

**PHARMOSA BIOPHARM INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2024 AND 2023**

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

PHARMOSA BIOPHARM INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2024, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,
Pharmosa Biopharma Inc.
Chien-Chih Wang
February 26, 2025

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of PHARMOSA BIOPHARM INC.

Opinion

We have audited the accompanying consolidated balance sheets of PHARMOSA BIOPHARM INC. and subsidiaries (the “Group”) as at December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *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 consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter for the Group's 2024 consolidated financial statements is stated as follows:

Accuracy of recognition of revenue from licensing intellectual property

Description

The Group is mainly engaged in technology out-licensing. The licensing revenue amounted to NT\$112,630 thousand, constituting 67% of total operating revenue for the year ended December 31, 2024. Refer to Note 4(25) for accounting policy on licensing revenue recognition, and Note 6(16) for details of operating revenue. The Company recognizes revenue in accordance with the terms and conditions specified in each license contract. As the amount of revenue is material, we considered the accuracy of licensing revenue recognition a key audit matter.

How our audit addressed the matter

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

1. Obtained management's policy on licensing revenue and confirmed whether the recognition of licensing revenue has complied with the internal control procedure.
2. Checked the contents of license contract and confirmed whether management's judgment on revenue recognition is in accordance with the terms of the contract and related accounting standards.
3. Confirmed whether the recognition of revenue has proper supporting documents.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of PHARMOSA BIOPHARM INC as at and for the years ended December 31, 2024 and 2023.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Yu, Shu-Fen

Yen, Yu-Fang

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2025

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

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

PHARMOSA BIOPHARM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 749,443	35	\$ 974,059	73
1136	Current financial assets at amortized cost	6(2)	869,000	40	-	-
1170	Accounts receivable, net	6(3)	4,654	-	-	-
1200	Other receivables		2,778	-	1,472	-
1220	Current tax assets		3,907	-	-	-
130X	Inventories	6(4)	24,741	1	21,909	2
1410	Prepayments		27,224	2	12,666	1
11XX	Current assets		<u>1,681,747</u>	<u>78</u>	<u>1,010,106</u>	<u>76</u>
Non-current assets						
1550	Investments accounted for using equity method	6(5)	73,259	4	71,223	5
1600	Property, plant and equipment	6(6)	201,849	9	45,916	4
1755	Right-of-use assets	6(7)	113,208	5	134,692	10
1780	Intangible assets		657	-	91	-
1900	Other non-current assets	6(8) and 8	92,882	4	71,615	5
15XX	Non-current assets		<u>481,855</u>	<u>22</u>	<u>323,537</u>	<u>24</u>
1XXX	Total assets		<u>\$ 2,163,602</u>	<u>100</u>	<u>\$ 1,333,643</u>	<u>100</u>
Liabilities and Equity						
Current liabilities						
2130	Current contract liabilities	6(16)	\$ 6,893	-	\$ -	-
2170	Accounts payable		677	-	585	-
2200	Other payables	6(9)	90,388	4	50,128	4
2280	Current lease liabilities		17,983	1	24,692	2
2320	Long-term liabilities, current portion	6(10) and 7	-	-	1,262	-
2399	Other current liabilities, others		190	-	908	-
21XX	Current liabilities		<u>116,131</u>	<u>5</u>	<u>77,575</u>	<u>6</u>
Non-current liabilities						
2527	Non-current contract liabilities	6(16)	4,820	-	-	-
2540	Long-term borrowings	6(10) and 7	-	-	1,186	-
2550	Non-current provisions		5,097	-	-	-
2580	Non-current lease liabilities		99,616	5	117,229	9
25XX	Non-current liabilities		<u>109,533</u>	<u>5</u>	<u>118,415</u>	<u>9</u>
2XXX	Total Liabilities		<u>225,664</u>	<u>10</u>	<u>195,990</u>	<u>15</u>
Equity						
Share capital		6(13)				
3110	Ordinary share		645,432	30	586,020	44
Capital surplus		6(14)				
3200	Capital surplus		1,438,858	67	531,343	40
Retained earnings		6(15)				
3310	Legal reserve		12,674	-	11,828	1
3350	Unappropriated retained earnings (accumulated deficit)		(159,043)	(7)	8,456	-
Other equity interest						
3400	Other equity interest		17	-	6	-
3XXX	Total Equity		<u>1,937,938</u>	<u>90</u>	<u>1,137,653</u>	<u>85</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 2,163,602</u>	<u>100</u>	<u>\$ 1,333,643</u>	<u>100</u>

