusing primarily on biomedical products.

(5) Sales and production quantity in the last two years

Units: thousand bottles; thousand pieces; NT\$ thousand

| Sales volume | Year | 2022 | | | | 2023 | | | |
|--------------|-------------------|--------------------|---------|--------------------|---------|--------------------|---------|--------------------|---------|
| | Product Category | Domestic Customers | | Overseas Customers | | Domestic Customers | | Overseas Customers | |
| | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| | Biomedical | Note | 220,292 | Note | 339,427 | Note | 258,912 | Note | 342,789 |
| | Skincare products | Note | 24,934 | Note | 19,778 | Note | 16,710 | Note | 3,704 |
| | Total | | 245,226 | | 359,205 | | 275,622 | | 346,493 |

Note: Due to inconsistencies in product dosage units, sales volume calculations are not intended.

The Company's main products are biomedical products and skincare products, mainly artificial bone fillers, hyaluronic acid-related products, and wound dressings. Consumer products primarily consist of a series of cosmetic skincare products and health supplements.

Change analysis:

In 2023, due to a strategic adjustment focusing primarily on biomedical products, the sales of consumer products significantly decreased compared to 2022.

3. Employment Information

| Year | | 2022 | 2023 |
|--------------------------|-------------------------------|------|------|
| No. of Employees | Management Staff | 3 | 3 |
| | Logistic Staff | 24 | 54 |
| | R&D Staff | 16 | 25 |
| | Salesperson | 27 | 14 |
| | Factory Staff | 18 | 4 |
| | Direct Staff | 39 | 31 |
| | Total | 127 | 131 |
| Average age | | 38.2 | 38.5 |
| Average Years of Service | | 5.1 | 4.1 |
| Education | Ph.D | 3 | 5 |
| | Master | 34 | 36 |
| | Bachelor | 71 | 75 |
| | Senior High School | 18 | 14 |
| | Lower than Senior High School | 1 | 1 |

4. Environmental expenditure information

- (1) Losses suffered due to environmental pollution in the latest year and as of the printing date of the annual report (including compensation and environmental protection audit results for violations of environmental laws and regulations, with the date of sanction, sanction number, provisions of laws and regulations violated, contents of laws and regulations violated, and contents of sanction): None.
- (2) Future response policies (including improvement measures) and possible expenses (including the estimated amount of losses, penalties and compensation that may occur if no response measures are taken): None.

5. Labor Relations

(1) The Company's employee welfare measures, education, training, retirement system and its implementation, the agreement between the employers and the employees, and the implementation of the employee's right protection.

A. Employee welfare measures, education, training and its implementation

To create a good and harmonious working environment, in addition to the various welfare measures required by the government, the Company also provides several measures to take care of employees.

(A) Sound rules and regulations, such as promotion, reward and punishment, performance appraisal, attendance, leave, salary and other systems, are all clearly listed in the management rules and regulations. The management rules and regulations are formulated in accordance with the basic spirit of the Labor Standards Law for the purpose of taking care of employees.

(B) The year-end bonus is paid for 2.5 months, and the performance bonus will be added every quarter according to the performance situation.

(C) Employee gifts and coupons are issued on the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival and Labor Day.

(D) Provide group insurance for each employee.

(E) In accordance with the law, the Company established an employee welfare committee, allocate welfare funds, and organize employee dinners, birthday parties, employee recreational activities, trips, year-end parties, and movie ticket distribution... To promote team cohesiveness.

(F) The Company provides parking spaces for motor vehicles and staff quarters for staff accommodation.

(G) Provide a delicious and healthy group meal for the staff and special meals or snacks at various festivals.

(H) Provide a breast-feeding room for gender equality.

(I) Annual employee health check-ups

(J) Encourage on-the-job training of staff.

B. Retirement System

In accordance with the provisions of the Company's retirement policy, employees who have served for at least 15 years and reached the age of 55 or have worked for at least 25 years, and those who have worked for at least 10 years and reached the age of 60, may apply for retirement; employees who have reached the age of 65 or are mentally or physically disabled and unable to perform their duties

may be ordered to retire. The pension benefit is based on the number of years of service, and two bases are provided for each year of service for employees in the old system. However, for each year of service in excess of fifteen years, a base figure will be given, up to a maximum of forty-five base figures. For those who have not completed half a year, they are counted as half a year; for those who have completed half a year, they are counted as one year and are subject to the new labor pension system, the Company shall contribute 6% of their insured salary to their individual pension accounts on a monthly basis.

C. Interlabor agreement and various measures to protect employees' rights and interests

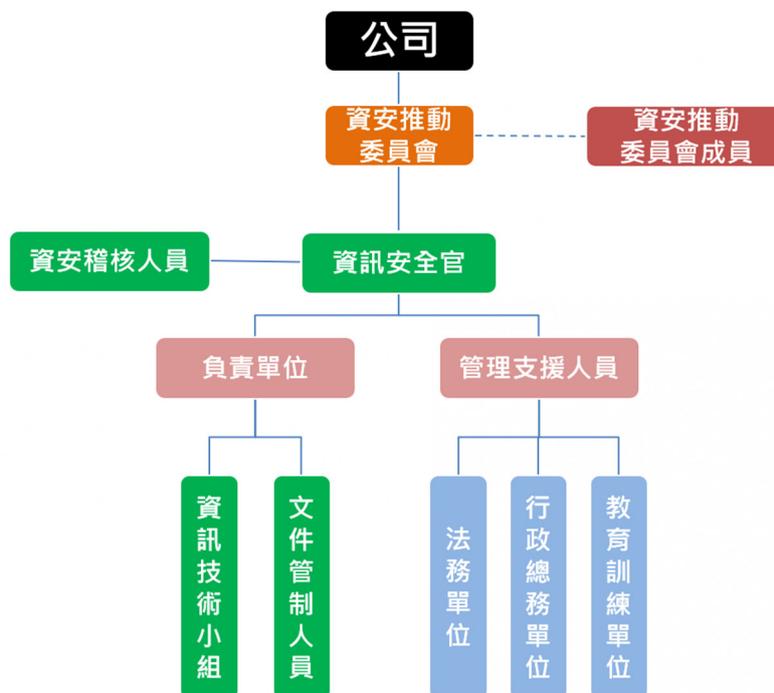
The Company adopts an open and two-way communication approach to the promotion of policies and understanding of employees' opinions, so as to maintain harmonious relations between employers and employees, and there is no problem of labor disagreement, and holds regular labor-management meetings to provide a platform for the exchange of opinions.

- (2) Losses suffered from labor disputes in the most recent year and up to the printing date of the annual report (including labor inspection results in violation of the Labor Standards Law, including the date of the sanction, the sanction number, the provisions of the law violated, the content of the law violated, and the content of the sanction), and disclose the estimated amount of current and potential future losses and measures to address them: None.

6. Cyber Security Management

- (1) Describe the information security risk management framework, information security policies, specific management plans, and resources devoted to information security management.
- (2) The Company shall set forth the losses, possible impacts, and responses to material information and communications security incidents in the most recent year and up to the date of printing of the annual report, and if the losses cannot be reasonably estimated, the facts that cannot be reasonably estimated.
- (3) The risk management framework for information and communications security, information and communications security policies, specific management plans and measures for information and communications security management.

A. Risk Management Structure



B. Security Policy

The Company uses ISO 27001 and BS7799 as reference standards and formulates information security policies based on actual internal management needs. The main information security management requirements are the basis for the establishment, and the relevant information services provided by the Strategic Intelligence Center and the Company's related departments are the main scope.

To maintain the Company's competitive advantage, all employees are expected to manage themselves per the relevant information protection regulations promulgated by the Company and to be aware of information security. In addition to information security control measures for information system services, we also focus on protecting the confidentiality, integrity, and availability of important personal and transaction information. At the same time, we strengthen information security management, ensure the security of hardware and software information

such as data, systems, equipment, and networks, create a healthy information environment, deploy innovative information security protection technologies, and implement and promote information security management operations to enhance the quality of MBI's secure services.

C. Specific management solutions

In addition to setting up an Information Security Management Committee to coordinate, manage and supervise all the Group's information security operations, the Company has dedicated information security engineers to handle information security work and regularly conduct vulnerability scans, social engineering drills, protection system effectiveness checks, and other related information security tests, and provide related information security promotion and education training courses. Although the Company has not purchased information security insurance for the time being, it can still provide a safe and secure environment through the operation of the Information Security Management Committee and implementing information security policies to protect the information security of the Company's services. The next goal is to complete each factory's information security expert system to strengthen the Group's information security protection network and establish a joint defense mechanism for information security. In the future, in addition to the expansion of information security personnel, the Company plans to conduct training and certification so that the Company's information security can be more complete and reliable in terms of manpower and capability.

- (4) The loss suffered as a result of a material information security incident, the possible impact and the response measures for the most recent year and as of the printing date of the annual report, and if the loss cannot be reasonably estimated, the fact that it cannot be reasonably estimated: None.

7. Important contracts

| Contract Type | Signatory | Date of Contract | Main Content | Restrictions |
|------------------------|----------------|---------------------------------|--|-----------------------------|
| Supplying | US company | June 23, 2010 - June 22, 2025 | The parties agree on the terms of purchase and sale of goods | No significant restrictions |
| Contract Manufacturing | Taiwan Company | April 25, 2016 - April 24, 2025 | The parties agree on the terms of purchase and sale of goods | No significant restrictions |

VI. Financial Information

1. Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years

(1) Condensed Balance Sheet

A. Condensed Balance Sheet (consolidated)

Unit: NT\$ thousand

| Item | | Year | | | | |
|---|---------------------|-----------|---------|-----------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Assets | | 640,152 | 432,058 | 783,553 | 993,246 | 619,563 |
| Property, Plant and Equipment | | 487,533 | 469,598 | 456,062 | 434,622 | 424,178 |
| Right-to-use Assets | | 14,557 | 11,919 | 9,391 | - | - |
| Investment Real Estate | | 8,921 | 8,890 | 8,859 | 8,828 | - |
| Intangible Assets | | 2,236 | 1,673 | 1,830 | 1,161 | 486 |
| Other Assets | | 32,087 | 32,332 | 5,489 | 9,866 | 448,759 |
| Total Assets | | 1,185,486 | 956,470 | 1,265,184 | 1,447,723 | 1,492,986 |
| Current Liabilities | Before distribution | 321,950 | 86,584 | 116,068 | 151,500 | 131,373 |
| | After distribution | 376,133 | 142,851 | 116,068 | 193,850 | 220,330 |
| Noncurrent Liabilities | | 12,219 | 9,659 | 7,398 | 566 | 510 |
| Total Liabilities | Before distribution | 334,169 | 96,243 | 123,466 | 152,066 | 131,883 |
| | After distribution | 388,352 | 152,510 | 123,466 | 194,416 | 220,840 |
| Shareholder's Equity Attributable to Parent Company | | 851,317 | 860,227 | 1,141,718 | 1,295,657 | 1,361,103 |
| Paid-in Capital | | 694,650 | 694,650 | 769,992 | 846,991 | 889,341 |
| Capital Surplus | | - | - | - | - | 957 |
| Capital Surplus | | 89,181 | 89,181 | 264,392 | 281,902 | 296,096 |
| Retained Earnings (Accumulated losses) | Before distribution | 70,417 | 79,381 | 110,295 | 169,801 | 244,457 |
| | After distribution | 16,234 | 23,114 | 33,296 | 85,102 | 155,500 |
| Other Equity Interests | | (2,931) | (2,985) | (2,961) | (3,037) | (69,748) |
| Treasury Stock | | - | - | - | - | - |
| Non-Controlling Interest | | - | - | - | - | - |
| Total Equity | Before distribution | 851,317 | 860,227 | 1,141,718 | 1,295,657 | 1,361,103 |
| | After distribution | 797,134 | 803,960 | 1,064,719 | 1,201,958 | 1,272,146 |

Source: Consolidated financial statements audited by a certified public accountant.

B. Statements of Comprehensive Income (consolidated)

Unit: NT\$ thousand

| Item | Year | | | | |
|--|---------|---------|---------|---------|----------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Net Revenue | 452,199 | 457,691 | 511,976 | 604,431 | 622,115 |
| Gross Profit | 217,272 | 214,520 | 261,027 | 373,992 | 424,094 |
| Operating Profit and Loss | 65,621 | 61,105 | 89,947 | 128,616 | 149,850 |
| Non-Operating Income and Expenses | 7,174 | 15,631 | 7,519 | 37,164 | 43,292 |
| Pre-tax Income | 72,795 | 76,736 | 97,466 | 165,780 | 193,142 |
| Net Income for Continuing Operations | 60,111 | 63,311 | 87,667 | 139,404 | 165,828 |
| Loss from Discontinued Operations | - | - | - | - | - |
| Net Income | 60,111 | 63,311 | 87,667 | 139,404 | 165,828 |
| Other Comprehensive Profit and Loss (after Tax) | 91 | (218) | 293 | 1,051 | (66,683) |
| Comprehensive Income | 60,202 | 63,093 | 87,960 | 140,455 | 99,145 |
| Net income attributable to owners of the parent company | 60,111 | 63,311 | 87,667 | 139,404 | 165,828 |
| Net income attributable to noncontrolling interests | - | - | - | - | - |
| Total consolidated profit or loss attributable to owners of the parent company | 60,202 | 63,093 | 87,960 | 140,455 | 99,145 |
| Total consolidated profit or loss attributable to noncontrolling interests | - | - | - | - | - |
| Earnings (loss) per Share | 0.87 | 0.91 | 1.21 | 1.65 | 1.86 |

Source: Consolidated financial statements audited by a certified public accountant.

C. Stand-alone Condensed Balance Sheet

Unit: NT\$ thousand

| Item | | Year | | | | |
|---|---------------------|-----------|---------|-----------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Assets | | 635,385 | 425,755 | 778,755 | 994,053 | 675,201 |
| Investments using the equity method | | 7,272 | 8,555 | 8,496 | 8,511 | - |
| Property, Plant and Equipment | | 487,533 | 469,598 | 456,062 | 434,622 | 424,178 |
| Right-to-use Assets | | 14,116 | 11,753 | 9,391 | - | - |
| Investment Real Estate | | 8,921 | 8,890 | 8,859 | 8,828 | - |
| Intangible Assets | | 2,236 | 1,673 | 1,830 | 1,161 | 486 |
| Other Assets | | 31,936 | 32,313 | 5,510 | 9,838 | 448,759 |
| Total Assets | | 1,187,399 | 958,537 | 1,268,903 | 1,457,013 | 1,548,624 |
| Current Liabilities | Before distribution | 320,233 | 85,131 | 115,067 | 144,518 | 125,624 |
| | After distribution | 374,416 | 141,398 | 115,067 | 186,868 | 214,581 |
| Noncurrent Liabilities | | 15,849 | 13,179 | 12,118 | 16,838 | 61,897 |
| Total Liabilities | Before distribution | 336,082 | 98,310 | 127,185 | 161,356 | 187,521 |
| | After distribution | 390,265 | 154,577 | 127,185 | 203,706 | 276,478 |
| Shareholder's Equity Attributable to Parent Company | | - | - | - | - | - |
| Equity | | 694,650 | 694,650 | 769,992 | 846,991 | 889,341 |
| Capital Surplus | | - | - | - | - | 957 |
| Capital Surplus | | 89,181 | 89,181 | 264,392 | 281,902 | 296,096 |
| Retained Earnings (accumulated deficit) | Before distribution | 70,417 | 79,381 | 110,295 | 169,801 | 244,457 |
| | After distribution | 16,234 | 23,114 | 33,296 | 85,102 | 155,500 |
| Other Equity Interests | | (2,931) | (2,985) | (2,961) | (3,037) | (69,748) |
| Treasury Stock | | - | - | - | - | - |
| Total Equity | Before distribution | 851,317 | 860,227 | 1,141,718 | 1,295,657 | 1,361,103 |
| | After distribution | 797,134 | 803,960 | 1,064,719 | 1,210,958 | 1,272,146 |

Source: Stand-alone financial statements audited by a certified public accountant.

D. Stand-Alone Statements of Comprehensive Income

Unit: NT\$ thousand

| Item \ Year | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------|---------|---------|---------|----------|
| Net Revenue | 449,838 | 455,279 | 511,304 | 521,159 | 612,554 |
| Gross Profit | 214,658 | 212,108 | 260,355 | 339,644 | 405,719 |
| Operating Profit and Loss | 65,241 | 59,774 | 90,161 | 126,343 | 184,605 |
| Non-Operating Income and Expenses | 7,276 | 16,604 | 7,239 | 39,443 | 8,490 |
| Pre-tax Income | 72,517 | 76,378 | 97,400 | 165,786 | 193,095 |
| Net Income for Continuing Operations | 60,111 | 63,311 | 87,667 | 139,404 | 165,828 |
| Loss from Discontinued Operations | - | - | - | - | - |
| Net Income | 60,111 | 63,311 | 87,667 | 139,404 | 165,828 |
| Other Comprehensive Profit and Loss (after Tax) | 91 | (218) | 293 | 1,051 | (66,683) |
| Comprehensive Income | 60,202 | 63,093 | 87,960 | 140,455 | 99,145 |
| Earnings (loss) per Share | 0.87 | 0.91 | 1.21 | 1.65 | 1.86 |

Source: Stand-alone financial statements audited by a certified public accountant.

(2) Independent auditors' names and their audit opinions

A. Independent auditors' names and their audit opinions for the past five years

| Year | CPA Firm | Name of CPA | Auditor's Opinions |
|------|-----------------|------------------------------|---------------------|
| 2019 | Deloitte Taiwan | Shu-Lin Liu, Wen-Ya Xu | No Special Opinions |
| 2020 | Deloitte Taiwan | Shu-Lin Liu, Wen-Ya Xu | No Special Opinions |
| 2021 | PwC Taiwan | Ming-Chuan Hsu, Bing-Jun Zhi | No Special Opinions |
| 111 | PwC Taiwan | Ming-Chuan Hsu, Bing-Jun Zhi | No Special Opinions |
| 112 | PwC Taiwan | Ming-Chuan Hsu, Bing-Jun Zhi | No Special Opinions |

B. Reason for the change of accountants in the last five years: The Company's certified public accountants were formerly Shu-Lin Liu and Wen-Ya Xu from Deloitte Taiwan. Starting the third quarter of 2021, the Group's financial statements have been audited by Ming-Chuan Hsu and Ping-Chun Chih from PwC Taiwan, to meet the requirements of the Group's financial statements.

2. Financial Analysis within the Last 5 Years

(1) Financial Analysis within the Last 5 Years (in compliance with International Financial Reporting Standards, IFRSs)

A. Consolidated

| Analysis items (Note 3) | | Year | Financial analysis for the last five years (note 1) | | | | |
|-------------------------|--|------------------|---|--------|----------|--------|-------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Financial structure (%) | Liabilities to assets ratio | 28.19 | 10.06 | 9.75 | 10.50 | 8.83 | |
| | Long-term capital to property, plant and equipment | 177.12 | 185.24 | 251.96 | 298.24 | 321.00 | |
| Liquidity (%) | Current Ratio | 198.84 | 499.00 | 675.08 | 655.61 | 471.61 | |
| | Quick Ratio | 116.12 | 358.05 | 563.96 | 594.94 | 403.16 | |
| | Interest Coverage Ratio | 22.22 | 307.94 | 495.75 | 2,438.94 | - | |
| Operating Performance | Accounts Receivable Turnover (Times) | 4.90 | 4.75 | 4.93 | 5.51 | 6.13 | |
| | Average Collection Days | 74.48 | 76.84 | 74.03 | 66.24 | 59.54 | |
| | Inventory turnover (times) | 2.02 | 2.07 | 2.45 | 2.75 | 2.32 | |
| | Accounts Payable turnover rate (times) | 7.23 | 7.26 | 6.86 | 6.06 | 7.46 | |
| | Average Days Sales | 180.69 | 176.32 | 148.97 | 132.73 | 157.33 | |
| | Property, Plant, and Equipment (Times) | 0.92 | 0.95 | 1.10 | 1.36 | 1.45 | |
| | Total asset turnover (times) | 0.39 | 0.42 | 0.46 | 0.45 | 0.42 | |
| Profitability | Return on Asset (%) | 5.42 | 5.93 | 7.90 | 10.28 | 11.28 | |
| | Return on Equity (%) | 7.10 | 7.39 | 8.75 | 11.44 | 12.48 | |
| | Pretax ratio to paid-in capital (%) | Operating Profit | 9.45 | 8.80 | 11.68 | 15.19 | 16.85 |
| | | Pre-tax Income | 10.48 | 11.04 | 12.65 | 19.57 | 21.72 |
| | Net income margin (%) | 13.29 | 13.83 | 17.12 | 23.06 | 26.66 | |
| | Earnings per Share (NT\$) | 0.87 | 0.91 | 1.21 | 1.65 | 1.86 | |
| Cash flow | Cash flow ratio (%) | 29.33 | 85.92 | 101.31 | 177.12 | 130.32 | |
| | Cash Flow Adequacy Ratio (%) | 64.62 | 146.17 | 178.50 | 283.29 | 244.48 | |
| | Cash Flow Investment Ratio (%) | 4.28 | 1.97 | 4.60 | 18.03 | 11.28 | |
| Leverage | Operating leverage | 1.81 | 1.87 | 1.59 | 1.32 | 1.26 | |
| | Financial leverage | 1.06 | 1.00 | 1.00 | 1.00 | 1.00 | |

Explain the reasons for the changes in the financial ratios in the last two years. (Exemption if increase or decrease is less than 20%)

1. Current Ratio and Quick Ratio: The significant decrease in cash and cash equivalents in 2023 due to strategic investments is the main reason for the changes in these ratios.
2. Interest Coverage Ratio: The absence of interest expenses in 2023 is the main reason for this ratio.
3. Accounts Payable Turnover Ratio: The significant decrease in payables to related parties in 2023 is the main reason for this ratio.
4. Cash Flow Ratio and Cash Reinvestment Ratio: The decrease in net cash inflow from operating activities in 2023 compared to 2022 is the main reason for these ratios.