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

PHARMOSA BIOPHARM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

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

			Year ended December 31			
	Items	Notes	2024		2023	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16)	\$ 167,568	100	\$ 314,500	100
5000	Operating costs	6(4)(21)	(40,665)	(24)	-	-
5900	Gross profit		126,903	76	314,500	100
	Operating expenses	6(4)(12)(21)				
6100	Selling expenses		(403)	-	-	-
6200	Administrative expenses		(50,282)	(30)	(40,353)	(13)
6300	Research and development expenses		(294,785)	(176)	(276,971)	(88)
6000	Operating expenses		(345,470)	(206)	(317,324)	(101)
6900	Net operating loss		(218,567)	(130)	(2,824)	(1)
	Non-operating income and expenses					
7100	Interest income	6(2)(17)	32,074	19	9,525	3
7010	Other income	6(18)	1,161	1	5,788	2
7020	Other gains and losses	6(19)	19,151	11	(6,680)	(2)
7050	Finance costs	6(7)(10)(20)	(2,419)	(1)	(2,857)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(5)	1,947	1	5,504	2
7000	Non-operating income and expenses		51,914	31	11,280	4
7900	(Loss) Profit before Income Tax		(166,653)	(99)	8,456	3
7950	Income tax expense	6(22)	-	-	-	-
8200	Net (loss) income		<u>(\$ 166,653)</u>	<u>(99)</u>	<u>\$ 8,456</u>	<u>3</u>
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		\$ 11	-	\$ 1	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		11	-	1	-
8300	Other comprehensive income, net of tax		<u>\$ 11</u>	<u>-</u>	<u>\$ 1</u>	<u>-</u>
8500	Total comprehensive income		<u>(\$ 166,642)</u>	<u>(99)</u>	<u>\$ 8,457</u>	<u>3</u>
	Loss attributable to:					
8610	owners of parent		<u>(\$ 166,653)</u>	<u>(99)</u>	<u>\$ 8,456</u>	<u>3</u>
	Comprehensive loss attributable to:					
8710	owners of parent		<u>(\$ 166,642)</u>	<u>(99)</u>	<u>\$ 8,457</u>	<u>3</u>
	(Loss) earnings per share	6(23)				
9750	Basic (loss) earnings per share		<u>(\$ 1.32)</u>		<u>\$ 0.07</u>	
9850	Diluted (loss) earnings per share		<u>(\$ 1.32)</u>		<u>\$ 0.07</u>	

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

PHARMOSA BIOPHARM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent							
		Capital Surplus				Retained Earnings		Other Equity	
		Ordinary share	Additional paid-in capital	Changes in equity of associates and joint ventures accounted for using equity method	Employee share options	Others	Legal reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements
									Total equity
Year ended December 31, 2023									
Balance at January 1, 2023		\$ 554,669	\$ 1,165,740	\$ 13,655	\$ 1,250	(\$ 758)	\$ 11,828	(\$ 985,272)	\$ 5
Profit for the year		-	-	-	-	-	-	8,456	-
Other comprehensive income		-	-	-	-	-	-	-	1
Total comprehensive income		-	-	-	-	-	-	8,456	1
Capital surplus used to offset accumulated deficits	6(15)	-	(985,272)	-	-	-	-	985,272	-
Issue of shares	6(13)	30,000	330,000	-	-	-	-	-	-
Exercise of employee stock options	6(12)	1,351	4,310	-	(1,204)	-	-	-	-
Compensation costs of employee stock options	6(12)	-	-	-	868	-	-	-	-
Employee stock options forfeited		-	-	-	(623)	623	-	-	-
Transfers of employee stock ownership trust	6(14)	-	2,727	-	-	-	-	-	-
Associates accounted for using equity method - employee stock options	6(5)	-	-	27	-	-	-	-	-
Balance at December 31, 2023		\$ 586,020	\$ 517,505	\$ 13,682	\$ 291	(\$ 135)	\$ 11,828	\$ 8,456	\$ 6
Year ended December 31, 2024									
Balance at January 1, 2024		\$ 586,020	\$ 517,505	\$ 13,682	\$ 291	(\$ 135)	\$ 11,828	\$ 8,456	\$ 6
Loss for the year		-	-	-	-	-	-	(166,653)	-
Other comprehensive income		-	-	-	-	-	-	-	11
Total comprehensive income		-	-	-	-	-	-	(166,653)	11
Appropriations of 2023 earnings:	6(15)	-	-	-	-	-	846	(846)	-
Legal reserve		-	-	-	-	-	-	-	-
Issue of shares	6(13)	59,000	906,441	-	(3,538)	-	-	-	-
Exercise of employee stock options	6(12)	412	1,091	-	(143)	-	-	-	-
Compensation costs of share-based payments	6(12)	-	-	-	3,575	-	-	-	-
Associates accounted for using equity method - employee stock options	6(5)	-	-	89	-	-	-	-	-
Balance at December 31, 2024		\$ 645,432	\$ 1,425,037	\$ 13,771	\$ 185	(\$ 135)	\$ 12,674	(\$ 159,043)	\$ 17

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

PHARMOSA BIOPHARM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 166,653)	\$ 8,456
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(7)(21)	25,673	23,255
Amortization expense	6(21)	132	66
Share-based payments	6(12)(21)	3,575	868
Interest expense		2,419	2,857
Interest income	6(17)	(32,074)	(9,525)
Loss on disposal of property, plant, and equipment	6(19)	342	-
Gains arising from lease modifications	6(7)(19)	(181)	-
Share of profit of associates accounted for using equity method	6(5)	(1,947)	(5,504)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(4,654)	-
Other receivables		1,288	(1,183)
Inventories		(2,832)	(21,909)
Prepayments		(15,528)	4,962
Changes in operating liabilities			
Contract liabilities		11,713	-
Accounts payable		92	585
Other payables		30,081	21,663
Other current liabilities		(718)	188
Cash (outflow) inflow generated from operations		(149,272)	24,779
Interest received		29,480	9,525
Interest paid		(4,435)	(2,857)
Income tax paid		(2,937)	-
Net cash flows (used in) from operating activities		(127,164)	31,447
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(869,000)	-
Acquisition of property, plant and equipment	6(24)	(165,268)	(81,460)
Acquisition of intangible asset		(698)	(6)
Increase in guarantee deposits paid		(4,539)	(12,375)
(Increase) decrease in other non-current assets		(65)	10,974
Net cash flows used in investing activities		(1,039,570)	(82,867)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayments of long-term borrowings	6(25)	(2,448)	(3,522)
Repayments of lease principal	6(7)(25)	(18,708)	(10,696)
Proceeds from issuing shares	6(13)	961,903	360,000
Employee stock options exercised	6(12)	1,360	4,457
Transfers of employee stock ownership trust	6(14)	-	2,727
Net cash flows from financing activities		942,107	352,966
Effects due to change in exchange rate		11	1
Net (decrease) increase in cash and cash equivalents		(224,616)	301,547
Cash and cash equivalents at beginning of year		974,059	672,512
Cash and cash equivalents at end of year		\$ 749,443	\$ 974,059

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

PHARMOSA BIOPHARM INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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

1. HISTORY AND ORGANIZATION

- (1) PHARMOSA BIOPHARM INC. (the “ Company”) was formerly known as PHARMOSA LIMITED. The Company was incorporated as a company limited by shares upon the approval of the Ministry of Economic Affairs, R.O.C on May 25, 2000 and began its operations on August 11, 2000. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are primarily engaged in the development of sustained release forms and medical drug-device combination products for home-based medical treatments.
- (2) The Company’s stocks were publicly issued in Taiwan on November 25, 2021, and were listed on the Taipei Exchange since March 26, 2024.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2025.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC and became effective from 2024 are as follows:

<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.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7, 'Contracts referencing nature-dependent electricity'	January 1, 2026
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

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

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

The IASB issued the amendments to clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception relating to the derecognition of a financial liability (or part of a financial liability) settled through an electronic cash transfer system. Applying the exception, an entity is permitted to derecognize a financial liability at an earlier date if, and only if, the entity has initiated a payment instruction and specific conditions are met.

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

- (a) the practical ability to withdraw, stop or cancel the payment instruction;
- (b) the practical ability to access the cash used for settlement; and
- (c) significant settlement risk.

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

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

4. **SUMMARY OF MATERIAL ACCOUNTING POLICIES**

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

(1) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2024	December 31, 2023
The Company	Pharmosa Therapeutics, Inc.	New pharmaceutical research and development services	100	100

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in 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 recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realized, 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 realized 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.