B. Stand-alone

| Analysis items (Note 3) | | Year | Financial analysis for the last five years (note 1) | | | | | |
|-------------------------|--|------------------|---|--------|--------|---------|--------|-------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Financial structure (%) | Liabilities to assets ratio | | 28.30 | 10.25 | 10.02 | 11.07 | 12.11 | |
| | Long-term capital to property, plant and equipment | | 177.87 | 185.99 | 253.00 | 301.99 | 335.47 | |
| Liquidity (%) | Current Ratio | | 198.41 | 500.11 | 676.79 | 687.84 | 537.48 | |
| | Quick Ratio | | 115.92 | 358.99 | 566.39 | 634.91 | 480.50 | |
| | Interest Coverage Ratio | | 22.30 | 324.63 | 503.06 | 2439.03 | - | |
| Operating Performance | Accounts Receivable Turnover (Times) | | 4.24 | 4.15 | 4.48 | 3.81 | 3.84 | |
| | Average Collection Days | | 86.06 | 87.95 | 81.47 | 95.80 | 95.05 | |
| | Inventory turnover (times) | | 2.04 | 2.07 | 2.45 | 2.33 | 3.12 | |
| | Accounts Payable turnover rate (times) | | 7.27 | 7.27 | 6.79 | 4.69 | 6.79 | |
| | Average Days Sales | | 179.19 | 176.32 | 148.97 | 156.65 | 116.99 | |
| | Property, Plant, and Equipment (Times) | | 0.92 | 0.95 | 1.10 | 1.17 | 1.43 | |
| | Total asset turnover (times) | | 0.39 | 0.42 | 0.46 | 0.38 | 0.41 | |
| Profitability | Return on Asset (%) | | 5.41 | 5.91 | 7.87 | 10.23 | 11.03 | |
| | Return on Equity (%) | | 7.10 | 7.39 | 8.76 | 11.44 | 12.48 | |
| | Pretax ratio to paid-in capital (%) | Operating Profit | | 8.60 | 9.39 | 11.71 | 14.92 | 20.76 |
| | | Pre-tax Income | | 10.99 | 10.44 | 12.65 | 19.57 | 21.71 |
| | Net income margin (%) | | 13.36 | 13.90 | 17.15 | 26.75 | 27.07 | |
| | Earnings per Share (NT\$) | | 0.87 | 0.91 | 1.21 | 1.65 | 1.86 | |
| Cash flow | Cash flow ratio (%) | | 28.69 | 87.98 | 102.09 | 178.49 | 140.06 | |
| | Cash Flow Adequacy Ratio (%) | | 62.36 | 133.07 | 114.25 | 189.57 | 170.90 | |
| | Cash Flow Investment Ratio (%) | | 4.01 | 2.01 | 4.65 | 17.24 | 11.10 | |
| Leverage | Operating leverage | | 1.81 | 1.89 | 1.59 | 1.33 | 1.21 | |
| | Financial leverage | | 1.06 | 1.00 | 1.00 | 1.00 | 1.00 | |

Explain the reasons for the changes in the financial ratios in the last two years. (Exemption if increase or decrease is less than 20%)

1. Current Ratio and Quick Ratio: The significant decrease in cash and cash equivalents in 2023 due to strategic investments is the main reason for the changes in these ratios.
2. Interest Coverage Ratio: The absence of interest expenses in 2023 is the main reason for this ratio.
3. Accounts Payable Turnover Ratio: The significant decrease in payables to related parties in 2023 is the main reason for this ratio.
4. Average Collection Period: The improvement in sales performance in 2023, resulting in an increased inventory turnover ratio, is the main reason for this metric.
5. Operating Income to Paid-in Capital Ratio: The favorable operating conditions in 2023 are the main reason for this ratio.
6. Cash Flow Ratio and Cash Reinvestment Ratio: The decrease in net cash inflow from operating activities in 2023 compared to 2022 is the main reason for these ratios.

Note 1: Consolidated financial statements audited by a certified public accountant.

Note 2: The financial ratios are calculated as follows:

1. Financial structure

(1) Liabilities to Assets Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant, and Equipment Ratio = (Total Equity + Noncurrent Liabilities) / Property, Plant, and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

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

(3) Interest Coverage Ratio = Income before Interest and Taxes / Interest Expense

3. Operating Performance Analysis

(1) Accounts Receivable Turnover (Times) = Net Revenue / Average Accounts Receivable

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

(3) Inventory Turnover (Times) = Cost of Sales / Average Inventory

(4) Accounts Payable Turnover = Cost of Sales / Average Account Payable

(5) Average Days Sales = 365 / Inventory Turnover (Times)

(6) Property, Plant, and Equipment Turnover (Times) = Net Revenue / Average Net Property, Plant, and Equipment

(7) Total Asset Turnover = Net Revenue / Average Total Assets

4. Profitability Analysis

(1) Return on Assets = [Net Income + Interest \times (1 - Tax Rate)] / Average Assets

(2) Return on Equity = Net Income / Average Equity

(3) Net Income Margin = Net Income / Net Revenue

(4) Earnings per Share = (Shareholder's Equity Attributable to Parent Company - Preferred Stock Dividends) / Weighted Average Outstanding Shares

5. Cash Flow

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

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increases in Inventory + Cash Dividends for the past 5 years)

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

6. Leverage:

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

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

3. Audit Committee's Review Report for the most recent financial year

Audit Committee Report

The Audit Committee has audited the Company's 2023 financial statements, which have been audited by CPAs of PwC Taiwan, Ming-Chuan Hsu and Ping-Chun Chih, together with the Business Report and Distribution of Earnings, and has concluded that there are no discrepancies. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for examination and approval.

To

Maxigen Biotech Inc. 2024 Annual Shareholders' Meeting

Chairman of the Audit
Committee: Sung-Yuan Liao



May 3, 2024

4. The most recent annual financial statements:

Please refer to pages 158 - 218 of this annual report.

5. The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year:

Please refer to pages 219 - 279 of this annual report.

6. Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Financial Conditions

(1) Major reasons for and effects of significant changes in assets, liabilities and shareholders' equity during the last two years

Unit: NT\$ thousand

| Item | Year | 2023 | 2022 | Change | |
|---|------|-----------|-----------|-----------|----------|
| | | | | Amount | % |
| Current Assets | | 619,563 | 993,246 | (373,683) | (37.62) |
| Financial assets measured at fair value through other comprehensive income - noncurrent. | | 432,800 | - | 432,800 | 100.00 |
| Property, Plant and Equipment | | 424,178 | 434,622 | (10,444) | (2.40) |
| Net Investment Property | | - | 8,828 | (8,828) | (100.00) |
| Intangible Assets | | 486 | 1,161 | (675) | (58.14) |
| Other Assets | | 15,959 | 9,866 | 6,093 | 61.76 |
| Total Assets | | 1,492,986 | 1,447,723 | 45,263 | 3.13 |
| Current Liabilities | | 131,373 | 151,500 | (20,127) | (13.28) |
| Noncurrent Liabilities | | 510 | 566 | (56) | (9.89) |
| Total Liabilities | | 131,883 | 152,066 | (20,183) | (13.27) |
| Paid-in Capital | | 889,341 | 846,991 | 42,350 | 5.00 |
| Capital Surplus | | 957 | - | 957 | 100.00 |
| Capital Surplus | | 296,096 | 281,902 | 14,194 | 5.04 |
| Retained Earnings | | 244,457 | 169,801 | 74,656 | 43.97 |
| Other Equity Interests | | (69,748) | (3,037) | (66,711) | 2,196.61 |
| Total Equity | | 1,361,103 | 1,295,657 | 65,446 | 5.05 |
| <p>The main reasons for the significant changes (changes of 20% or more in the prior and subsequent periods, and changes of at least NT\$10 million) and their effects are analyzed as follows:</p> <ol style="list-style-type: none"> 1. Current Assets and Financial Assets Measured at Fair Value Through Other Comprehensive Income - Non-current: The main reason for the changes is the strategic investments made in 2023. 2. Current Liabilities: The significant decrease in payables to related parties in 2023 is the main reason for this change. 3. Retained Earnings: The favorable operating profits in 2023 are the main reason for the increase. 4. Other Equity: The adjustments are due to strategic investments made in 2023, which were evaluated at market value. | | | | | |

(2) If the impact is significant, the future response plan should be stated: There is no significant impact on the Company's finance and business.

2. Financial Performance

(1) Reasons for and effects of significant changes in operating income, net operating income and net income before income tax for the last two years.

Unit: NT\$ thousand

| Item | Year | 112 | 111 | Change | |
|---|------|-----------|-----------|----------|---------|
| | | Amount | Amount | Amount | % |
| Operating Income | | 622,115 | 604,431 | 17,684 | 2.93 |
| Operating Costs | | (198,021) | (230,439) | (32,418) | (14.07) |
| Gross Profit | | 424,094 | 373,992 | 50,102 | 13.40 |
| Operating Expenses | | (274,244) | (245,376) | 28,868 | 11.76 |
| Non-Operating Income and Expenses | | 43,292 | 37,164 | 6,128 | 16.49 |
| Pre-tax Income | | 193,142 | 165,780 | 27,362 | 16.51 |
| Net Income | | 165,828 | 139,404 | 26,424 | 18.95 |
| The annual change has reached more than 20%, and the amount of change has reached NT\$10 million or more: None. | | | | | |

(2) Expected sales volume and its basis, possible impact on the Company's future financial business and response plan:

The sales volume is based on the market demand and the scale of the Company's production capacity. The Company has also reviewed and improved the efficiency of the production capacity and material purchasing costs. The Company expects to benefit from scale economies in the future, significantly boosting revenue and profitability.

In addition, the Company will use financial leverage appropriately to reduce operating costs and build trust and reciprocity with banks to improve the performance of financial utilization.

3. Cash flow

(1) Liquidity Analysis within the last 2 years

Unit: NT\$ thousand

| Item \ Year | 112 | 111 | Increase (decrease) | Change (%) |
|---|-----------|---------|------------------------|------------|
| Net cash flow from operating activities (out) | 171,200 | 268,338 | (97,138) | (36.20) |
| Net cash flow from operating activities (out) | (490,246) | 10,432 | (500,678) | (4,799.44) |
| Net cash flow from financing activities (out) | (41,393) | (1,051) | (40,342) | (3,838.44) |

Analysis of cash flow changes:

1. Net cash flow from operating activities: The decrease in 2023 compared to 2022 is mainly due to substantial payments made in 2023.
2. Net cash flow from investing activities: This is primarily due to the strategic investments in 2023.
3. Net cash flow from financing activities: This is primarily due to the cash dividends paid out in 2023.

(2) Plans to Improve Negative Liquidity: Not applicable.

(3) Analysis of changes in cash flow in the coming year

Unit: NT\$ thousand

| Cash Balance, Beginning of the Year | Forecast Net Cash Inflow from Operating Activities | Forecast Net Cash Flow from Investing Activities | Forecast Net Cash Flow from Financing Activities | Forecast Cash Balance (Deficit) (1)+(2)-(3) | Source of Funding for Negative Cash Balance | |
|-------------------------------------|--|--|--|---|---|----------------|
| | | | | | Investment Plan | Financing Plan |
| 431,082 | 281,827 | (50,000) | (90,000) | 572,909 | - | - |

1. Analysis of changes in cash flow in the coming year:
 - Operating Activities: Revenue and profits continue to grow steadily, generating net cash inflow.
 - Investing Activities: Mainly cash outflows due to the purchase of equipment.
 - Financing Activities: Primarily due to the payment of cash dividends.
2. Remedial Measures for Projected Cash Shortages and Liquidity Analysis: Not applicable.

4. The effect of major capital expenditure on finance in the most recent year:

None.

5. Recent year's investment policy, the main reason for its profit or loss, improvement plan and investment plan for the next year

(1) Recent annual transfer investment policy

In response to the development of global customers, the Company's investment strategy is to expand into overseas markets and deepen its presence in major countries to increase overseas revenue and market share.

(2) The root causes for the profit/loss gained from the transfer investment in the most recent year and the improvement plans

Unit: NT\$ thousand

| Item \ Description | 2023 Amount of profit or loss | Policy | Major causes of gain or loss | Improvement Plan | Other future investment plans |
|---------------------------------|---|---------------------------------------|--|--|-------------------------------|
| Maxigen Biotech Inc. (Shanghai) | (34,938) | Medical machinery and cosmetics sales | Sales activities not yet on track. | Strengthen the establishment of sales channels | None |
| HORAY INC. | Dissolution and liquidation in progress | Cosmetics sales | Sales policy: Change and adjust investment strategy. | None | None |

(3) Investment plans in the coming year: None

6. Risks and Assessments for the Latest Year and up to the Date of Publication of the Annual Report

(1) Effect of interest rate, exchange rate and inflation on the Company's profit and loss and future measures

A. Impact of recent interest rate changes on the Company's profit and loss and future measures:

(A) Effect on profit and loss

Under the Company's prudent and conservative financial principles, although the market interest rates have been at relatively low levels recently, the Company had no loans during the year, which did not have a significant impact on the Company. In the future, the Company will continue to pay attention to changes in domestic and international interest rates to grasp the future trend of interest rates to respond in a timely manner.

(B) Future Measures

Although the impact of interest rates on the Company's profit and loss is not significant, the Company will continue to maintain good relationships with banks and keep abreast of changes in interest rates and adjust the terms and conditions of its bank transactions depending on the cost of funds of each bank.

B. Impact of recent exchange rate changes on the Company's profit or loss and future measures:

(A) Effect on profit and loss

For the first quarter of 2023 and 2024, the Company recognized exchange gains and losses of \$4,000 thousand and \$10,802 thousand, respectively. The Company adopts a conservative and prudent principle, observes the general economic and political conditions both domestically and internationally, keeps track of exchange rate fluctuations and trends, reduces the risk of exchange losses, and increases the value of currency.

(B) Description of future measures:

- 1) The financial unit maintains close contact with the foreign exchange departments of financial institutions to collect information on exchange rate changes at any time and to fully grasp the information on the trend and changes of domestic and foreign exchange rates to reduce the negative impact of exchange rate changes.
- 2) When quoting to customers, the Company will consider the possible impact of exchange rate changes and adopt a more stable and conservative exchange rate as the basis for quotation, so that exchange rate fluctuations will have less impact on the profitability of the orders received.
- 3) The Company opens foreign-currency deposit accounts with banks and maintains foreign-currency positions in response to the demand for foreign-currency funds and adjusts its foreign-currency holdings in a timely manner in response to changes in exchange rates to reduce the impact of exchange rate fluctuations.
- 4) When exchange rate fluctuations are large, other instruments are used to hedge exchange rate risk, such as buying and selling forward foreign exchange, to hedge exchange rate changes in a timely manner.

C. Impact of recent inflation on the Company's profit and loss and future measures:

According to the Directorate-General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan, the Consumer Price Index (CPI) for 2023 saw an average annual increase of 2.5%. The Company will continue to monitor the trend of price changes of raw materials, and if there is an increase in the cost of goods due to inflation and other factors, the Company will adjust the sales price and inventory of raw materials appropriately and continue to look for multiple sources of supply in order to avoid the impact of cost increase pressure on profit or loss.

(2) The policy of engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement and guarantee, and derivative transactions, the main reasons for profit or loss, and future measures to address them.

A. Loan of funds to others: None.

B. Engaged in high-risk, highly leveraged investments, endorsement guarantees and derivative transactions: None.

(3) Future research and development plans and estimated investment in research and development

A. Biomedical products

The Company's research and development program for biomedical devices will focus on the development of high value-added, implantable medical products. The key research and development projects include: joint injection series products, tissue filler series products, new artificial bone materials, injectable anti-adhesive fillers, etc. In total, the Company will invest approximately \$200 million in research and development over the next five years, including the construction of automated equipment, preclinical testing, clinical trials, and certification in various countries for each development project. The key products planned to be developed will not only have high unit price and high market competitiveness, but also improve the quality of life of patients, which will enable MBI to become a biotechnology company supplying high-end implantable medical materials. Based in Taiwan and with an eye on the world, MBI will take a step forward in its vision of becoming an international biotechnology company.

MBI continues to devote resources to research and development of core technologies and develop advanced technology medical materials products to meet market demand. The Company continues to improve the quality management system and align it with international standards to enhance the quality control and risk management of our internal workflow so that the Company's products are well controlled during their life cycle.

(A) Commercialization of R&D, internationalization of channels.

(B) Develop in-house R&D talent and technology management capabilities.

(C) Research cooperation with domestic and foreign research institutes, mass production by the Company, and international marketing.

(D) Collect niche products with potential market from clinics and channels.

(E) Develop internationally and become a multinational R&D and management team.

(4) The impact of significant domestic and international policy and legal changes on the Company's financial operations and measures to address them:

The Company has not been affected by significant domestic or foreign policy and legal changes in the recent year, which had no significant impact on the Company's finance and business because the Company has taken appropriate measures to

respond to significant domestic and foreign policy and legal changes, and therefore did not have a significant impact on the Company's finance and business.

- (5) Impact of technological changes and industry changes on the Company's financial operations and measures to address them

The Company is constantly aware of the development and changes of the relevant biomedical technology and beauty care products in its industry and is able to keep abreast of the developments in the industry. Together with the continuous enhancement of research and development capabilities, the Company will actively expand the application of the relevant biomedical materials and medical beauty care products market in the future. Changes in technology and industry will not materially impact on the financial business of the Company.

- (6) Impact of corporate image change on corporate crisis management and response measures

The Company's corporate image is based on integrity, not seeking illegal profits, and has established an image in the industry through professional research and development teams and international business models. The Company's corporate image has so far been good and there has been no significant change in the management of the corporate crisis.

- (7) Expected benefits and possible risks of mergers and acquisitions:

The Company has no plans to acquire other companies in the latest year and as of the date of publication of the prospectus. In the event of future mergers and acquisitions, the Company will carefully evaluate and consider the combined effect of the merger to ensure the interests of the original shareholders.

- (8) Expected duration of factory expansion and possible risks

The Company has prudently planned its own factory construction plan. In addition to strengthening the Company's financial structure, the Company will also appoint a professional organization to jointly plan the project to avoid the risk of insufficient capital. In addition, due to the management team's rich experience in the industry and understanding of the industry's demand for products, the Company will modify the production items according to the factory environment and fully utilize the utilization rate of the newly built factory.

- (9) Risks associated with concentrations of incoming or outgoing shipments

A. Risk assessment of import concentration

In recent years, the Company had four single-vendor suppliers with purchase amounts above 10 percent, which is a reasonable concentration of purchases given the characteristics of the Company's industry. The Company is still actively seeking spare vendors to establish sources of supply to reduce the risk of possible concentration of supply.

B. Risks faced by the centralized sales and the countermeasures

The top five customers accounted for 50% of total sales in the recent year. The top five customers are all well-known companies, so there is no high credit risk, and the Company is still actively developing target customer sources, such as large brand names and medical material channel operators, as well as developing its own branded regional market channels and large projects to reduce the risk of concentration of sales.

- (10) The impact of the massive equity transfer or exchange by the directors, supervisors, or shareholders holding more than 10% shareholding on the Company, the risk and the countermeasures

To introduce a strategic investor, Formosa Biomedical Technology Corp., the Company issued new shares in a private placement in 2022 and added one new director. The Company's revenue increased 2.93% in 2023 compared to 2022 and net income increased 18.95% in 2023 compared to 2022. The change in ownership has no negative impact or risk on the Company's operations.

- (11) The impact of the changes in the ownership on the Company, the risk, and the countermeasures: For the most recent year and as of the date of printing of the annual report, there was no change in the Company's operating rights.

- (12) Litigation and non-litigation events. The Company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more than 10%, and the most recent major lawsuits that have been determined or are still in the system, In the case of a non-litigation or administrative dispute, the result may have a significant impact on the shareholders' equity or the price of the securities. The facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report shall be disclosed: None.

- (13) Other Important Risks and Countermeasures

A. Information Security Risk Evaluation:

The information management department has been established since the establishment of the Company in 1998. The Company regularly evaluates information security risks every year and is subject to inspection and audit by external auditors and the Company's internal auditors. Information is regularly reported to the General Manager at the monthly management meeting, and the main points of the information security evaluation are as follows:

(A) Information architecture inspection

- 1) Review the appropriateness of the actions taken in relation to ongoing operations:

Review the structure and maintenance mechanism of related measures for the risk of single point failure, and to conduct risk analysis for the appropriateness of business continuity, such as ERP system and

network equipment, and to present the results and recommendations of information architecture security assessment.

2) Review the maximum impact and risk capacity of a single point of failure:

Evaluate whether the impact is within the risk tolerance, and if not, discuss and implement improvement plans.

(B) Network Activity Inspection - Review device access logs and account permissions

Review the access records, account privileges granted and monitoring mechanisms of network devices, information security devices and servers for compliance with internal control practices.

(C) Network equipment, servers, terminals and other equipment testing – Vulnerability scanning and repair operations

The policies of network equipment, servers and terminals are reviewed periodically or in a timely manner, and improvements and fixes are made to address any inappropriate policies found. Based on the results, the evaluation recommendations focus on identifying possible weaknesses and loopholes in the structure, improving and fixing them, and reducing the overall information security risk.

(D) Website security testing – Penetration testing for websites

The penetration test is divided into three steps: data collection, information analysis, and target penetration; the execution method simulates a hacker attack, using security testing tools to conduct penetration tests on websites with open external links to examine whether there are vulnerabilities and to fix them.

(E) Security Settings Inspection – Server security principle settings

Regularly review the server (e.g., domain service Active Directory) settings regarding “password setting policy” and “account locking policy” to check whether the relevant domain security policy settings comply with internal control regulations through human work.

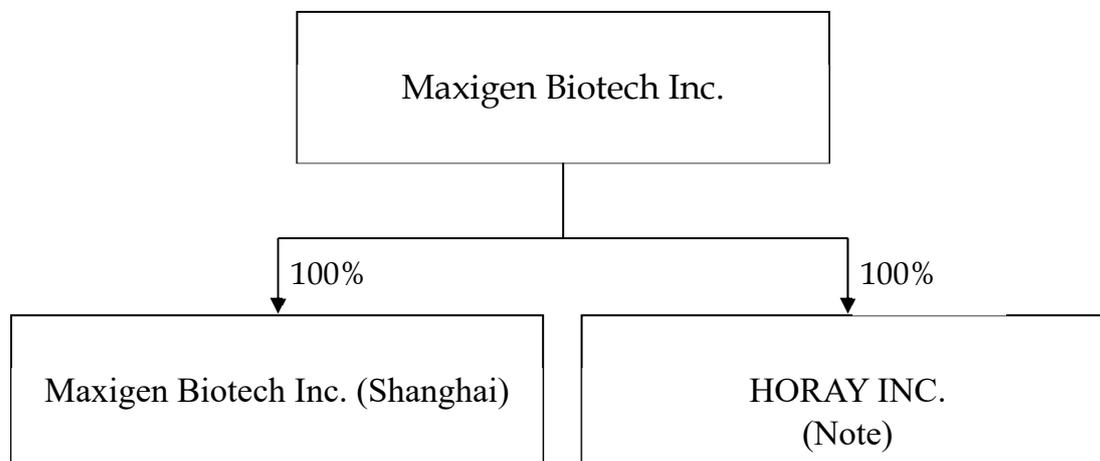
Hold cybersecurity education and training every year. 127 people attended the cybersecurity education and training as of October 2023. In addition, the audit found no material weaknesses in the 2023 audit of cybersecurity risks.

7. Other Important Items: None.

VIII. Annotation

1. Information of the Company's Affiliates

(1) Organizational Chart



Note: As of December 31, 2023, the company is undergoing dissolution and liquidation.

(2) Affiliates' Profile

Unit: NT\$ thousand; share/December 31, 2023

| Name | Relationship | Affiliate's Shares in the Company | | Affiliate's Shares held by the Company | | |
|---|-------------------------------|-----------------------------------|---|--|-----|-------------------|
| | | Shares | % | Shares | % | Actual investment |
| Maxigen Biotech Inc. (Shanghai) (Note 1) | Subsidiary of MBI (Note 2) | - | - | - | 100 | 58,193 |
| Horay Inc. (Note 3) | Subsidiary of MBI | - | - | - | - | - |

Note 1: The company was formerly known as Dingshi Trading (Shanghai) Co., Ltd. and the company name was changed to Maxigen Biotech Inc. (Shanghai) on February 22, 2022.