The Group classifies assets that do not meet the above criteria as non-current.

- B. Liabilities that meet one of the following criteria are classified as 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) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

The Group classifies liabilities that do not meet the above criteria as non-current.

(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 amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' 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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
- | | |
|-------------------------|-------------|
| Machinery and equipment | 3 years |
| Other equipment | 3 ~ 5 years |
| Leasehold improvements | 7 years |

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.
- 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 recognize the difference in profit or loss.

(15) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 year(s).

(16) 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

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

(18) Accounts payable

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

(19) Derecognition of financial liabilities

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

(20) Provisions

Provisions (including decommissioning) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions - defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(22) Employee share-based payment

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

B. Restricted shares:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Group will pay the employees who resign during the vesting period to repurchase the stocks, the Group estimates such payments that will be made and recognizes such amounts as compensation cost and liability at the grant date, in accordance with the terms of restricted stocks.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted. 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. 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 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- D. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- E. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be 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) Revenue recognition

A. Revenue from licencing

- (a) The Group entered into a contract with a customer to grant a licence of patents to the customer. The Group recognizes revenue from licencing when the licence transfer to a customer either at a point in time or over time based on the nature of the licence granted.

The nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognized as revenue on a straight-line basis throughout the licencing period. In case the above mentioned conditions are not met, the nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognized when transferring the licence to a customer at a point in time.

- (b) Contracts require a sales-based royalty in exchange for a licence of intellectual property. The Group recognizes revenue when the performance obligation has been satisfied and the subsequent sale occurs.

B. Product sales

- (a) The Group sells Research & Development of pharmaceuticals and health foods. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler'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 wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Operating segments

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

5. **CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY**

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

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

None.

(2) Critical accounting estimates and assumptions

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

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

As of December 31, 2024, the carrying amounts of right-of-use assets and property, plant and equipment were \$113,208 and \$201,849, respectively.

6. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Petty cash	\$ 40	\$ 40
Demand deposits	98,881	228,379
Time deposits	650,522	745,640
	<u>\$ 749,443</u>	<u>\$ 974,059</u>

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

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

(2) Financial assets at amortized cost-current

Items	December 31, 2024	December 31, 2023
Time deposit with original maturity date of more than three months but less than one year	\$ 869,000	\$ -

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

	Year ended December 31	
	2024	2023
Interest income	\$ 6,048	\$ -

B. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was \$869,000 and \$0, respectively.

C. The Group has no financial assets at amortized cost pledged to others.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Accounts receivable

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 4,654	\$ -
Less: Loss Allowance	-	-
	<u>\$ 4,654</u>	<u>\$ -</u>

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

	December 31, 2024	December 31, 2023
Not past due	\$ 4,654	\$ -

The above ageing analysis was based on past due date.

B. As of December 31, 2024 and 2023, accounts receivable were all from contract with customers. Additionally, as of January 1, 2023, the accounts receivable balance from customer contracts was \$0.

C. The Group did not hold any collateral.

D. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$4,654 and \$0, respectively.

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

(4) Inventories

December 31, 2024			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 16,087	\$ -	\$ 16,087
Work in progress	8,533	-	8,533
Merchandise inventory	121	-	121
	<u>\$ 24,741</u>	<u>\$ -</u>	<u>\$ 24,741</u>

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 19,633	\$ -	\$ 19,633
Work in progress	2,145	-	2,145
Merchandise inventory	131	-	131
	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ 21,909</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31	
	2024	2023
Cost of goods sold	\$ 40,665	\$ -
Cost of goods used	6,379	-
	<u>\$ 47,044</u>	<u>\$ -</u>

(5) Investments accounted for using equity method

A. Details and movements of the investments are as follows:

	December 31, 2024	December 31, 2023
Associate:		
AUPA BIOPHARM CO.,LTD. (AUPA)	<u>\$ 73,259</u>	<u>\$ 71,223</u>
	2024	2023
At January 1	\$ 71,223	\$ 65,692
Share of profit or loss of investments accounted for using equity method	1,947	5,504
Changes in capital surplus	89	27
At December 31	<u>\$ 73,259</u>	<u>\$ 71,223</u>

B. The basic information of the associate that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2024	December 31, 2023		
AUPA	Taiwan	12.04%	12.04%	Financing investment	Equity method

C. The summarised financial information of the associate that is material to the Group is as follows:

	AUPA	
	December 31, 2024	December 31, 2023
Current assets	\$ 327,245	\$ 344,572
Non-current assets	928,962	959,772
Current liabilities	(242,510)	(270,889)
Non-current liabilities	(405,085)	(441,574)
Total net assets	<u>\$ 608,612</u>	<u>\$ 591,881</u>
Carrying amount of the associate	<u>\$ 73,259</u>	<u>\$ 71,223</u>

	AUPA	
	2024	2023
Revenue	\$ 485,872	\$ 533,311
Profit before tax	18,534	57,175
Income tax expense	(3,738)	(11,848)
Net income	<u>14,796</u>	<u>45,327</u>
Total comprehensive income	<u>\$ 14,796</u>	<u>\$ 45,327</u>

D. There is no quoted market price for the associate of the Group, therefore, no fair value is applicable.

(6) Property, plant and equipment

	2024				
	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction</u>	<u>Total</u>
At January 1					
Cost	\$ 24,239	\$ 2,875	\$ -	\$ 35,607	\$ 62,721
Accumulated depreciation	(15,764)	(1,041)	-	-	(16,805)
	<u>\$ 8,475</u>	<u>\$ 1,834</u>	<u>\$ -</u>	<u>\$ 35,607</u>	<u>\$ 45,916</u>
Opening net book amount as at January 1	\$ 8,475	\$ 1,834	\$ -	\$ 35,607	\$ 45,916
Additions	2,410	2,683	-	164,531	169,624
Disposal	-	(342)	-	-	(342)
Transfer	29,433	7,436	28,851	(65,720)	-
Depreciation expense	(8,337)	(1,918)	(3,094)	-	(13,349)
Closing net book amount as at December 31	<u>\$ 31,981</u>	<u>\$ 9,693</u>	<u>\$ 25,757</u>	<u>\$ 134,418</u>	<u>\$201,849</u>
At December 31					
Cost	\$ 55,998	\$ 12,342	\$ 28,851	\$ 134,418	\$231,609
Accumulated depreciation	(24,017)	(2,649)	(3,094)	-	(29,760)
	<u>\$ 31,981</u>	<u>\$ 9,693</u>	<u>\$ 25,757</u>	<u>\$ 134,418</u>	<u>\$201,849</u>

	2023			
	Machinery and equipment	Other equipment	Unfinished construction	Total
At January 1				
Cost	\$ 23,886	\$ 2,488	\$ -	\$ 26,374
Accumulated depreciation	(10,613)	(445)	-	(11,058)
	<u>\$ 13,273</u>	<u>\$ 2,043</u>	<u>\$ -</u>	<u>\$ 15,316</u>
Opening net book amount as at January 1	\$ 13,273	\$ 2,043	\$ -	\$ 15,316
Additions	353	387	35,607	36,347
Depreciation expense	(5,151)	(596)	-	(5,747)
Closing net book amount as at December 31	<u>\$ 8,475</u>	<u>\$ 1,834</u>	<u>\$ 35,607</u>	<u>\$ 45,916</u>
At December 31				
Cost	\$ 24,239	\$ 2,875	\$ 35,607	\$ 62,721
Accumulated depreciation	(15,764)	(1,041)	-	(16,805)
	<u>\$ 8,475</u>	<u>\$ 1,834</u>	<u>\$ 35,607</u>	<u>\$ 45,916</u>

A. The additions for the current period include the capitalization of depreciation expenses on right-of-use assets and interest expenses on lease liabilities as property, plant, and equipment. Please refer to Note 6(7).

B. The Group had no property, plant and equipment pledged to others as collateral.

(7) Leasing transactions — lessee

A. The Group leases various assets including offices and parking spaces. Contracts were made for periods of 5 to 7 years.

B. Short-term leases with a lease term of 12 months or less comprise parking spaces. Low-value assets comprise multifunction printers.

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

	December 31, 2024	December 31, 2023
	Carrying amount	Carrying amount
Buildings and structures	<u>\$ 113,208</u>	<u>\$ 134,692</u>

	Year ended December 31	
	2024	2023
	Depreciation expense	Depreciation expense
Buildings and structures	\$ 21,331	\$ 17,508
Less: Capitalization of depreciation	(9,007)	-
	<u>\$ 12,324</u>	<u>\$ 17,508</u>

D. For the years ended December 31, 2024 and 2023, the additions to right-of-use assets were \$5,399 (including an increase in decommissioning liabilities of \$4,969 and an increase in lease liabilities of \$430) and \$137,393 (including an increase in lease liabilities of \$137,393), respectively.