Note 2: The company was originally a subsidiary of Maxigen Biotech International Investment Corporation Limited, a subsidiary of the Company, and later changed the investor to the Company's direct investment, and the change of registration was completed at the company's location on January 7, 2022.

Note 3: As of December 31, 2023, the company is undergoing dissolution and liquidation.

(3) If a person is presumed to have a controlling or subordinate relationship in accordance with Article 369-3 of this Law, the following matters shall be disclosed:

There is no presumption of control or affiliation with the Company.

(4) The related enterprises shall explain the division of business between them

Subsidiary, Maxigen Biotech Inc. (Shanghai) is the local sales office of the Company in China.

(5) The names of the directors, supervisors and general managers of each affiliated company and their shareholdings or capital contributions to the company:

Unit: Share /December 31, 2023

| Name | Title | Person or Representative | Shareholding | |
|---------------------------------|----------|--------------------------|--------------|---|
| | | | Shares | % |
| Maxigen Biotech Inc. (Shanghai) | Director | Yung-Hsiang Lin | - | - |
| HORAY INC. (note) | - | - | - | - |

Note: As of December 31, 2023, the company is undergoing dissolution and liquidation.

(6) Affiliated Company's Operating Results

Unit: NT\$ thousand; share/December 31, 2023

| Name | Main Business | Investment Cost | Carrying Value | Investment Shares | | Net Equity | Market Value | Accounting Method | Latest Annual Investment Return | | Amount of Shares Held in the Company |
|--|--|-----------------|----------------|-------------------|------|------------|--------------|--|---------------------------------|---------------------------|--------------------------------------|
| | | | | Shares | % | | | | Investment Profit and Loss | Distribution of Dividends | |
| Maxigen Biotech Inc. (Shanghai) (note 1) | Engaged in medical machinery, cosmetics, etc. business | 58,193 | - | - | 100% | (61,387) | - | Long-term investments recognized under the equity method | (34,938) | - | - |
| HORAY INC. (note 2) | Engaged in the import and export business of cosmetics | - | - | - | - | - | - | - | - | - | - |

Note 1: The company was formerly known as Dingshi Trading (Shanghai) Co., Ltd. and the company name was changed to Maxigen Biotech Inc. (Shanghai) on February 22, 2022.

Note 2: As of December 31, 2023, the company is undergoing dissolution and liquidation.

(7) Consolidated Financial Statements of Affiliated Companies

A. Statement of Consolidated Financial Statements of Affiliated Companies

Statement of Consolidated Financial Statements of Affiliated Companies

For the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023), the companies that should be included in the consolidated financial statements of affiliated companies in accordance with the “Regulations Governing the Preparation of Consolidated Financial Statements of Affiliated Companies and Related Party Reports” are the same as those that should be included in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10, and the information required to be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the previous consolidated financial statements of parent and subsidiary companies. The information required to be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the consolidated financial statements of the former parent and subsidiary, thus will not prepare separate consolidated financial statements of affiliated companies.

Hereby declare

Company Name: Maxigen Biotech Inc.



Authorized Person: Yung-Hsiang Lin



March 12, 2024

B. Affiliate Consolidated Financial statements: Please refer to pages 158 to 218.

(8) Affiliate Report: Not applicable.

2. The status of issuing private placement securities in the most recent year and up to the publication of the annual report

Private Securities Information

| | | | | | |
|---|--|--|-------------------------|-------------------------------|--|
| Item | 2021 First private offering (Note 1) Date: August 6, 2021 | | | | |
| Type of private securities (Note 2) | Common stock | | | | |
| Date and amount approved at the shareholders' meeting (Note 3) | Date: July 12, 2021 Amount: 7,534,235 shares issued | | | | |
| Basis and reasonableness of pricing | <p>1. July 27, 2021 used as the pricing date for the private placement. In accordance with the pricing principle resolved at the shareholders' meeting, the higher of (1) the average of the closing prices of the common shares on one, three or five business days prior to the pricing date, less the ex-rights and dividends of the gratis allotment, plus the capital reduction anti-defeasance, or (2) the average of the closing prices of the common shares on 30 business days prior to the pricing date, less the ex-rights and dividends of the gratis allotment, plus the capital reduction anti-defeasance, shall be used as the reference price. The reference price is NT\$41.03.</p> <p>2. Taking into account the Company's operating performance, market conditions and the restriction of the Securities and Exchange Act that the private placement of marketable securities shall not be freely transferable within three years, the price of the private placement is set at NT\$32.83 per share, which is not less than 80% of the reference price and is within the authorization range of the resolution of the shareholders' meeting and should be reasonable.</p> | | | | |
| Method of selecting specific person (Note 4) | Subject to Article 43-6 of the Securities Exchange Act and the relevant provisions of the Financial Supervisory Authority's June 13, 2002 (2002) Taiwan Certificate No. 0910003455. | | | | |
| Reasons for private placement | The introduction of strategic investors will help enhance the Company's operational performance and market competitiveness, as well as strengthen the overall financial structure. The funds will be used for future operational development to meet the Company's long-term development needs. The introduction of strategic investors in this private placement will not result in any significant change in operating rights. | | | | |
| Date of completion of payment | August 6, 2021 | | | | |
| Private Placement | Private Placement (note 5) | Criteria (note 6) | Number of subscriptions | Relationship with the company | Involvement in the business of the company |
| | Formosa Biomedical Technology Corp. | Paragraph 3 of Article 43-6 of the Securities and Exchange Act | 7,534,235 | No-relationship | None |
| Actual subscription (or conversion) price (Note 7) | NT\$ 32.83 | | | | |
| Difference between the actual subscription (or conversion) price and the reference price (Note 7) | The price of the private common shares was \$32.83 per share, which was not less than 80% of the reference price of \$41.03 with no material difference. | | | | |

| | |
|--|---|
| Effect of private equity on shareholders' equity (e.g., increase in accumulated losses...) | Private placement price exceeds par value per share and capital surplus increases. |
| Private Placement Funds Utilization and Plan Implementation Progress | The overall financial structure has been improved and the plan has been implemented. |
| Private Placement Benefits | The company's operating performance grew, with revenue increasing 12% in 2021 compared to 2020. |

Note 1: The number of fields will be adjusted according to the actual number of transactions, and if there are separate transactions of private securities, they shall be shown separately.

Note 2: The above-mentioned private securities include common stocks, preferred stocks, convertible preferred stocks, preferred stocks with warrants, common bonds, convertible bonds, bonds with warrants, overseas convertible bonds, overseas depository receipts, and employee stock options.

Note 3: For private placement of corporate bonds that do not require shareholders' approval, the date and amount approved by the Board of Directors shall be included.

Note 4: For private placement cases in progress, if a candidate has been appointed, the name or name of the candidate and the relationship with the Company will be listed.

Note 5: The number of fields will be adjusted according to the actual number.

Note 6: Fill out paragraph 1, paragraph 2, or paragraph 3 of Article 43-6 of the Securities Exchange Act.

Note 7: The actual subscription (or conversion) price refers to the subscription (or conversion) price at the time of the actual private placement of marketable securities.

3. Recent year and as of the date of publication of the annual report, the subsidiaries held or disposed of the Company's shares: None.

4. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act and had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report: None.

5. Other items that must be added: None.

IX. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act and had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report: None.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Maxigen Biotech Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Maxigen Biotech Inc. and subsidiaries (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 significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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:

Existence and occurrence of top ten customers

Description

The Group is primarily engaged in the production and sale of biomedical materials and care products. Other than Taiwan, the Group's customers are spread in America, Europe, Mainland China and South East Asia, the transaction terms for each customer were not the same, the audit procedures required more manpower, and the revenue from the Group's top 10 customers represented a significant proportion in the operating revenue of the consolidated financial statements. Thus, we considered the existence and occurrence of top 10 sales customers as a key audit matter.

Please refer to Note 4(26) for accounting policies on revenue recognition and Note 6(18) for details of sales revenue.

How our audit addressed the matter

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

1. Understood and tested the internal control of sales revenue recognition of top 10 customers, and tested the effectiveness of internal control in relation to the sales revenue.
2. Sampled and verified the sales orders and delivery documents of top 10 customers, and confirmed that the sales revenue transaction actually occurred.

3. Sampled and verified the sales returns and discounts of top 10 customers, and confirmed the existence of sales revenue recognition.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Group 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 that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including 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 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.

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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.

MAXIGEN BIOTECH INC. AND SUBSIDIARIES
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) | \$ 431,082 | 29 | \$ 790,948 | 55 |
| 1136 | Current financial assets at amortised cost | 6(3) and 8 | 1,500 | - | 10,316 | 1 |
| 1150 | Notes receivable, net | 6(4) | 14,851 | 1 | 28,999 | 2 |
| 1170 | Accounts receivable, net | 6(4) | 59,826 | 4 | 57,928 | 4 |
| 1180 | Accounts receivable - related parties | 7 | 13,633 | 1 | 11,928 | 1 |
| 1200 | Other receivables | | 8,751 | - | 60 | - |
| 1210 | Other receivables - related parties | 7 | - | - | 1,162 | - |
| 130X | Inventories | 6(5) | 85,185 | 6 | 75,272 | 5 |
| 1410 | Prepayments | 6(6) | 4,658 | - | 15,744 | 1 |
| 1470 | Other current assets | | 77 | - | 889 | - |
| 11XX | Total current assets | | <u>619,563</u> | <u>41</u> | <u>993,246</u> | <u>69</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 432,800 | 29 | - | - |
| 1600 | Property, plant and equipment | 6(7) | 424,178 | 29 | 434,622 | 30 |
| 1760 | Investment property, net | 6(9) | - | - | 8,828 | 1 |
| 1780 | Intangible assets | 6(10) | 486 | - | 1,161 | - |
| 1840 | Deferred income tax assets | 6(25) | 5,833 | - | 3,192 | - |
| 1900 | Other non-current assets | 6(6) | 10,126 | 1 | 6,674 | - |
| 15XX | Total non-current assets | | <u>873,423</u> | <u>59</u> | <u>454,477</u> | <u>31</u> |
| 1XXX | Total assets | | <u>\$ 1,492,986</u> | <u>100</u> | <u>\$ 1,447,723</u> | <u>100</u> |

(Continued)

MAXIGEN BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | Notes | December 31, 2023 | | December 31, 2022 | | |
|---|--|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | | |
| 2130 | Current contract liabilities | 6(18) | \$ 1,336 | - | \$ 4,251 | - |
| 2150 | Notes payable | | 50 | - | - | - |
| 2170 | Accounts payable | | 15,699 | 1 | 14,313 | 1 |
| 2180 | Accounts payable - related parties | 7 | 1,420 | - | 21,626 | 1 |
| 2200 | Other payables | 6(11) | 87,490 | 6 | 82,498 | 6 |
| 2220 | Other payables - related parties | 7 | 140 | - | 1,579 | - |
| 2230 | Current income tax liabilities | | 24,465 | 2 | 27,169 | 2 |
| 2399 | Other current liabilities, others | | 773 | - | 64 | - |
| 21XX | Total current liabilities | | <u>131,373</u> | <u>9</u> | <u>151,500</u> | <u>10</u> |
| Non-current liabilities | | | | | | |
| 2570 | Deferred income tax liabilities | 6(25) | 491 | - | 547 | - |
| 2600 | Other non-current liabilities | | 19 | - | 19 | - |
| 25XX | Total non-current liabilities | | <u>510</u> | <u>-</u> | <u>566</u> | <u>-</u> |
| 2XXX | Total liabilities | | <u>131,883</u> | <u>9</u> | <u>152,066</u> | <u>10</u> |
| Equity attributable to owners of parent | | | | | | |
| Share capital | | | | | | |
| 3110 | Share capital - common stock | 6(14) | 889,341 | 60 | 846,991 | 59 |
| 3140 | Advance receipts for share capital | | 957 | - | - | - |
| Capital surplus | | | | | | |
| 3200 | Capital surplus | 6(15) | 296,096 | 20 | 281,902 | 19 |
| Retained earnings | | | | | | |
| 3310 | Legal reserve | 6(16) | 41,973 | 3 | 28,322 | 2 |
| 3320 | Special reserve | | 3,037 | - | 2,961 | - |
| 3350 | Unappropriated retained earnings | | 199,447 | 13 | 138,518 | 10 |
| Other equity interest | | | | | | |
| 3400 | Other equity interest | 6(17) | (69,748) | (5) | (3,037) | - |
| 31XX | Equity attributable to owners of the parent | | <u>1,361,103</u> | <u>91</u> | <u>1,295,657</u> | <u>90</u> |
| 3XXX | Total equity | | <u>1,361,103</u> | <u>91</u> | <u>1,295,657</u> | <u>90</u> |
| Significant events after the balance sheet date | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 1,492,986</u> | <u>100</u> | <u>\$ 1,447,723</u> | <u>100</u> |

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

MAXIGEN BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| | Items | Notes | Year ended December 31 | | | |
|------|--|---------------|------------------------|-------|------------|-------|
| | | | 2023 | | 2022 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(18) | \$ 622,115 | 100 | \$ 604,431 | 100 |
| 5000 | Operating costs | 6(5) | (198,021) | (32) | (230,439) | (38) |
| 5900 | Net operating margin | | 424,094 | 68 | 373,992 | 62 |
| | Operating expenses | 6(12)(23)(24) | | | | |
| 6100 | Selling expenses | | (132,882) | (21) | (78,015) | (13) |
| 6200 | General and administrative expenses | | (72,568) | (12) | (63,013) | (10) |
| 6300 | Research and development expenses | | (68,595) | (11) | (99,632) | (17) |
| 6450 | Expected credit impairment loss | 12(2) | (199) | - | (4,716) | (1) |
| 6000 | Total operating expenses | | (274,244) | (44) | (245,376) | (41) |
| 6900 | Operating profit | | 149,850 | 24 | 128,616 | 21 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(19) | 12,307 | 2 | 3,181 | 1 |
| 7010 | Other income | 6(20) | 13,380 | 2 | 1,110 | - |
| 7020 | Other gains and losses | 6(21) | 17,605 | 3 | 32,941 | 5 |
| 7050 | Finance costs | 6(22) | - | - | (68) | - |
| 7000 | Total non-operating income and expenses | | 43,292 | 7 | 37,164 | 6 |
| 7900 | Profit (loss) before income tax | | 193,142 | 31 | 165,780 | 27 |
| 7950 | Income tax expense | 6(25) | (27,314) | (4) | (26,376) | (4) |
| 8200 | Profit (loss) for the period | | \$ 165,828 | 27 | \$ 139,404 | 23 |
| | Other comprehensive income (loss) | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(12)(17) | \$ 28 | - | \$ 1,127 | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(2)(17) | (67,284) | (11) | - | - |
| | Other comprehensive income (loss) that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(17) | 573 | - | (76) | - |
| 8300 | Total other comprehensive (loss) income for the period | | (\$ 66,683) | (11) | \$ 1,051 | - |
| 8500 | Total comprehensive income for the period | | \$ 99,145 | 16 | \$ 140,455 | 23 |
| | Profit attributable to: | | | | | |
| 8610 | Owners of the parent | | \$ 165,828 | 27 | \$ 139,404 | 23 |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent | | \$ 99,145 | 16 | \$ 140,455 | 23 |
| | Earnings per share (In dollars) | 6(26) | | | | |
| 9750 | Basic earnings per share | | \$ 1.86 | | \$ 1.57 | |
| 9850 | Diluted earnings per share | | \$ 1.85 | | \$ 1.56 | |

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

MAXIGEN BIOTECH INC.9 AND SUBSIDIARIES AND SUBSIDIARIES
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 | | | Retained Earnings | | | Other equity interest | | | |
| | Notes | Share capital - common stock | Advance receipts for share capital | Capital surplus, additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised losses from financial assets measured at fair value through other comprehensive income | Total equity |
| For the year ended December 31, 2022 | | | | | | | | | | |
| Balance at January 1, 2022 | | \$ 769,992 | \$ - | \$ 264,392 | \$ 19,604 | \$ 2,985 | \$ 87,706 | (\$ 2,961) | \$ - | \$ 1,141,718 |
| Profit for the period | | - | - | - | - | - | 139,404 | - | - | 139,404 |
| Other comprehensive loss for the year | 6(2)(17) | - | - | - | - | - | 1,127 | (76) | - | 1,051 |
| Total comprehensive income (loss) | | - | - | - | - | - | 140,531 | (76) | - | 140,455 |
| Appropriations of 2021 earnings | | | | | | | | | | |
| Legal reserve | | - | - | - | 8,718 | - | (8,718) | - | - | - |
| Reversal of special reserve | | - | - | - | - | (24) | 24 | - | - | - |
| Stock dividends | 6(16) | 76,999 | - | - | - | - | (76,999) | - | - | - |
| Share-based payments | 6(13) | - | - | 17,510 | - | - | (4,026) | - | - | 13,484 |
| Balance at December 31, 2022 | | <u>\$ 846,991</u> | <u>\$ -</u> | <u>\$ 281,902</u> | <u>\$ 28,322</u> | <u>\$ 2,961</u> | <u>\$ 138,518</u> | <u>(\$ 3,037)</u> | <u>\$ -</u> | <u>\$ 1,295,657</u> |
| For the year ended December 31, 2023 | | | | | | | | | | |
| Balance at January 1, 2023 | | <u>\$ 846,991</u> | <u>\$ -</u> | <u>\$ 281,902</u> | <u>\$ 28,322</u> | <u>\$ 2,961</u> | <u>\$ 138,518</u> | <u>(\$ 3,037)</u> | <u>\$ -</u> | <u>\$ 1,295,657</u> |
| Profit for the period | | - | - | - | - | - | 165,828 | - | - | 165,828 |
| Other comprehensive loss for the period | 6(2)(17) | - | - | - | - | - | 28 | 573 | (67,284) | (66,683) |
| Total comprehensive income (loss) | | - | - | - | - | - | 165,856 | 573 | (67,284) | 99,145 |
| Appropriations of 2022 earnings | | | | | | | | | | |
| Legal reserve | | - | - | - | 13,651 | - | (13,651) | - | - | - |
| Special reserve | | - | - | - | - | 76 | (76) | - | - | - |
| Cash dividends | 6(16) | - | - | - | - | - | (42,350) | - | - | (42,350) |
| Stock dividends | 6(16) | 42,350 | - | - | - | - | (42,350) | - | - | - |
| Share-based payments | 6(13) | - | - | 14,194 | - | - | (6,500) | - | - | 7,694 |
| Exercise of employee stock purchase plans | | - | 957 | - | - | - | - | - | - | 957 |
| Balance at December 31, 2023 | | <u>\$ 889,341</u> | <u>\$ 957</u> | <u>\$ 296,096</u> | <u>\$ 41,973</u> | <u>\$ 3,037</u> | <u>\$ 199,447</u> | <u>(\$ 2,464)</u> | <u>(\$ 67,284)</u> | <u>\$ 1,361,103</u> |

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

MAXIGEN BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|----------------|------------------------|------------|
| | | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 193,142 | \$ 165,780 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit impairment loss | 12(2) | 199 | 4,716 |
| Loss (gain) on disposal of property, plant and equipment | 6(21) | 155 | (1,026) |
| Gain on disposal of investment property | 6(21) | (13,770) | - |
| Gains arising from lease modifications | 6(21) | - | (256) |
| Depreciation | 6(7)(8)(9)(23) | 26,941 | 28,713 |
| Amortisation | 6(10)(23) | 675 | 869 |
| Interest income | 6(19) | (12,307) | (3,181) |
| Dividend income | 6(20) | (12,712) | - |
| Interest expense | 6(22) | - | 68 |
| Compensation cost arising from employee stock options | 6(13) | 7,694 | 13,484 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | 14,148 | 18,630 |
| Accounts receivable | | (2,097) | (17,019) |
| Accounts receivable - related parties | | (1,705) | 4,764 |
| Other receivables | | (8,691) | 4,395 |
| Other receivables - related parties | | 1,162 | (1,157) |
| Inventories | | (9,913) | 3,682 |
| Prepayments | | 11,086 | 34,016 |
| Other current assets | | 812 | (633) |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | (2,915) | (6,875) |
| Notes payable | | 50 | (100) |
| Accounts payable | | 1,386 | (2,459) |
| Accounts payable - related parties | | (20,206) | (1,655) |
| Other payables | | 6,492 | 29,657 |
| Other payables - related parties | | (1,439) | 1,525 |
| Other current liabilities | | 709 | 42 |
| Cash inflow generated from operations | | 178,896 | 275,980 |
| Interest received | | 12,307 | 3,181 |
| Dividends received | | 12,712 | - |
| Interest paid | | - | (68) |
| Income tax paid | | (32,715) | (10,755) |
| Net cash flows from operating activities | | 171,200 | 268,338 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of non-current financial assets at fair value through other comprehensive income | 6(2) | (500,084) | - |
| Acquisition of property, plant and equipment | 6(27) | (19,044) | (11,819) |
| Proceeds from disposal of property, plant and equipment | | 900 | 6,281 |
| Proceeds from disposal of investment property | 6(9) | 22,590 | - |
| (Increase) decrease in refundable deposits | 6(9) | (33) | 2,002 |
| Acquisition of intangible assets | 6(10) | - | (150) |
| Decrease in other non-current assets | | 6 | 35 |
| Decrease in financial assets at amortised cost | | 8,816 | 16,556 |
| Increase in prepayments for purchase of equipment | | (3,397) | (2,473) |
| Net cash flows (used in) from investing activities | | (490,246) | 10,432 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in guarantee deposits | | - | (101) |
| Lease liabilities paid | 6(28) | - | (950) |
| Cash dividends paid | | (42,350) | - |
| Employee stock options | | 957 | - |
| Net cash flows used in financing activities | | (41,393) | (1,051) |
| Effects due to changes in exchange rate | | 573 | (76) |
| Net (decrease) increase in cash and cash equivalents | | (359,866) | 277,643 |
| Cash and cash equivalents at beginning of year | 6(1) | 790,948 | 513,305 |
| Cash and cash equivalents at end of year | 6(1) | \$ 431,082 | \$ 790,948 |

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

MAXIGEN BIOTECH INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANISATION

Maxigen Biotech Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (the “Group”) were primarily engaged in collagen purification, research and development, production and sales of implantable medical device, and production, manufacturing, wholesale and retail of cosmetics. TCI CO., LTD. held 22.83% equity shares in the 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 March 12, 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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by 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:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| 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:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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 |
| 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[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the

“IFRSs”).

(2) Basis of preparation

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

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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 have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|---------------------|--------------------------------------|--|-------------------|-------------------|-------------|
| | | | December 31, 2023 | December 31, 2022 | |
| Maxigen Biotech Inc | HORAY INC | Trading of cosmetics and package materials | - | 100 | Note |
| Maxigen Biotech Inc | Maxigen Biotech (Shanghai) Co., Ltd. | Medical equipment sales and cosmetics retail | 100 | 100 | |

Note: The company was in the process of dissolution and liquidation in 2023, but the process had not been completed as of December 31, 2023.

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

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

E. Significant restrictions: 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 New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

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

within 'other gains and losses'.

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be deferred unconditionally for at least 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:

(a) 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.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(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) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost and accounts receivable that contain a significant financing component, at each

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

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

(13) 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. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and

Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|--------------|
| Buildings and structures | 15~50 years |
| Machinery and equipment | 3~8 years |
| Transportation equipment | 3~6 years |
| Office equipment | 3~6 years |
| Leasehold assets | 5 ~ 10 years |

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

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; and
 - (b) Any lease payments made at or before the commencement date.

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

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

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 15 ~ 50 years.

(16) Intangible assets

- A. Trademarks, patents and business rights

Separately acquired trademarks and franchises are stated at historical cost. Trademarks and franchises acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and franchises have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 15 to 20 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(17) Impairment of non-financial assets

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

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of

pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Termination benefits

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

D. Employees' compensation and directors' 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 accrued amounts and the subsequently actual distributed amounts resolved by the shareholders is accounted for as changes in estimates.

(22) Employee share-based payment

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

(23) 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 consolidated balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new

shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

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

(26) Revenue recognition

The Group manufactures and sells consumer products related to biomedical materials. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(27) Government grants

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

(28) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

None.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 309 | \$ 489 |
| Checking accounts and demand deposits | 146,830 | 223,065 |
| Time deposits | <u>283,943</u> | <u>567,394</u> |
| Total | <u>\$ 431,082</u> | <u>\$ 790,948</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. As of December 31, 2023 and 2022, the Group had restricted time deposits in performance guarantee accounts due to government grants in the amounts of \$1,500 and \$1,500 which were classified as 'financial assets at amortised cost', please refer to Note 8.

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

| <u>Items</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Non-current items: | | |
| Equity instruments | | |
| Listed stocks | \$ 500,084 | - |
| Valuation adjustment | (67,284) | - |
| Total | <u>\$ 432,800</u> | <u>\$ -</u> |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$432,800 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:

| | <u>Year ended December 31</u> | |
|--|-------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | (\$ 67,284) | \$ - |
| | <u>Year ended December 31</u> | |
| | <u>2023</u> | <u>2022</u> |
| Dividend income recognised in profit or loss | | |
| Held at end of period | <u>\$ 12,712</u> | <u>\$ -</u> |

C. As of 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

\$432,800 and \$0, respectively.

D. The Group's financial assets at fair value through other comprehensive income were not pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Financial assets at amortized cost

| Items | December 31, 2023 | December 31, 2022 |
|----------------|-------------------|-------------------|
| Current items: | | |
| Time deposits | \$ 1,500 | \$ 10,316 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | Year ended December 31 | |
|-----------------|------------------------|--------|
| | 2023 | 2022 |
| Interest income | \$ 236 | \$ 297 |

B. The Group's financial assets at amortised cost comprise of time deposits in banks with good credit rating.

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 amortised cost held by the Group was \$1,500 and \$10,316, respectively.

D. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

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

(4) Notes and accounts receivable

| | December 31, 2023 | December 31, 2022 |
|----------------------|-------------------|-------------------|
| Notes receivable | \$ 14,851 | \$ 28,999 |
| Accounts receivable | \$ 67,765 | \$ 65,668 |
| Less: Loss allowance | (7,939) | (7,740) |
| | \$ 59,826 | \$ 57,928 |

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

| | December 31, 2023 | December 31, 2022 |
|----------------|-------------------|-------------------|
| Not past due | \$ 72,708 | \$ 84,908 |
| Up to 30 days | 1,625 | 2,019 |
| 31 to 90 days | 344 | - |
| 91 to 180 days | - | - |
| Over 180 days | - | - |
| | \$ 74,677 | \$ 86,927 |

The above ageing analysis was based on past due date.

B. As at December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables (including notes receivable) due to the Group's and customers' contracts were \$74,677, \$86,927 and \$93,254, respectively.

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

D. 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 Group's notes and accounts receivable was \$14,851 and \$28,999; \$59,826 and \$57,928, respectively.

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

(5) Inventories

| | December 31, 2023 | | |
|----------------------|-------------------|---------------------------------|-----------------|
| | Cost | Allowance for valuation loss | Carrying amount |
| Raw materials | \$ 23,081 | (\$ 4,727) | \$ 18,354 |
| Work in progress | 23,084 | (7) | 23,077 |
| Finished goods | 39,778 | (367) | 39,411 |
| Inventory in transit | 4,343 | - | 4,343 |
| | \$ 90,286 | (\$ 5,101) | \$ 85,185 |
| | December 31, 2022 | | |
| | Cost | Allowance for valuation loss | Carrying amount |
| Raw materials | \$ 29,506 | (\$ 4,817) | \$ 24,689 |
| Work in progress | 24,863 | - | 24,863 |
| Finished goods | 25,837 | (117) | 25,720 |
| | \$ 80,206 | (\$ 4,934) | \$ 75,272 |

The cost of inventories recognised as expense for the year ended December 31, 2023 and 2022, was \$198,021 and \$230,429, respectively, including the amounts of \$167 and \$1,689, respectively, that the Group wrote down from cost to net realisable value accounted for as cost of goods sold.

(6) Other current assets and other non-current assets

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Other current assets | | |
| Prepaid expenses | \$ 4,243 | \$ 15,199 |
| Prepayments to suppliers | 138 | 138 |
| Prepaid insurance premiums | 277 | 212 |
| Excess business tax paid (or Net Input VAT) | - | 195 |
| Total | <u>\$ 4,658</u> | <u>\$ 15,744</u> |

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------|--------------------------|--------------------------|
| Other non-current assets | | |
| Prepayment for equipment | \$ 5,870 | \$ 2,473 |
| Net defined benefit asset | 4,081 | 3,993 |
| Guarantee deposits paid | 175 | 208 |
| | <u>\$ 10,126</u> | <u>\$ 6,674</u> |

(7) Property, plant and equipment

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Machinery and equipment</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Leasehold improvements</u> | <u>Unfinished Construction</u> | <u>Total</u> |
|-----------------------------|-------------------|---------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------------------|--------------------------------|-------------------|
| <u>At January 1, 2023</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 303,113 | \$ 118,652 | \$ 1,531 | \$ 29,700 | \$ 18,911 | \$ 21,601 | \$ 626,733 |
| Accumulated depreciation | - | (66,286) | (86,864) | (512) | (22,753) | (15,696) | - | (192,111) |
| | <u>\$ 133,225</u> | <u>\$ 236,827</u> | <u>\$ 31,788</u> | <u>\$ 1,019</u> | <u>\$ 6,947</u> | <u>\$ 3,215</u> | <u>\$ 21,601</u> | <u>\$ 434,622</u> |
| <u>2023</u> | | | | | | | | |
| At January 1 | \$ 133,225 | \$ 236,827 | \$ 31,788 | \$ 1,019 | \$ 6,947 | \$ 3,215 | \$ 21,601 | \$ 434,622 |
| Additions | - | 4,630 | 3,741 | - | 3,459 | - | 5,714 | 17,544 |
| Disposals | - | - | (1,055) | - | - | - | - | (1,055) |
| Depreciation charge | - | (10,945) | (11,224) | (255) | (3,528) | (981) | - | (26,933) |
| Transfers | - | - | 9,645 | - | - | - | (9,645) | - |
| At December 31 | <u>\$ 133,225</u> | <u>\$ 230,512</u> | <u>\$ 32,895</u> | <u>\$ 764</u> | <u>\$ 6,878</u> | <u>\$ 2,234</u> | <u>\$ 17,670</u> | <u>\$ 424,178</u> |
| <u>At December 31, 2023</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 307,743 | \$ 130,983 | \$ 1,531 | \$ 33,159 | \$ 18,911 | \$ 17,670 | \$ 643,222 |
| Accumulated depreciation | - | (77,231) | (98,088) | (767) | (26,281) | (16,677) | - | (219,044) |
| | <u>\$ 133,225</u> | <u>\$ 230,512</u> | <u>\$ 32,895</u> | <u>\$ 764</u> | <u>\$ 6,878</u> | <u>\$ 2,234</u> | <u>\$ 17,670</u> | <u>\$ 424,178</u> |

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Unfinished Construction | Total |
|----------------------------|-------------------|--------------------------|-------------------------|--------------------------|------------------|------------------------|-------------------------|-------------------|
| <u>At January 1,2022</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 302,483 | \$ 128,780 | \$ 3,356 | \$ 29,868 | \$ 23,696 | \$ 18,793 | \$ 640,201 |
| Accumulated depreciation | - | (55,694) | (84,129) | (3,218) | (21,609) | (19,489) | - | (184,139) |
| | <u>\$ 133,225</u> | <u>\$ 246,789</u> | <u>\$ 44,651</u> | <u>\$ 138</u> | <u>\$ 8,259</u> | <u>\$ 4,207</u> | <u>\$ 18,793</u> | <u>\$ 456,062</u> |
| <u>2022</u> | | | | | | | | |
| At January 1 | \$ 133,225 | \$ 246,789 | \$ 44,651 | \$ 138 | \$ 8,259 | \$ 4,207 | \$ 18,793 | \$ 456,062 |
| Additions | - | 630 | 3,334 | 1,274 | 2,251 | - | 4,101 | 11,590 |
| Disposals | - | - | (5,031) | - | (224) | - | - | (5,255) |
| Transfers | - | - | 1,005 | - | 238 | - | (1,293) | (50) |
| Depreciation charge | - | (10,592) | (12,171) | (393) | (3,577) | (992) | - | (27,725) |
| At December 31 | <u>\$ 133,225</u> | <u>\$ 236,827</u> | <u>\$ 31,788</u> | <u>\$ 1,019</u> | <u>\$ 6,947</u> | <u>\$ 3,215</u> | <u>\$ 21,601</u> | <u>\$ 434,622</u> |
| <u>At December 31,2022</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 303,113 | \$ 118,652 | \$ 1,531 | \$ 29,700 | \$ 18,911 | \$ 21,601 | \$ 626,733 |
| Accumulated depreciation | - | (66,286) | (86,864) | (512) | (22,753) | (15,696) | - | (192,111) |
| | <u>\$ 133,225</u> | <u>\$ 236,827</u> | <u>\$ 31,788</u> | <u>\$ 1,019</u> | <u>\$ 6,947</u> | <u>\$ 3,215</u> | <u>\$ 21,601</u> | <u>\$ 434,622</u> |

The Company has not provided property, plant and equipment pledged to others as collateral.

(8) Leasing arrangements-lessee

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 5 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. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|----------------------------|----------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Buildings | \$ - | \$ - |
| <u>Year ended December 31</u> | | |
| | <u>2023</u> | <u>2022</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Buildings | \$ - | \$ 957 |

C. For the years ended December 31, 2023 and 2022, there were no additions to right-of-use assets.

D. Information on profit or loss in relation to lease contracts is as follows:

| | <u>Year ended December 31</u> | |
|---------------------------------------|-------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ - | \$ 68 |
| Expense on short-term lease contracts | \$ 102 | \$ 41 |
| Expense on lease of low-value assets | \$ 114 | \$ 126 |
| Gain or loss on lease modification | \$ - | \$ 256 |

E. For the years ended December 31, 2023 and 2022, the additions to total cash outflow for leases were \$216 and \$1,117, respectively.

(9) Investment property

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Total</u> |
|---|-----------------|-------------------------------------|-----------------|
| <u>At January 1, 2023</u> | | | |
| Cost | \$ 7,949 | \$ 1,578 | \$ 9,527 |
| Accumulated depreciation and impairment | - | (699) | (699) |
| | <u>\$ 7,949</u> | <u>\$ 879</u> | <u>\$ 8,828</u> |
| <u>2023</u> | | | |
| At January 1 | \$ 7,949 | \$ 879 | \$ 8,828 |
| Disposals | (7,949) | (871) | (8,820) |
| Depreciation charge | - | (8) | (8) |
| At December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>At December 31, 2023</u> | | | |
| Cost | \$ - | \$ - | \$ - |
| Accumulated depreciation and impairment | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | <u>Land</u> | <u>Buildings and structures</u> | <u>Total</u> |
| <u>At January 1, 2022</u> | | | |
| Cost | \$ 7,949 | \$ 1,578 | \$ 9,527 |
| Accumulated depreciation and impairment | - | (668) | (637) |
| | <u>\$ 7,949</u> | <u>\$ 910</u> | <u>\$ 8,890</u> |
| <u>2022</u> | | | |
| At January 1 | \$ 7,949 | \$ 910 | \$ 8,859 |
| Depreciation charge | - | (31) | (31) |
| At December 31 | <u>\$ 7,949</u> | <u>\$ 879</u> | <u>\$ 8,828</u> |
| <u>At December 31, 2022</u> | | | |
| Cost | \$ 7,949 | \$ 1,578 | \$ 9,527 |
| Accumulated depreciation and impairment | - | (699) | (699) |
| | <u>\$ 7,949</u> | <u>\$ 879</u> | <u>\$ 8,828</u> |

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

| | Year ended December 31 | |
|--|------------------------|--------|
| | 2023 | 2022 |
| Rental income from investment property | \$ - | \$ 238 |
| Direct operating expenses arising from the investment property that generated rental income during the year | \$ - | \$ 16 |
| Direct operating expenses arising from the investment property that did not generate rental income during the year | \$ 8 | \$ 15 |

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was \$0 and \$22,839, respectively. The valuation was estimated from the average transaction price in the location of investment property and was categorised within Level 3 fair value.

C. On February 23, 2023, the company, signed the land and building sale and purchase contract with Huachuang International Development Co., Ltd. on Minquan East Road, Songshan District. The total price agreed by the two parties was \$22,590. The transfer of property rights was completed on March 31, 2023. The company recognized a disposal benefit of \$535 in 2023 (listed in "7020 Other Benefits and Losses"), and the relevant transaction payment was received on April 12, 2023.

(10) Intangible assets

| | Trademarks and patents | Business rights | Technology authorisation and certification fee | Computer software | Total |
|---|---------------------------|--------------------|--|----------------------|-----------------|
| At January 1, 2023 | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,743 | \$ 2,455 | \$ 17,198 |
| Accumulated amortisation and impairment | (1,040) | (4,800) | (8,305) | (1,892) | (16,037) |
| | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 438</u> | <u>\$ 563</u> | <u>\$ 1,161</u> |
| <u>2023</u> | | | | | |
| At January 1 | \$ 160 | \$ - | \$ 438 | \$ 563 | \$ 1,161 |
| Additions | - | - | - | - | - |
| Amortisation charge | (120) | - | (182) | (373) | (675) |
| At December 31 | <u>\$ 40</u> | <u>\$ -</u> | <u>\$ 256</u> | <u>\$ 190</u> | <u>\$ 486</u> |
| At December 31, 2023 | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,743 | \$ 2,455 | \$ 17,198 |
| Accumulated amortisation and impairment | (1,160) | (4,800) | (8,487) | (2,265) | (16,712) |
| | <u>\$ 40</u> | <u>\$ -</u> | <u>\$ 256</u> | <u>\$ 190</u> | <u>\$ 486</u> |

| | <u>Trademarks and patents</u> | <u>Business rights</u> | <u>Technology authorisation and certification fee</u> | <u>Computer software</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------|---|------------------------------|-----------------|
| At January 1, 2022 | | | | | |
| Cost | \$ 1,418 | \$ 4,800 | \$ 8,643 | \$ 2,355 | \$ 17,216 |
| Accumulated amortisation and impairment | (1,138) | (4,800) | (8,087) | (1,361) | (15,386) |
| | <u>\$ 280</u> | <u>\$ -</u> | <u>\$ 556</u> | <u>\$ 994</u> | <u>\$ 1,830</u> |
| <u>2022</u> | | | | | |
| At January 1 | \$ 280 | \$ - | \$ 556 | \$ 994 | \$ 1,830 |
| Additions | - | - | 100 | 100 | 200 |
| Amortisation charge | (120) | - | (218) | (531) | (869) |
| At December 31 | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 438</u> | <u>\$ 563</u> | <u>\$ 1,161</u> |
| At December 31, 2022 | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,743 | \$ 2,455 | \$ 17,198 |
| Accumulated amortisation and impairment | (1,040) | (4,800) | (8,305) | (1,892) | (16,037) |
| | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 438</u> | <u>\$ 563</u> | <u>\$ 1,161</u> |

Details of amortisation on intangible assets are as follows:

| | <u>Year ended December 31</u> | |
|-----------------------------------|-------------------------------|---------------|
| | <u>2023</u> | <u>2022</u> |
| Operating costs | \$ 32 | \$ 32 |
| Selling expenses | 120 | 158 |
| General & administrative expenses | 341 | 461 |
| Research and development expenses | 182 | 218 |
| | <u>\$ 675</u> | <u>\$ 869</u> |

(11) Other payables

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Salary and bonus payable | \$ 32,047 | \$ 29,203 |
| Employees' dividends and directors' remuneration payable | 32,578 | 26,146 |
| Payable on machinery and equipment | 645 | 2,145 |
| Other payables | 22,220 | 25,004 |
| | <u>\$ 87,490</u> | <u>\$ 82,498</u> |

(12) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the

enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 137) | (\$ 127) |
| Fair value of plan assets | 4,218 | 4,120 |
| Net defined benefit asset | <u>\$ 4,081</u> | <u>\$ 3,993</u> |

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

| | <u>2023</u> | | |
|---|--|--------------------------------------|--|
| | <u>Present value of defined benefit obligation</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liabilities</u> |
| At January 1 | (\$ 127) | \$ 4,120 | \$ 3,993 |
| Interest(expense) income | (2) | 61 | 59 |
| | <u>(129)</u> | <u>4,181</u> | <u>4,052</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 36 | 36 |
| Change in financial assumptions | (2) | - | (2) |
| Experience adjustments | (6) | - | (6) |
| | <u>(8)</u> | <u>36</u> | <u>28</u> |
| Pension fund contribution | - | 1 | 1 |
| At December 31 | <u>(\$ 137)</u> | <u>\$ 4,218</u> | <u>\$ 4,081</u> |

| | 2022 | | |
|---|---|------------------------------|------------------------------------|
| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
| At January 1 | (\$ 2,715) | \$ 5,616 | \$ 2,901 |
| Interest(expense) income | (21) | 42 | 21 |
| Settlement profit or loss | 1,604 | (1,661) | (57) |
| | <u>(1,132)</u> | <u>3,997</u> | <u>2,865</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 427 | 427 |
| Change in financial assumptions | 184 | - | 184 |
| Experience adjustments | 516 | - | 516 |
| | <u>700</u> | <u>427</u> | <u>1,127</u> |
| Pension fund contribution | - | 1 | 1 |
| Paid pension | 305 | (305) | - |
| At December 31 | <u>(\$ 127)</u> | <u>\$ 4,120</u> | <u>\$ 3,993</u> |

- (d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan assets in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | Year ended December 31 | |
|------------------------|------------------------|-------|
| | 2023 | 2022 |
| Discount rate | 1.375% | 1.50% |
| Future salary increase | 2.00% | 2.00% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

| | Discount rate | | Future salary increase | |
|---|-----------------------|-----------------------|------------------------|-----------------------|
| | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> |
| <u>December 31, 2023</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>4</u>) | <u>4</u> | <u>4</u> | (\$ <u>4</u>) |
| <u>December 31, 2022</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>4</u>) | <u>4</u> | <u>4</u> | (\$ <u>4</u>) |

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

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

- (f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2024 amounts to \$1.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 12 years.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2023 and 2022 were all 16%. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2023 and 2022 were \$7,447 and \$5,681, respectively.

(13) Share-based payment

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

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Quantity granted</u> | <u>Contract period</u> | <u>Vesting conditions</u> |
|----------------------------|-------------------|-------------------------|------------------------|---|
| Employee share options | November 3, 2021 | 2,630,000 | 6 years | Service for 2 years can be vested with 40% Service for 3 years can be vested with 80% Service for 4 years can be vested with 100% |
| Employee share options | August 3, 2022 | 770,000 | 6 years | Service for 2 years can be vested with 40% Service for 3 years can be vested with 80% Service for 4 years can be vested with 100% |

The abovementioned share-based payment arrangements all are equity-settled.

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

| | <u>Year ended December 31</u> | | | |
|------------------------------------|-------------------------------|---|-----------------------|---|
| | <u>2023</u> | | <u>2022</u> | |
| | <u>No. of options</u> | <u>Weighted-average exercise price (in dollars)</u> | <u>No. of options</u> | <u>Weighted-average exercise price (in dollars)</u> |
| Options outstanding at January 1 | 3,035,000 | \$ 48.62 | 2,630,000 | \$ 50.08 |
| Options granted | - | - | 770,000 | 41.20 |
| Options exercised | (23,000) | 50.80 | - | - |
| Options expired | (250,000) | 47.00 | (365,000) | 48.70 |
| Options outstanding at December 31 | <u>2,762,000</u> | <u>\$ 49.17</u> | <u>3,035,000</u> | <u>\$ 48.62</u> |
| Options exercisable at December 31 | <u>835,000</u> | <u>\$ 50.80</u> | <u>-</u> | <u>\$ -</u> |

C. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Type of arrangement | Grant date | Stock price | Exercise price | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit |
|------------------------|------------------|-------------|----------------|---------------------------|----------------------|--------------------|-------------------------|---------------------|
| Employee share options | November 3, 2021 | 50.8 | 50.8 | 43.63%~ | 5 | - | 0.41%~ | 18.94~ |
| | | | | 47.84% | | | 0.44% | 19.37 |
| Employee share options | August 3, 2022 | 41.2 | 41.2 | 45.89%~ | 5 | - | 1.00%~ | 15.11~ |
| | | | | 48.46% | | | 1.03% | 16.98 |

Note: Expected price volatility rate was estimated using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

| | Year ended December 31 | |
|--|------------------------|-----------|
| | 2023 | 2022 |
| Equity-settled-The Company | \$ 7,694 | \$ 13,484 |
| Cash-settled-The parent company (accounted as '3350 undistributed earnings') | 6,500 | 4,026 |
| Total | \$ 14,194 | \$ 17,510 |

(14) Share capital

A. On December 31, 2023, the Company's authorised capital was \$1,000,000, and the paid-in capital was \$889,341 with a par value of \$10 per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

| | 2023 | 2022 |
|---|--------|--------|
| At January 1 (in thousands of shares) | 84,699 | 76,999 |
| Stock dividends | 4,235 | 7,700 |
| At December 31 (in thousands of shares) | 88,934 | 84,699 |

(15) 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. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 50% of the Company's distributable earnings as of the end of the period shall be appropriated as dividends, and share dividends shall account for at least 50% of the total dividends distributed, the remaining can be distributed as cash dividend.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. On June 21, 2022, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2021 earnings in the amount of \$76,999, with stock dividends of \$0.1 (in dollars) per share. On June 19, 2023, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2022 earnings in the amount of \$84,700, with stock and cash dividends of \$0.5 (in dollars) per share, respectively.

(17) Other equity items

| | 2023 | | | 2022 | |
|-------------------------------------|---|---------------------------------|--------------------|---------------------------------|--|
| | Unrealised gains (losses) on valuation | Foreign currency translation | Total | Foreign currency translation | |
| At January 1 | \$ - | -\$ 3,037 | (\$ 3,037) | (\$ 2,961) | |
| Currency translation differences | - | 573 | 573 | (76) | |
| Valuation adjustment | (67,284) | - | (67,284) | - | |
| At December 31 | <u>(\$ 67,284)</u> | <u>\$ 2,464</u> | <u>(\$ 69,748)</u> | <u>(\$ 3,037)</u> | |

(18) Operating revenue

| | Year ended December 31 | |
|---------------------------------------|------------------------|-------------------|
| | 2023 | 2022 |
| Sales of goods | \$ 616,707 | \$ 597,167 |
| Other operating revenue | 5,408 | 7,264 |
| Revenue from contracts with customers | <u>\$ 622,115</u> | <u>\$ 604,431</u> |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines:

| | Year ended December 31 | |
|---------------------|------------------------|-------------------|
| | 2023 | 2022 |
| Biomedical products | \$ 601,701 | \$ 559,720 |
| Consumer products | 20,414 | 44,711 |
| Total | <u>\$ 622,115</u> | <u>\$ 604,431</u> |

B. Contract assets and liabilities

As of December 31, 2023, December 31, 2022 and January 1, 2022, the Group did not recognise contract assets in relation to revenue from customers' contract. In addition, the Group recognised contract liabilities as follows:

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|----------------------|-------------------|-------------------|------------------|
| Contract liabilities | | | |
| – advance receipts | <u>\$ 1,336</u> | <u>\$ 4,251</u> | <u>\$ 11,126</u> |

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

| | Year ended December 31 | |
|---|------------------------|-----------|
| | 2023 | 2022 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | | |
| Advance receipts | \$ 4,057 | \$ 10,359 |

(19) Interest income

| | Year ended December 31 | |
|--|------------------------|-----------------|
| | 2023 | 2022 |
| Interest income from bank deposits | \$ 12,070 | \$ 2,878 |
| Interest income from financial assets measured at amortised cost | 236 | 297 |
| Imputed interest income on deposits | 1 | 6 |
| | <u>\$ 12,307</u> | <u>\$ 3,181</u> |

(20) Other income

| | Year ended December 31 | |
|----------------------|------------------------|-----------------|
| | 2023 | 2022 |
| Dividend income | \$ 12,712 | \$ - |
| Rental revenue | - | 238 |
| Grant revenues | 634 | 296 |
| Other income, others | 34 | 576 |
| | <u>\$ 13,380</u> | <u>\$ 1,110</u> |

(21) Other gains and losses

| | Year ended December 31 | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| Losses (Gains) on disposal of property, plant and equipment | (\$ 155) | \$ 1,026 |
| Gains on disposals of investment property | 13,770 | - |
| Gains arising from lease modifications | - | 256 |
| Foreign exchange gains | 4,000 | 31,691 |
| Miscellaneous disbursements | (10) | (32) |
| | <u>\$ 17,605</u> | <u>\$ 32,941</u> |

(22) Finance costs

| | Year ended December 31 | |
|-------------------------------|------------------------|-------|
| | 2023 | 2022 |
| Interest on lease liabilities | \$ - | \$ 68 |

(23) Expenses by nature

| | Year ended December 31 | |
|---|------------------------|------------|
| | 2023 | 2022 |
| Employee benefit expense | \$ 186,424 | \$ 161,633 |
| Depreciation charges on property, plant and equipment | 26,933 | 27,725 |
| Depreciation expenses on investment property | 8 | 31 |
| Depreciation charges on right-of-use assets | - | 957 |
| Amortisation charges on intangible assets | 675 | 869 |

(24) Employee benefit expense

| | Year ended December 31 | |
|----------------------------------|------------------------|-------------------|
| | 2023 | 2022 |
| Wages and salaries | \$ 153,122 | \$ 126,335 |
| Employee stock options | 7,694 | 13,484 |
| Labour and health insurance fees | 11,469 | 10,811 |
| Pension costs | 7,388 | 5,717 |
| Other personnel expenses | 6,751 | 5,286 |
| | <u>\$ 186,424</u> | <u>\$ 161,633</u> |

- 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 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$21,455 and \$18,977, respectively; while directors' remuneration was accrued at \$5,400 and \$5,004, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5% and not higher than 5% of distributable profit for the year ended December 31, 2023, respectively. For the year ended December 31, 2022, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$18,977 and \$5,004, respectively, which were in agreement with those amounts recognised in the 2022 financial statements.
- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

Components of income tax expense:

| | Year ended December 31 | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | \$ 43,931 | \$ 35,305 |
| Prior year income tax overestimation | (13,920) | (6,677) |
| Tax on undistributed surplus earnings | 2,105 | 112 |
| Effects by investment tax credits | (2,105) | (112) |
| Total current tax | <u>30,011</u> | <u>28,628</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (2,697) | (2,252) |
| Total deferred tax | (2,697) | (2,252) |
| Income tax expense | <u>\$ 27,314</u> | <u>\$ 26,376</u> |

B. Reconciliation between income tax expense and accounting profit

| | Year ended December 31 | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| Income tax calculated by applying statutory rate to the profit before tax | \$ 38,628 | \$ 33,747 |
| Expenses disallowed by tax regulation | 2,606 | 366 |
| Prior year unrecognised deferred tax assets | - | (1,060) |
| Prior year income tax (over) underestimation | (13,920) | (6,677) |
| Tax on undistributed surplus earnings | 2,105 | 112 |
| Effect from investment tax credits | (2,105) | (112) |
| Income tax expense | <u>\$ 27,314</u> | <u>\$ 26,376</u> |

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

| | 2023 | | |
|----------------------------|---------------------|-------------------------------------|-----------------------|
| | <u>At January 1</u> | <u>Recognised in profit or loss</u> | <u>At December 31</u> |
| – Deferred tax assets: | | | |
| Temporary differences: | | | |
| Allowance for valuation | | | |
| loss on inventories | \$ 197 | \$ 7 | \$ 204 |
| Unused vacation time | | 41 | |
| bonus tax | 203 | | 244 |
| Unrealised exchange loss | 28 | 443 | 471 |
| Unrealised gross profit | <u>2,764</u> | <u>2,150</u> | <u>4,914</u> |
| | <u>\$ 3,192</u> | <u>\$ 2,641</u> | <u>\$ 5,833</u> |
| -Deferred tax liabilities: | | | |
| Pension tax differences | (479) | (12) | (491) |
| Unrealised exchange gain | (68) | 68 | - |
| | <u>(\$ 547)</u> | <u>\$ 56</u> | <u>(\$ 491)</u> |
| Total | <u>\$ 2,645</u> | <u>\$ 2,697</u> | <u>\$ 5,342</u> |
| | | | |
| | 2022 | | |
| | <u>At January 1</u> | <u>Recognised in profit or loss</u> | <u>At December 31</u> |
| – Deferred tax assets: | | | |
| Temporary differences: | | | |
| Allowance for valuation | | | |
| loss on inventories | \$ 328 | (\$ 131) | \$ 197 |
| Pension tax differences | (476) | 476 | 0 |
| Unused vacation time | | (72) | |
| bonus tax | 275 | | 203 |
| Unrealised exchange loss | 266 | (238) | 28 |
| Unrealised gross profit | <u>-</u> | <u>2,764</u> | <u>2,764</u> |
| | <u>\$ 393</u> | <u>\$ 2,799</u> | <u>\$ 3,192</u> |
| -Deferred tax liabilities: | | | |
| Pension tax differences | - | (479) | (479) |
| Unrealised exchange gain | - | (68) | (68) |
| | <u>\$ -</u> | <u>(\$ 547)</u> | <u>(\$ 547)</u> |
| Total | <u>\$ 393</u> | <u>\$ 2,252</u> | <u>\$ 2,645</u> |

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------|--------------------------|--------------------------|
| Deductible temporary differences | <u>\$ 816</u> | <u>\$ 789</u> |

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

| | Year ended December 31 | |
|--|------------------------|------------------|
| | 2023 | 2022 |
| Purchase of property, plant and equipment | \$ 17,544 | \$ 11,590 |
| Add: Opening balance of payable on equipment | 2,145 | 2,374 |
| Less: Ending balance of payable on equipment | (645) | (2,145) |
| Cash paid during the period | <u>\$ 19,044</u> | <u>\$ 11,819</u> |

(28) Changes in liabilities from financing activities

| | Year ended December 31 | |
|--|------------------------|-------------|
| | 2023 | 2022 |
| At January 1 | \$ - | \$ 9,640 |
| Changes in cash flow from financing activities | - | (950) |
| Changes in other non-cash items | - | (8,690) |
| At December 31 | <u>\$ -</u> | <u>\$ -</u> |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

TCI CO., LTD. (incorporated in R.O.C.) is the Group's ultimate parent company which directly held 22.83% of equity interest in the Group.

(2) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|-------------------------------|
| TCI CO., LTD. | Ultimate parent |
| NuVasive Inc. | Other related parties |
| Zhongjia Investment Development Co., Ltd. | Other related parties |
| Dahua Venture Capital Co., Ltd. | Other related parties |
| GENE & NEXT INC. (GENE & NEXT) | Other related parties |
| TCI LIVING CO., LTD. (TCI LIVING) | Other related parties |
| PETFOOD BIOTECHNOLOGY CO., LTD. | Other related parties |

(3) Significant related party transactions

A. Operating revenue

| | Year ended December 31 | |
|-----------------------|------------------------|------------------|
| | 2023 | 2022 |
| Sales of goods: | | |
| NuVasive Inc. | \$ 83,143 | \$ 74,903 |
| Ultimate parent | 280 | 3,224 |
| Other related parties | 4,857 | 1,829 |
| | <u>\$ 88,280</u> | <u>\$ 79,956</u> |

Goods are sold based on the terms that would be available to third parties.

B. Purchases:

| | Year ended December 31 | |
|---------------------|------------------------|------------------|
| | 2023 | 2022 |
| Purchases of goods: | | |
| NuVasive Inc. | \$ 28,513 | \$ 17,450 |
| Ultimate parent | 20,920 | 35,138 |
| | <u>\$ 49,433</u> | <u>\$ 52,588</u> |

Goods sold to related parties are based on normal commercial terms and conditions.

C. Receivables from related parties:

| | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
| Accounts receivable: | | |
| NuVasive Inc. | \$ 11,944 | \$ 11,862 |
| Ultimate Parent | 29 | 66 |
| Other related parties | 1,660 | - |
| | <u>\$ 13,633</u> | <u>\$ 11,928</u> |
| Other receivables: | | |
| Ultimate parent | <u>\$ -</u> | <u>\$ 1,162</u> |

Receivables from related parties arise from sales of goods. The receivables are due 60-90 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties:

| | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
| Accounts payable: | | |
| NuVasive Inc. | \$ - | \$ 10,221 |
| Ultimate parent | 1,420 | 11,405 |
| | <u>\$ 1,420</u> | <u>\$ 21,626</u> |
| Other payables: | | |
| Ultimate parent | \$ - | \$ 1,274 |
| Other related parties | 140 | 305 |
| | <u>\$ 140</u> | <u>\$ 1,579</u> |

Accounts payable to related parties are mainly arising from purchases of goods and the payables bear no interest.

(4) Key management compensation

| | Year ended December 31 | |
|------------------------------|------------------------|------------------|
| | 2023 | 2022 |
| Short-term employee benefits | \$ 22,246 | \$ 16,658 |
| Post-employment benefits | 198 | 180 |
| Share-based payment | 6,678 | 7,150 |
| Total | <u>\$ 29,122</u> | <u>\$ 23,988</u> |

8. PLEDGED ASSETS

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

| Pledged asset | Book value | | Purpose |
|---|-------------------|-------------------|--|
| | December 31, 2023 | December 31, 2022 | |
| Financial assets at amortised cost- current | <u>\$ 1,500</u> | <u>\$ 1,500</u> | Performance guarantee account due to government grants and customs for negotiation |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

10. Significant disaster loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

The Group's capital management is based on the scale of the industry which the Group is in, along with the industry's future cost and product development to set an appropriate market share. Furthermore, the Group determines an appropriate capital structure by planning a corresponding capital expenditure, calculating operation funds in accordance with operating plans, and considering the operating profits and cash flows that can be generated by products' competitiveness.

(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 | \$ 432,800 | \$ - |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 431,082 | \$ 790,948 |
| Financial assets at amortised cost | 1,500 | 10,316 |
| Notes receivable | 14,851 | 28,999 |
| Accounts receivable | 59,826 | 57,928 |
| Accounts receivable-related parties | 13,633 | 11,928 |
| Other receivables | 8,751 | 60 |
| Other receivables-related parties | - | 1,162 |
| Guarantee deposits paid | 175 | 208 |
| | <u>\$ 529,818</u> | <u>\$ 901,549</u> |

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Notes payable | \$ 50 | \$ - |
| Accounts payable | 15,699 | 14,313 |
| Accounts payable-to related parties | 1,420 | 21,626 |
| Other accounts payable | 87,490 | 82,498 |
| Other accounts payable-to related parties | 140 | 1,579 |
| Guarantee deposits received | 19 | 19 |
| | <u>\$ 104,818</u> | <u>\$ 120,035</u> |

B. Financial risk management policies

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future

commercial transactions and recognised assets and liabilities.

- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). 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: functional currency) | | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 6,541 | 30.7050 | \$ 200,841 |
| RMB:NTD | RMB | 22,716 | 4.3270 | 98,292 |
| EUR:NTD | EUR | 349 | 33.9800 | 11,859 |
| JPY:NTD | JPY | 59,854 | 0.2172 | 13,000 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 306 | 30.7050 | \$ 9,396 |
| EUR:NTD | EUR | 12 | 33.9800 | 408 |

| | | December 31, 2022 | | |
|--|--------|---|---------------|---------------------|
| (Foreign currency: functional currency) | | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 6,352 | 30.7100 | \$ 195,070 |
| RMB:NTD | RMB | 21,508 | 4.4080 | 94,807 |
| EUR:NTD | EUR | 263 | 32.7200 | 8,605 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 486 | 30.7100 | \$ 14,925 |
| RMB:NTD | RMB | 1,072 | 4.4080 | 4,725 |
| EUR:NTD | EUR | 40 | 32.7200 | 1,309 |
| AUD:NTD | AUD | 24 | 20.8300 | 500 |

- iii. The total exchange profit or loss, including realised and unrealised, 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 \$4,000 and \$31,691, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | | Year ended December 31, 2023 | | |
|--|------------------------|--|---|---|
| | | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Degree of variation | Effect on profit or loss before tax | Effect on other comprehensive income | |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ 2,008 | \$ | - |
| RMB:NTD | 1% | 983 | | - |
| EUR:NTD | 1% | 119 | | - |
| JPY:NTD | 1% | 130 | | - |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ 94 | \$ | - |
| EUR:NTD | 1% | 4 | | - |
| | | Year ended December 31, 2022 | | |
| | | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Degree of variation | Effect on profit or loss before tax | Effect on other comprehensive income | |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ 1,951 | \$ | - |
| RMB:NTD | 1% | 948 | | - |
| EUR:NTD | 1% | 86 | | - |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ 149 | \$ | - |
| RMB:NTD | 1% | 47 | | - |
| EUR:NTD | 1% | 13 | | - |
| AUD:NTD | 1% | 5 | | - |

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the management of credit risk, the default occurs when the contract payments are past due over certain days.
- v. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the modified approach based on the loss rate methodology to estimate the expected credit loss.
- vi. The Group used the consideration of forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, others. On December 31, 2023 and 2022, the loss rate methodology were as follows:

| | <u>Group 1</u> | <u>Group 2</u> | <u>Group 3</u> | <u>Group 4</u> | <u>Total</u> |
|-----------------------------|----------------|----------------|----------------|----------------|--------------|
| <u>At December 31, 2023</u> | | | | | |
| Expected loss rate | 0%~0.03% | 7.10% | 33.87% | 100% | |
| Total book value | \$ 72,730 | \$ 1,749 | \$ 539 | \$ 7,598 | \$ 82,616 |
| Loss allowance | \$ 22 | \$ 124 | \$ 195 | \$ 7,598 | \$ 7,939 |
| <u>At December 31, 2022</u> | | | | | |
| Expected loss rate | 0%~0.03% | 6.76% | 39.91% | 100% | |
| Total book value | \$ 84,922 | \$ 2,155 | \$ - | \$ 7,590 | \$ 94,667 |
| Loss allowance | \$ 14 | \$ 136 | \$ - | \$ 7,590 | \$ 7,740 |

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

| | 2023 | |
|-----------------------------|----------------------------|-------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| At January 1 | \$ 7,740 | \$ - |
| Provision for impairment | 199 | - |
| At December 31 | <u>\$ 7,939</u> | <u>\$ -</u> |
| | 2022 | |
| | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| At January 1 | \$ 3,024 | \$ - |
| Reversal of impairment loss | 4,716 | - |
| At December 31 | <u>\$ 7,740</u> | <u>\$ -</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. As of December 31, 2023 and 2022, there were no undrawn financing facilities.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>December 31, 2023</u> | <u>Between 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
|--|---------------------------|----------------------------------|----------------------------------|-------------------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| Notes payable | \$ 50 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 17,119 | - | - | - |
| Other payables (including related parties) | 87,630 | - | - | - |
| Lease liability | - | - | - | - |
| Guarantee deposits received | - | - | 19 | - |
| <u>December 31, 2022</u> | <u>Between 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
| <u>Non-derivative financial liabilities:</u> | | | | |
| Notes payable | \$ - | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 35,939 | - | - | - |
| Other payables (including related parties) | 84,077 | - | - | - |
| Lease liability | - | - | - | - |
| Guarantee deposits received | - | - | 19 | - |

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1

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

Level 3: Unobservable inputs for the asset or liability.

B. The Group's fair value information of financial assets and financial liabilities not measured at fair value is provided in Note 12(2)A.

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 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> |
|---|----------------|----------------|----------------|--------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 432,800 | \$ - | \$ - | \$ 432,800 |
| <u>December 31, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ - | \$ - | \$ - | \$ - |

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | <u>Convertible (exchangeable) bond</u> |
|---------------------|--|
| Market quoted price | Closing |

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

13. Supplementary disclosures

(1) Significant transactions information

- A. Loans to others: Please 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): Please 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: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : None.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from a product type perspective. The Group had two reportable segments: biomedical products segment and consumer products segment. Biomedical products segment is primarily engaged in manufacturing and sales of collagen and bone materials. Consumer products segment is engaged in the manufacturing and sales of beauty care products.

(2) Measurement of segment information

The Group's chief operating decision-maker uses the net income of each segment as basis for assessing the performance of the Group's operating segments.

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

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | Year ended December 31, 2023 | | | | |
|-----------------------------------|------------------------------|-------------------|-------------------|----------------------------|---------------------|
| | Biomedical products | Consumer products | Others | Adjustments and write-offs | Total |
| <u>Revenue</u> | | | | | |
| Revenue from external customers | \$ 644,567 | \$ 20,414 | \$ - | (\$ 42,866) | \$ 622,115 |
| Inter-segment revenue | - | - | - | - | - |
| Total segment revenue | <u>\$ 644,567</u> | <u>\$ 20,414</u> | <u>\$ -</u> | <u>(\$ 42,866)</u> | <u>\$ 622,115</u> |
| Segment income (loss) | <u>\$ 148,969</u> | <u>\$ 907</u> | <u>\$ -</u> | <u>(\$ 26)</u> | <u>\$ 149,850</u> |
| Segment income (loss), including: | - | - | - | - | - |
| Depreciation and amortisation | <u>\$ 22,676</u> | <u>\$ -</u> | <u>\$ 4,940</u> | <u>\$ -</u> | <u>\$ 27,616</u> |
| Segment assets | <u>\$ 618,606</u> | <u>\$ 15,045</u> | <u>\$ 859,388</u> | <u>\$ -</u> | <u>\$ 1,492,986</u> |

| | Year ended December 31, 2022 | | | | |
|-----------------------------------|------------------------------|--------------------|-------------------|----------------------------|---------------------|
| | Biomedical products | Consumer products | Others | Adjustments and write-offs | Total |
| <u>Revenue</u> | | | | | |
| Revenue from external customers | \$ 559,720 | \$ 44,711 | \$ - | \$ - | \$ 604,431 |
| Inter-segment revenue | - | - | - | - | - |
| Total segment revenue | <u>\$ 559,720</u> | <u>\$ 44,711</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 604,431</u> |
| Segment income (loss) | <u>\$ 152,393</u> | <u>(\$ 23,777)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 128,616</u> |
| Segment income (loss), including: | - | - | - | - | - |
| Depreciation and amortisation | <u>\$ 20,803</u> | <u>\$ 5,091</u> | <u>\$ 3,688</u> | <u>\$ -</u> | <u>\$ 29,582</u> |
| Segment assets | <u>\$ 986,578</u> | <u>\$ 11,691</u> | <u>\$ 449,454</u> | <u>\$ -</u> | <u>\$ 1,447,723</u> |

(4) Reconciliation for segment income(loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2023 and 2022 is provided as follows:

| | Year ended December 31 | |
|--|------------------------|-------------------|
| | 2023 | 2022 |
| Reportable segments income/(loss) | \$ 149,850 | \$ 128,616 |
| Other segments income/(loss) | - | - |
| Total segments | 149,850 | 128,616 |
| Interest income | 12,307 | 3,181 |
| Finance costs | - | (68) |
| Others | 30,985 | 34,051 |
| Income before tax from continuing operations | <u>\$ 193,142</u> | <u>\$ 165,780</u> |

(5) Information on products and services

Revenue from external customers mainly came from manufacturing and sale of biomedical materials and cosmetics.

Details of revenue are as follows:

| | Year ended December 31 | |
|--------------------------------------|------------------------|-------------------|
| | 2023 | 2022 |
| Sales revenue of biomedical products | \$ 601,701 | \$ 559,720 |
| Sales revenue from consumer products | 20,414 | 44,711 |
| Total | <u>\$ 622,115</u> | <u>\$ 604,431</u> |

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

| | Year ended December 31, 2023 | | Year ended December 31, 2022 | |
|---------|------------------------------|--------------------|------------------------------|--------------------|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | \$ 275,622 | \$ 873,423 | \$ 245,226 | \$ 454,477 |
| America | 198,811 | - | 189,629 | - |
| Europe | 27,925 | - | 30,150 | - |
| Asia | 95,817 | - | 133,538 | - |
| Others | 23,940 | - | 5,888 | - |
| Total | <u>\$ 622,115</u> | <u>\$ 873,423</u> | <u>\$ 604,431</u> | <u>\$ 454,477</u> |

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

| | Year ended December 31, 2023 | | Year ended December 31, 2022 | |
|-----------|------------------------------|------------|------------------------------|------------|
| | Revenue | Segment | Revenue | Segment |
| A company | \$ 95,166 | Biomedical | \$ 86,209 | Biomedical |
| B company | 83,143 | Biomedical | 74,903 | Biomedical |
| | <u>\$ 178,309</u> | | <u>\$ 161,112</u> | |

Maxigen Biotech Inc. and subsidiaries

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 year ended 2023 | Balance at 2023 | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for uncollectible accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|-----|----------------------|--------------------------------------|---|--------------------|--|-----------------|--------------------------|---------------|----------------|--|---------------------------------|--------------------------------------|------------|-------|--|--------------------------------|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Maxigen Biotech Inc. | Maxigen Biotech (Shanghai) Co., Ltd. | Other receivables - related parties - other | Y | \$ 44,150 | \$ 44,150 | \$ 23,005 | 2.00% | 2 | \$ - | For operating capital | \$ - | None | \$ - | \$ 680,552 | \$ 680,552 | Note |

Note : The Company held 100% voting shares directly and indirectly in foreign company, engage in loans granted, or the Company held 100% voting shares directly and indirectly in foreign company loans to the Company, limit on total loans shall not exceed 50% of the Company's net worth, and limit on loans to a single party shall not exceed 50% of the Company's net worth.

Maxigen Biotech Inc. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2023 | | | | | |
|----------------------|-----------------------|---|---|-------------------------|------------|---------------|------------|----------|--|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | Footnote | |
| Maxigen Biotech Inc. | TCI CO., LTD. | The company is the parent company of Maxigen Biotech Inc. | Financial assets at fair value through other comprehensive income - non-current | 2,531 | \$ 432,800 | 2.14 | \$ 432,800 | None | |

Maxigen Biotech Inc. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Balance as at January 1, 2023 | | Addition | | Disposal | | Balance as at December 31, 2023 | |
|----------------------|-----------------------|---|----------------|--------------------------------|-------------------------------|--------|------------------|-----------------|------------------|-----------------|---------------------------------|-----------------|
| | | | | | Number of shares | Amount | Number of shares | Amount (Note 1) | Number of shares | Amount (Note 1) | Number of shares | Amount (Note 1) |
| Maxigen Biotech Inc. | TCI CO., LTD. | Financial assets at fair value through other comprehensive income - non-current | Not applicable | Not applicable | - | \$ - | 2,531 | \$ 500,084 | - | \$ - | 2,531 | \$ 432,800 |

Note 1: The balance amount as at December 31, 2023 included unrealised gains or losses from financial assets.

Maxigen Biotech Inc. and subsidiaries
 Significant inter-company transactions during the reporting periods
 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 | | Percentage of consolidated total operating revenues or total assets (Note 3) | |
|--------------------|----------------------|---|--------------------------|------------------------|-----------|---|-------|
| | | | | General ledger account | Amount | | |
| 0 | Maxigen Biotech Inc. | Maxigen Biotech (Shanghai) Co., Ltd. | 1 | Accounts receivable | \$ 73,653 | Collection period was longer than non-related parties. | 4.93% |
| 0 | Maxigen Biotech Inc. | Maxigen Biotech (Shanghai) Co., Ltd. | 1 | Sales of goods | 42,866 | The price and terms on sales are available to third parties. | 6.89% |

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:

- (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.

Maxigen Biotech Inc. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Net income of investee as of December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 | Book value of investments in Mainland China as of December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023 | Footnote |
|--------------------------------------|---|-----------------|-------------------|--|--|-------------------------|--|--|--|---|---|---|------------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Maxigen Biotech (Shanghai) Co., Ltd. | Trading of cosmetics and beauty care products | \$ 1,800 | Note 1 | \$ 58,193 | \$ - | \$ - | \$ 58,193 | (\$ 34,938) | 100.00 | (\$ 34,938) | (\$ 61,387) | \$ - | Note 2 Note 3 |

Note 1: Reinvestments in a company in Mainland China through parent company in Taiwan.

Note 2: The amount recognised was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|----------------------|--|--|---|
| Maxigen Biotech Inc. | \$ 58,193 | \$ 55,269 | \$ 816,662 |

Note 3 : The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB\$1 : NTD\$4.327, USD\$1 : NTD\$30.705. Income presents at RMB\$1 : NTD\$4.3933, USD\$1 : NTD\$31.1773.

Note 4 : The amount is the higher of limits on accumulated investment amounts or 60% of consolidated net assets was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Maxigen Biotech Inc. and subsidiaries
Major shareholders information
Year ended December 31, 2023

Table 6

| Name of major shareholders | Name of shares held (unit: shares) | Shares | |
|---|------------------------------------|--------|---------------|
| | | | Ownership (%) |
| TCI CO., LTD. | 20,304,762 | | 22.83% |
| FORMOSA BIOMEDICAL TECHNOLOGY CORPORATION | 8,702,040 | | 9.78% |
| NuVasive Inc. | 4,758,600 | | 5.34% |

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Maxigen Biotech Inc.

Opinion

We have audited the accompanying parent company only balance sheet of Maxigen Biotech Inc., Ltd. (the “Company”) as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Maxigen Biotech Inc., Ltd as at December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the year then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the parent company only financial statements for the year ended December 31, 2023 are outlined as follows:

Existence and occurrence of top ten customers

Description

The Company and its subsidiaries (listed as investments accounted for under equity method) are primarily engaged in production and sales of biomedical materials and care products. Except for Taiwan, the Company's and its subsidiaries' (listed as investments accounted for under equity method) customers are spread in America, Europe, Mainland China and South East Asia, the transaction terms for each customer were not the same, the audit procedures required more human resource, and the revenue from the Company's and its subsidiaries' (listed as investments accounted for under equity method) top 10 customers presented significant proportion in the operating revenue of consolidated financial statements. Thus, we considered existence and occurrence of top 10 sales customers as a key audit matter.

Please refer to Note 4(25) for accounting policies on revenue recognition and Note 6(19) for details of sales revenue and Note 6(6) for details of investments accounted for under equity method.

How our audit addressed the matter

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

- A. Understood and tested the internal control of sales revenue recognition of top 10 customers, and tested the effectiveness of internal control in relation to the sales revenue.
- B. Sampled and verified the sales orders and delivery documents of top 10 customers, and confirmed that the sales revenue transaction actually occurred.
- C. Sampled and verified the sales returns and discounts of top 10 customers, and confirmed the existence of sales revenue recognition.

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

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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

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

MAXIGEN BIOTECH INC.
PARENT COMPANY ONLY 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) | \$ 408,909 | 26 | \$ 764,600 | 53 |
| 1136 | Current financial assets at amortised cost | 6(3) | 1,500 | - | 10,316 | 1 |
| 1150 | Notes receivable, net | 6(4) | 14,851 | 1 | 28,999 | 2 |
| 1170 | Accounts receivable, net | 6(4) | 59,826 | 4 | 47,165 | 3 |
| 1180 | Accounts receivable - related parties, net | 7 | 87,285 | 6 | 65,263 | 4 |
| 1200 | Other receivables | | 8,715 | 1 | 17 | - |
| 1210 | Other receivables - related parties | 7 | 22,540 | 2 | 1,205 | - |
| 130X | Current inventories | 6(5) | 65,718 | 4 | 63,657 | 4 |
| 1410 | Prepayments | 6(7) | 5,780 | - | 11,942 | 1 |
| 1470 | Other current assets | 6(7) | 77 | - | 889 | - |
| 11XX | Current assets | | <u>675,201</u> | <u>44</u> | <u>994,053</u> | <u>68</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 432,800 | 28 | - | - |
| 1550 | Investments accounted for using equity method | 6(6) | - | - | 8,511 | 1 |
| 1600 | Property, plant and equipment | 6(8) | 424,178 | 27 | 434,622 | 30 |
| 1760 | Investment property, net | 6(10) | - | - | 8,828 | 1 |
| 1780 | Intangible assets | 6(11) | 486 | - | 1,161 | - |
| 1840 | Deferred tax assets | 6(26) | 5,833 | - | 3,164 | - |
| 1900 | Other non-current assets | 6(7) | 10,126 | 1 | 6,674 | - |
| 15XX | Non-current assets | | <u>873,423</u> | <u>56</u> | <u>462,960</u> | <u>32</u> |
| 1XXX | Current tax assets | | <u>\$ 1,548,624</u> | <u>100</u> | <u>\$ 1,457,013</u> | <u>100</u> |

(Continued)

MAXIGEN BIOTECH INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | December 31, 2023 | | December 31, 2022 | |
|--------------------------------|-------------------------------------|-------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2130 | Current contract liabilities | 6(19) | \$ 1,336 | - | \$ 3,690 | - |
| 2150 | Notes payable | | 50 | - | - | - |
| 2170 | Accounts payable | | 16,584 | 1 | 14,841 | 1 |
| 2180 | Accounts payable - related parties | 7 | 1,420 | - | 21,626 | 2 |
| 2200 | Other payables | 6(12) | 81,200 | 5 | 75,587 | 5 |
| 2220 | Other payables - related parties | 7 | 42 | - | 1,579 | - |
| 2230 | Current income tax liabilities | 6(26) | 24,465 | 2 | 27,132 | 2 |
| 2300 | Other current liabilities | | 527 | - | 63 | - |
| 21XX | Current liabilities | | <u>125,624</u> | <u>8</u> | <u>144,518</u> | <u>10</u> |
| Non-current liabilities | | | | | | |
| 2570 | Deferred tax liabilities | | 491 | - | 547 | - |
| 2600 | Other non-current liabilities | 6(6) | 61,406 | 4 | 16,291 | 1 |
| 25XX | Non-current liabilities | | <u>61,897</u> | <u>4</u> | <u>16,838</u> | <u>1</u> |
| 2XXX | Liabilities | | <u>187,521</u> | <u>12</u> | <u>161,356</u> | <u>11</u> |
| Equity | | | | | | |
| Share capital | | 6(15) | | | | |
| 3110 | Ordinary share | | 889,341 | 57 | 846,991 | 58 |
| 3140 | Advance receipts for share capital | | 957 | - | - | - |
| Capital surplus | | 6(16) | | | | |
| 3200 | Capital surplus | | 296,096 | 19 | 281,902 | 19 |
| Retained earnings | | 6(17) | | | | |
| 3310 | Legal reserve | | 41,973 | 3 | 28,322 | 2 |
| 3320 | Special reserve | | 3,037 | - | 2,961 | - |
| 3350 | Unappropriated retained earnings | | 199,447 | 13 | 138,518 | 10 |
| Other equity interest | | 6(18) | | | | |
| 3400 | Other equity interest | | (69,748) | (4) | (3,037) | - |
| 3XXX | Equity | | <u>1,361,103</u> | <u>88</u> | <u>1,295,657</u> | <u>89</u> |
| 3X2X | Total liabilities and equity | | <u>\$ 1,548,624</u> | <u>100</u> | <u>\$ 1,457,013</u> | <u>100</u> |

The accompanying notes are an integral part of these parent company only financial statements.

MAXIGEN BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| | Items | Notes | Year ended December 31 | | | |
|------|---|---------------------------|------------------------|-------|------------|-------|
| | | | 2023 | | 2022 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(19) and 7 | \$ 612,554 | 100 | \$ 521,159 | 100 |
| 5000 | Operating costs | 6(5)(15)(25)(26) and 7 | (206,835) | (34) | (167,697) | (32) |
| 5900 | Net operating margin | | 405,719 | 66 | 353,462 | 68 |
| 5910 | Unrealized profit from sales | 6(6) | (24,568) | (4) | (13,818) | (3) |
| 5920 | Realized profit from sales | 6(6) | 13,818 | 2 | - | - |
| 5950 | Net operating margin | | 394,969 | 64 | 339,644 | 65 |
| | Operating expenses | 6(15)(25)(26) | | | | |
| 6100 | Selling expenses | | (69,029) | (11) | (46,269) | (9) |
| 6200 | General and administrative expenses | | (72,541) | (12) | (62,684) | (12) |
| 6300 | Research and development expenses | | (68,595) | (11) | (99,632) | (19) |
| 6450 | Expected credit impairment losses | 12(2) | (199) | - | (4,716) | (1) |
| 6000 | Total operating expenses | | (210,364) | (34) | (213,301) | (41) |
| 6900 | Operating profit | | 184,605 | 30 | 126,343 | 24 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(20) | 12,209 | 2 | 3,084 | 1 |
| 7010 | Other income | 6(21) and 7 | 13,515 | 2 | 1,144 | - |
| 7020 | Other gains and losses | 6(22) | 17,501 | 3 | 32,924 | 6 |
| 7050 | Finance costs | 6(23) | - | - | (68) | - |
| 7070 | Share of (loss) profit of associates and joint ventures accounted for using equity method, net | 6(6) | (34,735) | (6) | 2,359 | 1 |
| 7000 | Total non-operating income and expenses | | 8,490 | 1 | 39,443 | 8 |
| 7900 | Profit (loss) before income tax | | 193,095 | 31 | 165,786 | 32 |
| 7950 | Income tax expense | 6(26) | (27,267) | (4) | (26,382) | (5) |
| 8200 | Profit (loss) for the year | | \$ 165,828 | 27 | \$ 139,404 | 27 |
| | Other comprehensive income | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(13)(18) | \$ 28 | - | \$ 1,127 | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(2)(18) | (67,284) | (11) | - | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(6)(18) | 573 | - | (76) | - |
| 8300 | Other comprehensive loss for the year | | (\$ 66,683) | (11) | \$ 1,051 | - |
| 8500 | Total comprehensive income for the year | | \$ 99,145 | 16 | \$ 140,455 | 27 |
| | Earnings per share (In dollars) | | | | | |
| 9750 | Basic earnings per share | 6(27) | \$ 1.86 | | \$ 1.57 | |
| 9850 | Diluted earnings per share | 6(27) | \$ 1.85 | | \$ 1.56 | |

The accompanying notes are an integral part of these parent company only financial statements.

MAXIGEN BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Capital | | Retained Earnings | | | Other equity interest | | | Amount |
|--|-----------|------------------------------|------------------------------------|---|---------------|-----------------|--|--|---|--------------|
| | | Share capital - common stock | Advance receipts for share capital | Total capital surplus, additional paid-in capital | Legal reserve | Special reserve | Total unappropriated retained earnings (accumulated deficit) | Financial statements translation differences of foreign operations | Unrealised losses from financial assets measured at fair value through other comprehensive income | |
| <u>For the year ended December 31, 2022</u> | | | | | | | | | | |
| Balance at January 1, 2022 | | \$ 769,992 | \$ - | \$ 264,392 | \$ 19,604 | \$ 2,985 | \$ 87,706 | (\$ 2,961) | \$ - | \$ 1,141,718 |
| Profit for the year | | - | - | - | - | - | 139,404 | - | - | 139,404 |
| Other comprehensive income (loss) for the year | 6(18) | - | - | - | - | - | 1,127 | (76) | - | 1,051 |
| Total comprehensive income | | - | - | - | - | - | 140,531 | (76) | - | 140,455 |
| Appropriations of 2021 earnings | | | | | | | | | | |
| Legal reserve | | - | - | - | 8,718 | - | (8,718) | - | - | - |
| Reversal of special reserve | | - | - | - | - | (24) | 24 | - | - | - |
| Stock dividends | 6(17) | 76,999 | - | - | - | - | (76,999) | - | - | - |
| Share-based payments | 6(14)(25) | - | - | 17,510 | - | - | (4,026) | - | - | 13,484 |
| Balance at December 31, 2022 | | \$ 846,991 | \$ - | \$ 281,902 | \$ 28,322 | \$ 2,961 | \$ 138,518 | (\$ 3,037) | \$ - | \$ 1,295,657 |
| <u>For the year ended December 31, 2023</u> | | | | | | | | | | |
| Balance at January 1, 2023 | | \$ 846,991 | \$ - | \$ 281,902 | \$ 28,322 | \$ 2,961 | \$ 138,518 | (\$ 3,037) | \$ - | \$ 1,295,657 |
| Profit for the year | | - | - | - | - | - | 165,828 | - | - | 165,828 |
| Other comprehensive income (loss) for the year | 6(18) | - | - | - | - | - | 28 | 573 | (67,284) | (66,683) |
| Total comprehensive income | | - | - | - | - | - | 165,856 | 573 | (67,284) | 99,145 |
| Appropriations of 2022 earnings | | | | | | | | | | |
| Legal reserve | | - | - | - | 13,651 | - | (13,651) | - | - | - |
| Reversal of special reserve | | - | - | - | - | 76 | (76) | - | - | - |
| Stock dividends | 6(17) | 42,350 | - | - | - | - | (42,350) | - | - | - |
| Cash dividends | 6(17) | - | - | - | - | - | (42,350) | - | - | (42,350) |
| Share-based payments | 6(14)(25) | - | - | 14,194 | - | - | (6,500) | - | - | 7,694 |
| Exercise of employee stock purchase plans | | - | 957 | - | - | - | - | - | - | 957 |
| Balance at December 31, 2023 | | \$ 889,341 | \$ 957 | \$ 296,096 | \$ 41,973 | \$ 3,037 | \$ 199,447 | (\$ 2,464) | (\$ 67,284) | \$ 1,361,103 |

The accompanying notes are an integral part of these parent company only financial statements.

MAXIGEN BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-------------|------------------------|----------------|
| | | 2023 | 2022 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 193,095 | \$ 165,786 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit impairment loss | 6(4) | 199 | 4,716 |
| Loss (gain) on disposal of property, plant and equipment | 6(22) | 155 | (1,026) |
| Gain on disposal of investment property | | (13,770) | - |
| Gains arising from lease modifications | | - | (256) |
| Share of loss (profit) of subsidiaries accounted for under equity method | 6(6) | 34,735 | (2,359) |
| Depreciation | 6(7)(8)(24) | 26,941 | 28,713 |
| Amortisation | 6(24) | 675 | 869 |
| Interest income | 6(20) | (12,209) | (3,084) |
| Dividend income | | (12,712) | - |
| Interest expense | 6(23) | - | 68 |
| Compensation cost arising from employee stock options | 6(16) | 7,694 | 13,484 |
| Unrealized profit from sales | 6(6) | 10,750 | 13,818 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 14,148 | 18,630 |
| Accounts receivable | | (12,860) | (6,256) |
| Accounts receivable - related parties | | (22,022) | (36,952) |
| Other receivables | | 16 | 4,093 |
| Other receivables - related parties | 7 | (21,335) | (1,159) |
| Inventories | | (2,061) | 15,297 |
| Prepayments | | 6,162 | 37,817 |
| Other current assets | | 812 | (705) |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | (2,354) | (6,132) |
| Notes payable | | 50 | (100) |
| Accounts payable | | 1,743 | (2,695) |
| Accounts payable - related parties | 7 | (20,206) | (1,655) |
| Other payables | | 7,113 | 23,206 |
| Other payables - related parties | 7 | (1,537) | 1,525 |
| Other current liabilities | | 464 | 42 |
| Cash inflow generated from operations | | 183,686 | 265,685 |
| Interest received | | 12,209 | 3,084 |
| Dividends received | | 12,712 | - |
| Interest paid | | - | (68) |
| Income tax paid | | (32,659) | (10,755) |
| Net cash flows from operating activities | | <u>175,948</u> | <u>257,946</u> |

(Continued)

MAXIGEN BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|----------|------------------------|------------|
| | | 2023 | 2022 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Decrease in financial assets at amortised cost | | \$ 8,816 | \$ 16,556 |
| Acquisition of property, plant and equipment | 6(28) | (19,044) | (11,819) |
| Proceeds from disposal of property, plant and equipment | | 900 | 6,281 |
| Proceeds from disposal of investment property | | 22,590 | - |
| Acquisition of intangible assets | | - | (150) |
| Decrease in refundable deposits | | 33 | 2,002 |
| Increase in prepayments for purchase of equipment | | (3,396) | (2,473) |
| (Increase) decrease in other non-current assets | | (61) | 35 |
| Acquisition of non-current financial assets at fair value through other comprehensive income | | (500,084) | - |
| Net cash flows (used in) from investing activities | | (490,246) | 10,432 |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Repayments of principal portion of lease liabilities | 6(8)(29) | - | (950) |
| Decrease in other non-current liabilities | | - | (99) |
| Cash dividends paid | | (42,350) | - |
| Employee stock options | | 957 | - |
| Net cash flows used in financing activities | | (41,393) | (1,049) |
| Net (decrease) increase in cash and cash equivalents | | (355,691) | 267,329 |
| Cash and cash equivalents at beginning of year | 6(1) | 764,600 | 497,271 |
| Cash and cash equivalents at end of year | 6(1) | \$ 408,909 | \$ 764,600 |

The accompanying notes are an integral part of these parent company only financial statements.

MAXIGEN BIOTECH INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANISATION

Maxigen Biotech Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in collagen purification, research and development, production and sales of implantable medical device, and production, manufacturing, wholesale and retail of cosmetics. TCI CO., LTD. held 22.83% equity shares in the Company.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 12, 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”) 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| 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 Company's financial condition and financial performance based on the Company's assessment.

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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 Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Material Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities , associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expense presented in each comprehensive income statement are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

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

(5) 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.

(6) Financial assets at amortised cost

The Company'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.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(10) Inventories

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

(11) Investments accounted for using equity method / subsidiary

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The

Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.
- F. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|---------------|
| Buildings and structures | 15 ~ 50 years |
| Machinery and equipment | 3 ~ 8 years |
| Transportation equipment | 3 ~ 6 years |
| Office equipment | 3 ~ 6 years |
| Leasehold assets | 5 ~ 10 years |

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

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

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

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

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 15 ~ 50 years.

(15) Intangible assets

A. Trademarks, patents and business rights

Separately acquired trademarks, patents and business rights are stated at historical cost. Trademarks, patents and business rights acquired in a business combination are recognised at fair value at the acquisition date. Trademarks, patents and business rights have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 15 to 20 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

C. Technology authorisation and certification fee

Technology authorisation and certification fee is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 7 years.

(16) Impairment of non-financial assets

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

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Termination benefits

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

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

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

(21) 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-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.

(22) 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 parent company only balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the

deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) 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.

(24) Dividends

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

(25) Revenue recognition

- A. The Company manufactures and sells consumer products related to biomedical materials. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The products are often sold with price break based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated price break. Accumulated experience is used to estimate and provide for the price break, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date.

(26) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

None.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 309 | \$ 489 |
| Checking accounts and demand deposits | 124,657 | 196,717 |
| Time deposits | 283,943 | 567,394 |
| Total | <u>\$ 408,909</u> | <u>\$ 764,600</u> |

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

B. As of December 31, 2023 and 2022, the Company had restricted time deposits due to customs for negotiation in the amounts of \$1,500 and \$1,500 which were classified as 'financial assets at amortised cost', please refer to Note 8.

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

| <u>Items</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Non-current items: | | |
| Equity instruments | | |
| Listed stocks | \$ 500,084 | \$ - |
| Valuation adjustment | (67,284) | - |
| | <u>\$ 432,800</u> | <u>\$ -</u> |

A. The Company has elected to classify equity 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 \$432,800 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:

| | Year ended December 31 | |
|--|------------------------|------|
| | 2023 | 2022 |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | (\$ 67,284) | \$ - |
| | | |
| | Year ended December 31 | |
| | 2023 | 2022 |
| | | |
| Dividend income recognised in profit or loss | | |
| Held at end of period | \$ 12,712 | \$ - |

C. As of 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 Company amounted to \$432,800 and \$0, respectively.

D. The Company's financial assets at fair value through other comprehensive income were not pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Financial assets at amortized cost

| Items | December 31, 2023 | December 31, 2022 |
|----------------|-------------------|-------------------|
| Current items: | | |
| Time deposits | \$ 1,500 | \$ 10,316 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | Year ended December 31 | |
|-----------------|------------------------|--------|
| | 2023 | 2022 |
| Interest income | \$ 236 | \$ 297 |

B. The Company's financial assets at amortised cost comprise of the time deposits in banks with good credit rating.

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 amortised cost held by the Company was \$1,500 and \$10,316, respectively.

D. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

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

(4) Notes and accounts receivable

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Notes receivable | \$ 14,851 | \$ 28,999 |
| Accounts receivable | \$ 67,765 | \$ 54,905 |
| Less: Loss allowance | (7,939) | (7,740) |
| | <u>\$ 59,826</u> | <u>\$ 47,165</u> |

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------|--------------------------|--------------------------|
| Not past due | \$ 72,708 | \$ 74,145 |
| Up to 30 days | 1,625 | 2,019 |
| 31 to 90 days | 344 | - |
| 91 to 180 days | - | - |
| Over 180 days | - | - |
| | <u>\$ 74,677</u> | <u>\$ 76,164</u> |

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$93,254.

C. The Company has no notes and accounts receivable pledged to others as collateral.

D. 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 Company's notes and accounts receivable was \$14,851 and \$28,999; \$59,826 and \$47,165, respectively.

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

(5) Inventories

| | <u>December 31, 2023</u> | | |
|------------------|--------------------------|---|------------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Carrying amount</u> |
| Raw materials | \$ 23,081 | (\$ 4,727) | \$ 18,354 |
| Work in progress | 23,084 | (7) | 23,077 |
| Finished goods | 24,654 | (367) | 24,287 |
| | <u>\$ 70,819</u> | <u>(\$ 5,101)</u> | <u>\$ 65,718</u> |

| | December 31, 2022 | | |
|------------------|-------------------|---------------------------------|------------------|
| | Cost | Allowance for valuation loss | Carrying amount |
| Raw materials | \$ 29,506 | (\$ 4,817) | \$ 24,689 |
| Work in progress | 24,863 | - | 24,863 |
| Finished goods | 14,222 | (117) | 14,105 |
| | <u>\$ 68,591</u> | <u>(\$ 4,934)</u> | <u>\$ 63,657</u> |

The cost of inventories recognised as expense for the years ended December 31, 2023 and 2022, was \$206,835 and \$167,697, respectively, including the amounts of \$167 and \$1,689, respectively, that the Company wrote down from cost to net realisable value accounted for as cost of goods sold.

(6) Investments accounted for using equity method

| | 2023 | 2022 |
|--|--------------------------|--------------------------|
| At January 1 | \$ 8,511 | \$ 8,496 |
| At the beginning of credit balance of investments accounted for using equity method transferred to other non-current liabilities | (16,272) | (4,722) |
| Decrease of investments accounted for using equity method | (8,714) | - |
| Share of profit or loss of investments accounted for using equity method | (34,735) | 2,359 |
| Unrealized profit from sales | (24,568) | (13,818) |
| Realized profit from sales | 13,818 | - |
| Changes in other equity items | 573 | (76) |
| Credit balance of investments accounted for using equity method transferred to other non-current liabilities | <u>61,387</u> | <u>16,272</u> |
| At December 31 | <u>\$ -</u> | <u>\$ 8,511</u> |
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| HORAY INC.(Note2) | \$ - | \$ 8,511 |
| Maxigen Biotech (Shanghai) Co., Ltd. | (61,387) | (16,272) |
| Maxigen Biotech International Investment Corporation Limited (Note1) | <u>-</u> | <u>-</u> |
| | (61,387) | (7,761) |
| Add: Credit balance of investments accounted for under equity method (shown as '2600 other noncurrent liabilities') | <u>61,387</u> | <u>16,272</u> |
| | <u>\$ -</u> | <u>\$ 8,511</u> |

Information about the Company's subsidiaries is provided in Note 4(3) of the 2023 consolidated financial statements.

Note1: The Company dissolution and liquidation were completed on August 10, 2022.

Note2: The Company dissolution and liquidation were conducted on September 30, 2023, however, as of December 31, 2023, the liquidation procedure has not been completed yet.

(7) Other current assets and other non-current assets

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------|--------------------------|--------------------------|
| Other current assets | | |
| Prepaid expenses | \$ 5,365 | \$ 11,592 |
| Prepayments to suppliers | 138 | 138 |
| Prepaid insurance premiums | <u>277</u> | <u>212</u> |
| Total | <u>\$ 5,780</u> | <u>\$ 11,942</u> |
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Other non-current assets | | |
| Prepayment for equipment | \$ 5,870 | \$ 2,473 |
| Net defined benefit asset | 4,081 | 3,993 |
| Guarantee deposits paid | <u>175</u> | <u>208</u> |
| | <u>\$ 10,126</u> | <u>\$ 6,674</u> |

(8) Property, plant and equipment

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Unfinished Construction | Total |
|-----------------------------|-------------------|--------------------------|-------------------------|--------------------------|------------------|------------------------|-------------------------|-------------------|
| <u>At January 1, 2023</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 303,113 | \$ 118,652 | \$ 1,531 | \$ 29,700 | \$ 18,911 | \$ 21,601 | \$ 626,733 |
| Accumulated depreciation | - | (66,286) | (86,864) | (512) | (22,753) | (15,696) | - | (192,111) |
| | <u>\$ 133,225</u> | <u>\$ 236,827</u> | <u>\$ 31,788</u> | <u>\$ 1,019</u> | <u>\$ 6,947</u> | <u>\$ 3,215</u> | <u>\$ 21,601</u> | <u>\$ 434,622</u> |
| <u>2023</u> | | | | | | | | |
| At January 1 | \$ 133,225 | \$ 236,827 | \$ 31,788 | \$ 1,019 | \$ 6,947 | \$ 3,215 | \$ 21,601 | \$ 434,622 |
| Additions | - | 4,630 | 3,741 | - | 3,459 | - | 5,714 | 17,544 |
| Disposals | - | - | (1,055) | - | - | - | - | (1,055) |
| Transfers | - | - | 9,645 | - | - | - | (9,645) | - |
| Depreciation charge | - | (10,945) | (11,224) | (255) | (3,528) | (981) | - | (26,933) |
| At December 31 | <u>\$ 133,225</u> | <u>\$ 230,512</u> | <u>\$ 32,895</u> | <u>\$ 764</u> | <u>\$ 6,878</u> | <u>\$ 2,234</u> | <u>\$ 17,670</u> | <u>\$ 424,178</u> |
| <u>At December 31, 2023</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 307,743 | \$ 125,921 | \$ 1,531 | \$ 33,063 | \$ 18,911 | \$ 17,670 | \$ 638,064 |
| Accumulated depreciation | - | (77,231) | (93,026) | (767) | (26,185) | (16,677) | - | (213,886) |
| | <u>\$ 133,225</u> | <u>\$ 230,512</u> | <u>\$ 32,895</u> | <u>\$ 764</u> | <u>\$ 6,878</u> | <u>\$ 2,234</u> | <u>\$ 17,670</u> | <u>\$ 424,178</u> |

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Unfinished Construction | Total |
|-----------------------------|-------------------|--------------------------|-------------------------|--------------------------|------------------|------------------------|-------------------------|-------------------|
| <u>At January 1, 2022</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 302,483 | \$ 128,739 | \$ 1,256 | \$ 29,553 | \$ 23,696 | \$ 18,793 | \$ 637,745 |
| Accumulated depreciation | - | (55,694) | (84,088) | (1,118) | (21,294) | (19,489) | - | (181,683) |
| | <u>\$ 133,225</u> | <u>\$ 246,789</u> | <u>\$ 44,651</u> | <u>\$ 138</u> | <u>\$ 8,259</u> | <u>\$ 4,207</u> | <u>\$ 18,793</u> | <u>\$ 456,062</u> |
| <u>2022</u> | | | | | | | | |
| At January 1 | \$ 133,225 | \$ 246,789 | \$ 44,651 | \$ 138 | \$ 8,259 | \$ 4,207 | \$ 18,793 | \$ 456,062 |
| Additions | - | 630 | 3,334 | 1,274 | 2,251 | - | 4,101 | 11,590 |
| Disposals | - | - | (5,031) | - | (224) | - | - | (5,255) |
| Transfers | - | - | 1,005 | - | 238 | - | (1,293) | (50) |
| Depreciation charge | - | (10,592) | (12,171) | (393) | (3,577) | (992) | - | (27,725) |
| At December 31 | <u>\$ 133,225</u> | <u>\$ 236,827</u> | <u>\$ 31,788</u> | <u>\$ 1,019</u> | <u>\$ 6,947</u> | <u>\$ 3,215</u> | <u>\$ 21,601</u> | <u>\$ 434,622</u> |
| <u>At December 31, 2022</u> | | | | | | | | |
| Cost | \$ 133,225 | \$ 303,113 | \$ 118,652 | \$ 1,531 | \$ 29,700 | \$ 18,911 | \$ 21,601 | \$ 626,733 |
| Accumulated depreciation | - | (66,286) | (86,864) | (512) | (22,753) | (15,696) | - | (192,111) |
| | <u>\$ 133,225</u> | <u>\$ 236,827</u> | <u>\$ 31,788</u> | <u>\$ 1,019</u> | <u>\$ 6,947</u> | <u>\$ 3,215</u> | <u>\$ 21,601</u> | <u>\$ 434,622</u> |

The Company has not provided property, plant and equipment pledged to others as collateral.

(9) Leasing arrangements-lessee

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 5 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. 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 |
| Buildings | \$ - | \$ - |

| | Year ended December 31 | |
|-----------|------------------------|---------------------|
| | 2023 | 2022 |
| | Depreciation charge | Depreciation charge |
| Buildings | \$ - | \$ 957 |

C. For the years ended December 31, 2023 and 2022, there were no additions to right-of-use assets.

D. Information on profit or loss in relation to lease contracts is as follows:

| | Year ended December 31 | |
|---------------------------------------|------------------------|--------|
| | 2023 | 2022 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ - | \$ 68 |
| Expense on short-term lease contracts | \$ 102 | \$ 41 |
| Expense on leases of low-value assets | \$ 114 | \$ 126 |
| Gain or loss on lease modification | \$ - | \$ 256 |

E. For the years ended December 31, 2023 and 2022, the additions total cash outflow for leases were

\$216 and \$1,117, respectively.

(10) Investment property

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Total</u> |
|---|-----------------|-------------------------------------|-----------------|
| <u>At January 1, 2023</u> | | | |
| Cost | \$ 7,949 | \$ 1,578 | \$ 9,527 |
| Accumulated depreciation and impairment | <u>-</u> | <u>(699)</u> | <u>(699)</u> |
| | <u>\$ 7,949</u> | <u>\$ 879</u> | <u>\$ 8,828</u> |
| <u>2023</u> | | | |
| At January 1 | \$ 7,949 | \$ 879 | \$ 8,828 |
| Disposals | (7,949) | (871) | (8,820) |
| Depreciation charge | <u>-</u> | <u>(8)</u> | <u>(8)</u> |
| At December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>At December 31, 2023</u> | | | |
| Cost | \$ - | \$ - | \$ - |
| Accumulated depreciation and impairment | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | <u>Land</u> | <u>Buildings and structures</u> | <u>Total</u> |
| <u>At January 1, 2022</u> | | | |
| Cost | \$ 7,949 | \$ 1,578 | \$ 9,527 |
| Accumulated depreciation and impairment | <u>-</u> | <u>(668)</u> | <u>(668)</u> |
| | <u>\$ 7,949</u> | <u>\$ 910</u> | <u>\$ 8,859</u> |
| <u>2022</u> | | | |
| At January 1 | \$ 7,949 | \$ 910 | \$ 8,859 |
| Depreciation charge | <u>-</u> | <u>(31)</u> | <u>(31)</u> |
| At December 31 | <u>\$ 7,949</u> | <u>\$ 879</u> | <u>\$ 8,828</u> |
| <u>At December 31, 2022</u> | | | |
| Cost | \$ 7,949 | \$ 1,578 | \$ 9,527 |
| Accumulated depreciation and impairment | <u>-</u> | <u>(699)</u> | <u>(699)</u> |
| | <u>\$ 7,949</u> | <u>\$ 879</u> | <u>\$ 8,828</u> |

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

| | Year ended December 31 | |
|--|------------------------|--------|
| | 2023 | 2022 |
| Rental income from investment property | \$ - | \$ 238 |
| Direct operating expenses arising from the investment property that generated rental income during the year | \$ - | \$ 16 |
| Direct operating expenses arising from the investment property that did not generate rental income during the year | \$ 8 | \$ 15 |

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was \$0 and \$22,839, respectively. The valuation was estimated from the average transaction price in the location of investment property and was categorised within Level 3 fair value.

(11) Intangible assets

| | Trademarks and patents | Business rights | Technology authorisation and certification fee | Computer software | Total |
|---|------------------------|-----------------|--|-------------------|-----------------|
| <u>At January 1, 2023</u> | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,743 | \$ 2,455 | \$ 17,198 |
| Accumulated amortisation and impairment | (1,040) | (4,800) | (8,305) | (1,892) | (16,037) |
| | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 438</u> | <u>\$ 563</u> | <u>\$ 1,161</u> |
| <u>2023</u> | | | | | |
| At January 1 | \$ 160 | \$ - | \$ 438 | \$ 563 | \$ 1,161 |
| Amortisation charge | (120) | - | (182) | (373) | (675) |
| At December 31 | <u>\$ 40</u> | <u>\$ -</u> | <u>\$ 256</u> | <u>\$ 190</u> | <u>\$ 486</u> |
| <u>At December 31, 2023</u> | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,743 | \$ 2,455 | \$ 17,198 |
| Accumulated amortisation and impairment | (1,160) | (4,800) | (8,487) | (2,265) | (16,712) |
| | <u>\$ 40</u> | <u>\$ -</u> | <u>\$ 256</u> | <u>\$ 190</u> | <u>\$ 486</u> |

| | <u>Trademarks and patents</u> | <u>Business rights</u> | <u>Technology authorisation and certification fee</u> | <u>Computer software</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------|---|------------------------------|-----------------|
| <u>At January 1, 2022</u> | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,643 | \$ 2,355 | \$ 16,998 |
| Accumulated amortisation and impairment | (920) | (4,800) | (8,087) | (1,361) | (15,168) |
| | <u>\$ 280</u> | <u>\$ -</u> | <u>\$ 556</u> | <u>\$ 994</u> | <u>\$ 1,830</u> |
| <u>2022</u> | | | | | |
| At January 1 | \$ 280 | \$ - | \$ 556 | \$ 994 | \$ 1,830 |
| Additions | - | - | 100 | 100 | 200 |
| Amortisation charge | (120) | - | (218) | (531) | (869) |
| At December 31 | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 438</u> | <u>\$ 563</u> | <u>\$ 1,161</u> |
| <u>At December 31, 2022</u> | | | | | |
| Cost | \$ 1,200 | \$ 4,800 | \$ 8,743 | \$ 2,455 | \$ 17,198 |
| Accumulated amortisation and impairment | (1,040) | (4,800) | (8,305) | (1,892) | (16,037) |
| | <u>\$ 160</u> | <u>\$ -</u> | <u>\$ 438</u> | <u>\$ 563</u> | <u>\$ 1,161</u> |

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

| | <u>Year ended 1</u> |
|-----------------------------------|---------------------|
| | <u>2023</u> |
| Operating costs | \$ 32 |
| Selling expenses | 120 |
| General & administrative expenses | 341 |
| Research and development expenses | 182 |
| | <u>\$ 675</u> |

(12) Other payables

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Salary and bonus payable | \$ 29,193 | \$ 25,773 |
| Employees' dividends and directors' remuneration payable | 32,578 | 25,900 |
| Payable on machinery and equipment | 645 | 2,145 |
| Other payables | 18,784 | 21,769 |
| | <u>\$ 81,200</u> | <u>\$ 75,587</u> |

(13) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 137) | (\$ 127) |
| Fair value of plan assets | <u>4,218</u> | <u>4,120</u> |
| Net defined benefit asset | <u>\$ 4,081</u> | <u>\$ 3,993</u> |

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

| | 2023 | | |
|---|--|--------------------|----------------------------|
| | Present value | Fair value of | Net defined |
| | <u>of defined</u> <u>benefit obligation</u> | <u>plan assets</u> | <u>benefit liabilities</u> |
| At January 1 | (\$ 127) | \$ 4,120 | \$ 3,993 |
| Interest(expense) income | (2) | 61 | 59 |
| | <u>(129)</u> | <u>4,181</u> | <u>4,052</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 36 | 36 |
| Change in financial assumptions | (2) | - | (2) |
| Experience adjustments | <u>(6)</u> | <u>-</u> | <u>(6)</u> |
| | <u>(8)</u> | <u>36</u> | <u>28</u> |
| Pension fund contribution | - | 1 | 1 |
| At December 31 | <u>(\$ 137)</u> | <u>\$ 4,218</u> | <u>\$ 4,081</u> |
| | 2022 | | |
| | Present value | Fair value of | Net defined |
| | <u>of defined</u> <u>benefit obligation</u> | <u>plan assets</u> | <u>benefit liabilities</u> |
| At January 1 | (\$ 2,715) | \$ 5,616 | \$ 2,901 |
| Interest(expense) income | (21) | 42 | 21 |
| Settlement profit or loss | <u>1,604</u> | <u>(1,661)</u> | <u>(57)</u> |
| | <u>(1,132)</u> | <u>3,997</u> | <u>2,865</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 427 | 427 |
| Change in financial assumptions | 184 | - | 184 |
| Experience adjustments | <u>516</u> | <u>-</u> | <u>516</u> |
| | <u>700</u> | <u>427</u> | <u>1,127</u> |
| Pension fund contribution | - | 1 | 1 |
| Paid pension | <u>305</u> | <u>(305)</u> | <u>-</u> |
| At December 31 | <u>(\$ 127)</u> | <u>\$ 4,120</u> | <u>\$ 3,993</u> |

(d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit

pension plan assets in accordance with the Fund’s annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | Year ended December 31 | |
|------------------------|------------------------|--------|
| | 2023 | 2022 |
| Discount rate | 1.375% | 1.500% |
| Future salary increase | 2.000% | 2.000% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

| | Discount rate | | Future salary increase | |
|---|----------------|----------------|------------------------|----------------|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| <u>December 31, 2023</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>4</u>) | \$ <u>4</u> | \$ <u>4</u> | (\$ <u>4</u>) |
| <u>December 31, 2022</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>4</u>) | \$ <u>4</u> | \$ <u>4</u> | (\$ <u>4</u>) |

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

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amounts to \$1.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$4,680 and \$4,264, respectively.

(14) Share-based payment

A. For the year ended December 31, 2023, the Company’s share-based payment arrangements were as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Quantity granted</u> | <u>Contract period</u> | <u>Vesting conditions</u> |
|----------------------------|-------------------|-------------------------|------------------------|---|
| Employee share options | November 3, 2021 | 2,630,000 | 6 years | Service for 2 years can be vested with 40% Service for 3 years can be vested with 80% Service for 4 years can be vested with 100% |
| Employee share options | August 3, 2022 | 770,000 | 6 years | Service for 2 years can be vested with 40% Service for 3 years can be vested with 80% Service for 4 years can be vested with 100% |

The abovementioned share-based payment arrangements all are equity-settled.

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

| | Year ended December 31 | | | |
|------------------------------------|------------------------|--|------------------|--|
| | 2023 | | 2022 | |
| | No. of options | Weighted-average exercise price (in dollars) | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1 | 3,035,000 | \$ 48.62 | 2,630,000 | \$ 50.80 |
| Options granted | - | - | 770,000 | 41.20 |
| Options exercised | (23,000) | 50.80 | - | - |
| Options expired | (250,000) | 47.00 | (365,000) | 48.70 |
| Options outstanding at December 31 | <u>2,762,000</u> | <u>\$ 49.17</u> | <u>3,035,000</u> | <u>\$ 48.62</u> |
| Options exercisable at December 31 | <u>835,000</u> | <u>\$ 50.80</u> | <u>-</u> | <u>\$ -</u> |

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2023 was \$47.99.

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

| Type of arrangement | Grant date | Stock price | Exercise price | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit |
|------------------------|------------------|-------------|----------------|---------------------------|----------------------|--------------------|-------------------------|---------------------|
| Employee share options | November 3, 2021 | 50.8 | 50.8 | 43.63%~ 47.84% | 5 | - | 0.41%~ 0.44% | 18.94~ 19.37 |
| Employee share options | August 3, 2022 | 41.2 | 41.2 | 45.89%~ 48.46% | 5 | - | 1.00%~ 1.03% | 15.11~ 16.98 |

Note: Expected price volatility rate was estimated using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

| | Year ended December 31 | |
|--|------------------------|------------------|
| | 2023 | 2022 |
| Equity-settled-the Company | \$ 7,694 | \$ 13,484 |
| Cash-settled-parent company (accounted as '3350 undistributed earnings') | 6,500 | 4,026 |
| | <u>\$ 14,194</u> | <u>\$ 17,510</u> |

(15) Share capital

A. On December 31, 2023, the Company's authorised capital was \$1,000,000, and the paid-in capital was \$889,341 with a par value of \$10 per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| At January 1 (in thousands of shares) | \$ 84,699 | \$ 76,999 |
| Stock dividends | 4,235 | 7,700 |
| At December 31 (in thousands of shares) | <u>\$ 88,934</u> | <u>\$ 84,699</u> |

B. To increase the Company's working capital, the stockholders at their annual stockholders' meeting on July 12, 2021 adopted a resolution to raise additional cash through private placement with the effective date set on August 6, 2021. The maximum number of shares to be issued through the private placement is 11,000 thousand shares at a subscription price of \$41.03 (in dollars) per share. The amount of capital raised through the private placement was \$247,350 which had been registered. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(16) 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. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 50% of the Company's distributable earnings as of the end of the period shall be appropriated as dividends, and share dividends shall account for at least 50% of the total dividends distributed, the remaining can be distributed as cash dividend.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in

proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. On June 21, 2022, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2021 earnings in the amount of \$76,999, with stock dividends of \$0.1 (in dollars) per share. On June 19, 2023, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2022 earnings in the amount of \$84,700, with stock and cash dividends of \$0.5 (in dollars) per share, respectively.

(18) Other equity items

| | 2023 | | 2022 |
|-------------------------------------|---|---------------------------------|---------------------------------|
| | Unrealized gains (losses) on valuation | Foreign currency translation | Foreign currency translation |
| At January 1 | \$ - | \$ 3,037 | \$ 2,961 |
| Currency translation differences | (67,284) | (573) | 76 |
| At December 31 | <u>(\$ 67,284)</u> | <u>\$ 2,464</u> | <u>\$ 3,037</u> |

(19) Operating revenue

| | Year ended December 31 | |
|---------------------------------------|------------------------|-------------------|
| | 2023 | 2022 |
| Sales of goods | \$ 607,146 | \$ 513,895 |
| Other operating revenue | <u>5,408</u> | <u>7,264</u> |
| Revenue from contracts with customers | <u>\$ 612,554</u> | <u>\$ 521,159</u> |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

| | Year ended December 31, | |
|---------------------|--------------------------------|--------------------------------|
| | 2023 | 2022 |
| | <u>From external customers</u> | <u>From external customers</u> |
| Biomedical products | \$ 592,140 | \$ 476,630 |
| Consumer products | 20,414 | 44,529 |
| Total | <u>\$ 612,554</u> | <u>\$ 521,159</u> |

B. Contract assets and liabilities

As of December 31, 2023, December 31, 2022 and January 1, 2022 the Company did not recognised contract assets in relation to revenue from customers' contract. In addition, the Company recognised contract liabilities as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>January 1, 2022</u> |
|---|--------------------------|--------------------------|------------------------|
| Contract liabilities – advance receipts | \$ 1,336 | \$ 3,690 | \$ 9,822 |

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

| | <u>2023</u> | <u>2022</u> |
|---|-----------------|-----------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | | |
| Advance receipts | <u>\$ 4,057</u> | <u>\$ 9,463</u> |

(20) Interest income

| | Year ended December 31 | |
|--|------------------------|-----------------|
| | 2023 | 2022 |
| Interest income from bank deposits | \$ 11,972 | \$ 2,781 |
| Interest income from financial assets measured at amortised cost | 236 | 297 |
| Imputed interest income on deposits | 1 | 6 |
| | <u>\$ 12,209</u> | <u>\$ 3,084</u> |

(21) Other income

| | Year ended December 31 | |
|----------------------|------------------------|-----------------|
| | 2023 | 2022 |
| Dividend income | \$ 12,712 | \$ - |
| Rental income | 26 | 272 |
| Grant income | 634 | 296 |
| Other income, others | 143 | 576 |
| | <u>\$ 13,515</u> | <u>\$ 1,144</u> |

(22) Other gains and losses

| | Year ended December 31 | |
|--|------------------------|------------------|
| | 2023 | 2022 |
| Gains on disposal of Investment property | \$ 13,770 | \$ - |
| Gains on disposal of property, plant and equipment | (155) | 1,026 |
| Gains arising from lease modifications | - | 256 |
| Foreign exchange losses | 3,894 | 31,674 |
| Miscellaneous disbursements | (8) | (32) |
| | <u>\$ 17,501</u> | <u>\$ 32,924</u> |

(23) Finance costs

| | Year ended December 31 | |
|-------------------------------|------------------------|-------|
| | 2023 | 2022 |
| Interest expense | | |
| Interest on lease liabilities | \$ - | \$ 68 |

(24) Expenses by nature

| | Year ended December 31 | |
|---|------------------------|------------|
| | 2023 | 2022 |
| Employee benefit expense | \$ 155,683 | \$ 145,631 |
| Depreciation charges on property, plant and equipment | 26,933 | 27,725 |
| Depreciation expenses on investment property | 8 | 31 |
| Depreciation charges on right-of-use assets | - | 957 |
| Amortisation charges on intangible assets | 675 | 869 |

(25) Employee benefit expense

| | Year ended December 31 | |
|----------------------------------|------------------------|-------------------|
| | 2023 | 2022 |
| Wages and salaries | \$ 128,099 | \$ 113,542 |
| Employee stock options (Note) | 7,694 | 13,484 |
| Labour and health insurance fees | 9,895 | 9,894 |
| Pension costs | 4,621 | 4,267 |
| Other personnel expenses | 5,374 | 4,447 |
| | <u>\$ 155,683</u> | <u>\$ 145,631</u> |

Note: It was equity-settled.

- 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 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$21,455 and \$18,977, respectively; while directors' remuneration was accrued at \$5,400 and \$5,004, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5% and not higher than 5% of distributable profit for the year ended December 31, 2023, respectively. For the year ended December 31, 2022, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$18,977 and \$5,004, respectively, which were in agreement with those amounts recognised in the 2022 financial statements.
- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

Components of income tax expense:

| | Year ended December 31 | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | \$ 43,908 | \$ 35,283 |
| Prior year income tax overestimation | (13,916) | (6,677) |
| Tax on undistributed surplus earnings | 2,105 | 112 |
| Effects by investment tax credits | (2,105) | (112) |
| Total current tax | <u>29,992</u> | <u>28,606</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (2,725) | (2,224) |
| Total deferred tax | (2,725) | (2,224) |
| Income tax expenses | <u>\$ 27,267</u> | <u>\$ 26,382</u> |

B. Reconciliation between income tax expense and accounting profit

| | Year ended December 31 | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| Income tax calculated by applying statutory rate to the profit before tax | \$ 38,619 | \$ 33,157 |
| Expenses disallowed by tax regulation | 2,564 | 373 |
| Prior year unrecognised deferred tax assets | - | (471) |
| Prior year income tax overestimation | (13,916) | (6,677) |
| Tax on undistributed surplus earnings | 2,105 | 112 |
| Effects by investment tax credits | (2,105) | (112) |
| Income tax expenses | <u>\$ 27,267</u> | <u>\$ 26,382</u> |

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

| 2023 | | | |
|----------------------------|-----------------|---------------------------------|-----------------|
| | At January 1 | Recognised in profit or loss | At December 31 |
| —Deferred tax assets: | | | |
| Temporary differences: | | | |
| Allowance for valuation | | | |
| loss on inventories | \$ 197 | \$ 7 | \$ 204 |
| Unused vacation time | | | |
| bonus tax | 203 | 41 | 244 |
| Unrealised exchange loss | - | 471 | 471 |
| Unrealised gross profit | 2,764 | 2,150 | 4,914 |
| | <u>\$ 3,164</u> | <u>\$ 2,669</u> | <u>\$ 5,833</u> |
| -Deferred tax liabilities: | | | |
| Pension tax differences | (479) | (12) | (491) |
| Unrealised exchange gain | (68) | 68 | - |
| | <u>(\$ 547)</u> | <u>\$ 56</u> | <u>(\$ 491)</u> |
| Total | <u>\$ 2,617</u> | <u>\$ 2,725</u> | <u>\$ 5,342</u> |

| 2022 | | | |
|----------------------------|---------------|---------------------------------|-----------------|
| | At January 1 | Recognised in profit or loss | At December 31 |
| —Deferred tax assets: | | | |
| Temporary differences: | | | |
| Allowance for valuation | | | |
| loss on inventories | \$ 328 | (\$ 131) | \$ 197 |
| Pension tax differences | (476) | 476 | - |
| Unused vacation time | | | |
| bonus tax | 275 | (72) | 203 |
| Unrealised exchange loss | 266 | (266) | - |
| Unrealised gross profit | - | 2,764 | 2,764 |
| | <u>\$ 393</u> | <u>\$ 2,771</u> | <u>\$ 3,164</u> |
| -Deferred tax liabilities: | | | |
| | - | (479) | (479) |
| Pension tax differences | - | (68) | (68) |
| Unrealised exchange gain | \$ - | (\$ 547) | (\$ 547) |
| Total | <u>\$ 393</u> | <u>\$ 2,224</u> | <u>\$ 2,617</u> |

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

(27) Earnings per share

| | Year ended December 31, 2023 | | |
|--|------------------------------|--|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 165,828 | 88,934 | \$ 1.86 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | 165,828 | 88,934 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 519 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 165,828 | \$ 89,453 | \$ 1.85 |
| <u>Year ended December 31, 2022</u> | | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 139,404 | 88,934 | \$ 1.57 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | 139,404 | 88,934 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 458 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 139,404 | \$ 89,392 | \$ 1.56 |

Note : The above-mentioned weighted average circulation of shares has been retrospectively adjusted according to the stock dividend distribution ratio approved by the 2022 shareholders' meeting.

(28) Supplemental cash flow information

Investing activities with partial cash payments:

| | Year ended December 31 | |
|--|------------------------|-----------|
| | 2023 | 2022 |
| Purchase of property, plant and equipment | \$ 17,544 | \$ 11,590 |
| Add: Opening balance of payable on equipment | 2,145 | 2,374 |
| Less: Ending balance of payable on equipment | (645) | (2,145) |
| Cash paid during the period | \$ 19,044 | \$ 11,819 |

(29) Changes in liabilities from financing activities

| | Year ended December 31 | |
|--|------------------------|-----------------|
| | 2023 | 2022 |
| | Lease liability | Lease liability |
| At January 1, | \$ - | \$ 9,640 |
| Changes in cash flow from financing activities | - | (950) |
| Changes in other non-cash items | - | (8,690) |
| At December 31 | <u>\$ -</u> | <u>\$ -</u> |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

TCI CO., LTD. (incorporated in R.O.C.) is the Company's ultimate parent company which directly held 22.83% of equity interest in the Company.

(2) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| TCI CO., LTD. | Ultimate parent |
| HORAY INC. | Subsidiary |
| Maxigen Biotech (Shanghai) Co., Ltd. | Subsidiary |
| NuVasive Inc. | Other related parties |
| Zhongjia Investment Development Co., Ltd. | Other related parties |
| Dahua Venture Capital Co., Ltd. | Other related parties |
| GENE & NEXT INC. (GENE & NEXT) | Other related parties |
| TCI LIVING CO., LTD. (TCI LIVING) | Other related parties |
| PETFOOD BIOTECHNOLOGY CO., LTD. | Other related parties |

(3) Significant related party transactions

A. Operating revenue

| | Year ended December 31 | |
|-----------------------|------------------------|------------------|
| | 2023 | 2022 |
| Sales of goods: | | |
| NuVasive Inc. | \$ 83,143 | \$ 74,903 |
| Subsidiary | 42,866 | 3,384 |
| Ultimate parent | 280 | 3,224 |
| Other related parties | 4,857 | 1,829 |
| | <u>\$ 131,146</u> | <u>\$ 83,340</u> |

Goods are sold based on the terms that would be available to third parties.

B. Purchases:

| | Year ended December 31 | |
|---------------------|------------------------|------------------|
| | 2023 | 2022 |
| Purchases of goods: | | |
| NuVasive Inc. | \$ 28,513 | \$ 17,450 |
| Ultimate parent | 20,920 | 35,138 |
| | <u>\$ 49,433</u> | <u>\$ 52,588</u> |

Goods sold to related parties are based on normal commercial terms and conditions.

C. Receivables from related parties:

| | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
| Accounts receivable: | | |
| Subsidiary | \$ 73,653 | \$ 53,335 |
| NuVasive Inc. | 11,944 | 11,862 |
| Ultimate Parent | 29 | 66 |
| Other related parties | 1,659 | - |
| | <u>\$ 87,285</u> | <u>\$ 65,263</u> |
| Other receivables: | | |
| Subsidiary | \$ 40 | \$ 43 |
| Ultimate parent | - | 1,162 |
| | <u>\$ 40</u> | <u>\$ 1,205</u> |

Receivables from related parties arise from sales of goods. The receivables are due 60-90 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties:

| | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
| Accounts payable: | | |
| NuVasive Inc. | \$ - | \$ 10,221 |
| Ultimate parent | 1,420 | 11,405 |
| | <u>\$ 1,420</u> | <u>\$ 21,626</u> |
| Other payables: | | |
| Ultimate parent | \$ - | \$ 1,274 |
| Other related parties | 42 | 305 |
| | <u>\$ 42</u> | <u>\$ 1,579</u> |

Accounts payable to related parties are mainly arising from purchases of goods and the payables bear no interest.

E. Loans to related parties:

(a) Loans to related parties:

(i) Outstanding balance:

| | December 31, 2023 | December 31, 2022 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 22,500 | \$ - |

(4) Key management compensation

| | Year ended December 31 | |
|------------------------------|------------------------|-----------|
| | 2023 | 2022 |
| Short-term employee benefits | \$ 22,246 | \$ 16,658 |
| Post-employment benefits | 198 | 180 |
| Share-based payment | 6,678 | 7,150 |
| Total | \$ 29,122 | \$ 23,988 |

8. PLEGGED ASSETS

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

| Pledged asset | Book value | | Purpose |
|--|-------------------|-------------------|--|
| | December 31, 2023 | December 31, 2022 | |
| Financial assets at amortised cost - current | \$ 1,500 | \$ 1,500 | Performance guarantee account due to government grants and customs for negotiation |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

10. Significant disaster loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

The Company's capital management is based on the scale of the industry which the Company is in, along with the industry's future cost and product development to set an appropriate market share. Furthermore, the Company determines an appropriate capital structure by planning a corresponding capital expenditure, calculating operation funds in accordance with operating plans, and considering the operating profits and cash flows that can be generated by products' competitiveness.

(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 amortised cost | | |
| Cash and cash equivalents | \$ 408,909 | \$ 764,600 |
| Financial assets at amortised cost | 1,500 | 10,316 |
| Notes receivable | 14,851 | 28,999 |
| Accounts receivable | 59,826 | 47,165 |
| Accounts receivable - related parties | 87,285 | 65,263 |
| Other accounts receivables | 8,715 | 17 |
| Other receivables - related parties | 22,540 | 1,205 |
| Guarantee deposits paid | 175 | 208 |
| | <u>\$ 603,801</u> | <u>\$ 917,773</u> |
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Notes payable | \$ 50 | \$ - |
| Accounts payable | 16,584 | 14,841 |
| Accounts payable - related parties | 1,420 | 21,626 |
| Other accounts payable | 81,200 | 75,587 |
| Other payables - related parties | 42 | 1,579 |
| Guarantee deposits received | 19 | 19 |
| | <u>\$ 99,315</u> | <u>\$ 113,652</u> |
| Lease liability | <u>\$ -</u> | <u>\$ -</u> |

B. Financial risk management policies

Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company 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 RMB. Foreign exchange rate risk arises from future

commercial transactions and recognised assets and liabilities

- ii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). 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: functional currency) | | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 6,472 | 30.7050 | \$ 198,723 |
| RMB:NTD | RMB | 22,716 | 4.3270 | 98,292 |
| EUR:NTD | EUR | 349 | 33.9800 | 11,859 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 306 | 30.7050 | \$ 9,396 |
| EUR:NTD | EUR | 12 | 33.9800 | 408 |
| | | December 31, 2022 | | |
| (Foreign currency: functional currency) | | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 6,266 | 30.7100 | \$ 192,429 |
| RMB:NTD | RMB | 21,508 | 4.4080 | 94,807 |
| EUR:NTD | EUR | 263 | 32.7200 | 8,605 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | USD \$ | 468 | 30.7100 | \$ 14,372 |
| RMB:NTD | RMB | 1,072 | 4.40800 | 4,725 |
| EUR:NTD | EUR | 40 | 32.7200 | 1,309 |
| AUD:NTD | AUD | 24 | 20.8300 | 500 |

- iii. The total exchange profit or loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to \$3,894 and \$31,674, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| Year ended December 31, 2023 | | | | |
|--|------------------------|----|--|---|
| Sensitivity analysis | | | | |
| (Foreign currency: functional currency) | Degree of variation | | Effect on profit or loss before tax | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ | 1,987 | \$ - |
| RMB:NTD | 1% | | 983 | - |
| EUR:NTD | 1% | | 119 | - |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ | 94 | \$ - |
| EUR:NTD | 1% | | 4 | - |
| Year ended December 31, 2022 | | | | |
| Sensitivity analysis | | | | |
| (Foreign currency: functional currency) | Degree of variation | | Effect on profit or loss before tax | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ | 1,924 | \$ - |
| RMB:NTD | 1% | | 948 | - |
| EUR:NTD | 1% | | 86 | - |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD:NTD | 1% | \$ | 144 | \$ - |
| RMB:NTD | 1% | | 47 | - |
| EUR:NTD | 1% | | 13 | - |
| AUD:NTD | 1% | | 5 | - |

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the management of credit risk, the default occurs when the contract payments are past due over certain days.
- v. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the modified approach based on the loss rate methodology to estimate the expected credit loss.
- vi. The Company used the consideration of forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, others. On December 31, 2023 and 2022, the loss rate methodology were as follows:

| | <u>Group 1</u> | <u>Group 2</u> | <u>Group 3</u> | <u>Group 4</u> | <u>Total</u> |
|-----------------------------|----------------|----------------|----------------|----------------|--------------|
| <u>At December 31,2023</u> | | | | | |
| Expected loss rate | 0.03% | 7.10% | 33.87% | 100% | |
| Total book value | \$ 72,730 | \$ 1,749 | \$ 539 | \$ 7,598 | \$ 82,616 |
| Loss allowance | \$ 22 | \$ 124 | \$ 195 | \$ 7,598 | \$ 7,939 |
| <u>At December 31, 2022</u> | | | | | |
| Expected loss rate | 0.03% | 6.76% | 39.91% | 100% | |
| Total book value | \$ 74,159 | \$ 2,155 | \$ - | \$ 7,590 | \$ 83,904 |
| Loss allowance | \$ 14 | \$ 136 | \$ - | \$ 7,590 | \$ 7,740 |

vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

| | <u>2023</u> | |
|--------------------------|----------------------------|-------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| At January 1 | \$ 7,740 | \$ - |
| Provision for impairment | <u>199</u> | <u>-</u> |
| At December 31 | <u>\$ 7,939</u> | <u>\$ -</u> |
| | <u>2022</u> | |
| | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| At January 1 | \$ 3,024 | \$ - |
| Provision for impairment | <u>4,716</u> | <u>-</u> |
| At December 31 | <u>\$ 7,740</u> | <u>\$ -</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. As of December 31, 2023 and 2022, there were no undrawn financing facilities.
- iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>December 31, 2023</u> | <u>Between 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
|--|---------------------------|----------------------------------|----------------------------------|-------------------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| Notes payable | \$ 50 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 18,004 | - | - | - |
| Other payables(including related parties) | 81,242 | - | - | - |
| Guarantee deposits received | - | - | - | - |

| <u>December 31, 2022</u> | <u>Between 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
|--|---------------------------|----------------------------------|----------------------------------|-------------------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| Notes payable | \$ - | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 36,467 | - | - | - |
| Other payables (including related parties) | 77,166 | - | - | - |
| Guarantee deposits received | - | - | 19 | - |

(3) Fair value

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. The Company's fair value information of investment property measured at amortized cost is provided in Note 6(16).

C. The Company's fair value information of financial assets and financial liabilities not measured at fair value is provided in Note 12(2)A.

D. 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 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> |
|---|-------------------|----------------|----------------|-------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | <u>\$ 432,800</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 432,800</u> |
| <u>December 31, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Convertible (exchangeable) bond

Market quoted price

Closing

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

13. Supplementary disclosures

(1) Significant transactions information

A. Loans to others: Please 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): Please 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: Please refer to table 3.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : None.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment information

None.

Maxigen Biotech Inc. and subsidiaries

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 year ended 2023 | Balance at 2023 | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for uncollectible accounts | Collateral Item | Collateral Value | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|-----|----------------------|--------------------------------------|---|--------------------|--|-----------------|--------------------------|---------------|----------------|--|---------------------------------|--------------------------------------|-----------------|------------------|--|--------------------------------|----------|
| 0 | Maxigen Biotech Inc. | Maxigen Biotech (Shanghai) Co., Ltd. | Other receivables - related parties - other | Y | \$ 44,150 | \$ 44,150 | \$ 23,005 | 2.00% | 2 | \$ - | For operating capital | \$ - | None | \$ - | \$ 680,552 | \$ 680,552 | Note |

Note : The Company held 100% voting shares directly and indirectly in foreign company, engage in loans granted, or the Company held 100% voting shares directly and indirectly in foreign company loans to the Company, limit on total loans shall not exceed 50% of the Company's net worth, and limit on loans to a single party shall not exceed 50% of the Company's net worth.

Maxigen Biotech Inc. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2023 | | | | Footnote |
|----------------------|-----------------------|---|---|-------------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| Maxigen Biotech Inc. | TCI CO., LTD. | The company is the parent company of Maxigen Biotech Inc. | Financial assets at fair value through other comprehensive income - non-current | 2,531 | \$ 432,800 | 2.14 | \$ 432,800 | None |

Maxigen Biotech Inc. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Balance as at January 1, 2023 | | Addition | | Disposal | | Balance as at December 31, 2023 | |
|----------------------|-----------------------|---|----------------|--------------------------------|-------------------------------|--------|------------------|-----------------|------------------|-----------------|---------------------------------|-----------------|
| | | | | | Number of shares | Amount | Number of shares | Amount (Note 1) | Number of shares | Amount (Note 1) | Number of shares | Amount (Note 1) |
| Maxigen Biotech Inc. | TCI CO., LTD. | Financial assets at fair value through other comprehensive income - non-current | Not applicable | Not applicable | - | \$ - | 2,531 | \$ 500,084 | - | \$ - | 2,531 | \$ 432,800 |

Note 1: The balance amount as at December 31, 2023 included unrealised gains or losses from financial assets.

Maxigen Biotech Inc. and subsidiaries
Significant inter-company transactions during the reporting periods
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 | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|----------------------|---|--------------------------|------------------------|-----------|---|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | Maxigen Biotech Inc. | Maxigen Biotech (Shanghai) Co., Ltd. | 1 | Accounts receivable | \$ 73,653 | Collection period was longer than non-related parties. | 4.93% |
| 0 | Maxigen Biotech Inc. | Maxigen Biotech (Shanghai) Co., Ltd. | 1 | Sales of goods | 42,866 | The price and terms on sales are available to third parties. | 6.89% |

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:

- (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.

Maxigen Biotech Inc. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Net income of investee as of December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 | Book value of investments in Mainland China as of December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023 | Footnote |
|--------------------------------------|---|-----------------|-------------------|--|--|-------------------------|--|--|--|---|---|---|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Maxigen Biotech (Shanghai) Co., Ltd. | Trading of cosmetics and beauty care products | USD 1,800 | Note 1 | \$ 58,193 | \$ - | \$ - | \$ 58,193 | (\$ 34,938) | 100.00 | (\$ 34,938) | (\$ 61,387) | \$ - | Note 2 |

Note 1: Reinvestments in a company in Mainland China through parent company in Taiwan .

Note 2: The amount recognised was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|----------------------|--|--|---|
| Maxigen Biotech Inc. | \$ 58,193 | \$ 55,269 | \$ 816,662 |

Note 3 : The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB\$1 : NTD\$4.327, USD\$1 : NTD\$30.705. Income presents at RMB\$1 : NTD\$4.3933. USD\$1 : NTD\$31.1773.

Note 4 : The amount is the higher of limits on accumulated investment amounts or 60% of consolidated net assets was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Maxigen Biotech Inc. and subsidiaries

Major shareholders information

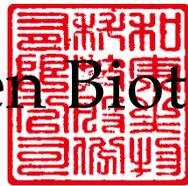
December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Name of major shareholders | Name of shares held (unit: shares) | Shares | |
|---|------------------------------------|--------|---------------|
| | | | Ownership (%) |
| TCI CO., LTD. | 20,304,762 | | 22.83% |
| FORMOSA BIOMEDICAL TECHNOLOGY CORPORATION | 8,702,040 | | 9.78% |
| NuVasive Inc. | 4,758,600 | | 5.34% |

Maxigen Biotech Inc.



Chairman Yung-Hsiang Lin