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

	Year ended December 31	
	2024	2023
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,286	\$ 2,746
Expense on short-term lease contracts	102	149
Expense on leases of low-value assets	40	40
Gain on lease modification	181	-
Capitalization of depreciation on right-of-use assets	9,007	-
Capitalization of interest on lease liabilities	2,016	-

F. In accordance with paragraph 10 of IAS 16, 'Property, Plant and Equipment', the Group capitalized costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant and equipment. For the year ended December 31, 2024, the depreciation charges capitalized on right-of-use assets and the interest expense capitalized on the related lease liabilities amounted to \$9,007 and \$2,016, respectively. There was no such transaction for the year ended December 31, 2023.

G. Considering the operational needs, the Group early terminated the lease of the office located in the Nankang Software Park on March 31, 2024. Therefore, a decrease in the right-of-use assets and lease liabilities amounting to \$5,552 and \$6,044 was recognized, respectively. The Group paid an early termination fee of \$311 and recognized the related gain arising from lease modifications amounting to \$181.

H. For the years ended December 31, 2024 and 2023, the Group's total cash outflow for leases were \$23,136 and \$13,631 of which \$18,708 and \$10,696 represents the principal of lease liabilities, respectively.

(8) Other non-current assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Prepayments for equipment	\$ 74,218	\$ 57,244
Guarantee deposits paid	18,599	14,371
Other non-current assets, others	65	-
	<u>\$ 92,882</u>	<u>\$ 71,615</u>

Details of the non-current financial assets pledged to others as collateral are provided in Note 8.

(9) Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Payable on materials of research and experiment	\$ 49,024	\$ 21,195
Payable on machinery and construction	23,403	13,096
Wages and salaries payable	11,053	9,495
Service fees payable	1,430	2,547
Others	5,478	3,795
	<u>\$ 90,388</u>	<u>\$ 50,128</u>

(10) Long-term borrowings

For the year ended December 31, 2024: None.

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from December 2020 to November 2025, the interest is repayable monthly for the first year and principal along with the interest are repayable monthly starting from the second year.	2.40% ~ 2.65%	Notes 1 and 2	\$ 2,448
Less: Current portion				(1,262)
				<u>\$ 1,186</u>

Note 1: Certain long-term bank borrowings were guaranteed by the Small & Medium Enterprise Credit Guarantee Fund of Taiwan. Details of the guarantees provided by related parties are provided in Note 7.

Note 2: The borrowings pertained to the relief borrowings. In April 2024, the Group paid off the borrowings in advance.

A. The Group's interest expense recognized in profit or loss amounted to \$21 and \$111 for the years ended December 31, 2024 and 2023, respectively.

B. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Expiring within one year	\$ <u>101,668</u>	\$ <u>168,930</u>

C. The details on related party joint guarantees are provided in Note 7.

(11) Pensions

A. The Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2024 and 2023, were \$3,135 and \$2,122, respectively.

(12) Share-based payment

A. For the years ended December 31, 2024 and 2023, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Third employee stock options (Note 1)	2021.4.1	4,070	5 years	Options can be exercised based on the certain percentage after one year of service (Notes 2 and 3).
Fourth employee stock options (Note 1)	2021.9.1	447	5 years	Options can be exercised based on the certain percentage after one year of service (Note 2).
Cash capital increase reserved for employee preemption	2023.5.9	600	0.29 years	Vested immediately
Cash capital increase reserved for employee preemption	2024.3.4	536	0.04 years	Vested immediately

Note 1: Employee stock options can be exercised in accordance with the vesting conditions. The duration of stock options is five years starting from the grant date, and the stock options cannot be transferred, pledged, donated or disposed in other method.

Note 2: For the employees who are currently working in the Group, whose services have reached 1 year, 2 years, 3 years and 4 years from the grant date of the stock options, the accumulated ratio of exercisable stock option is 30%, 60%, 80% and 100%, respectively.

Note 3: On July 23, 2021, the Group's Board of Directors resolved to prior exercise the third-time employee stock options on July 23, 2021.

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

Employee stock options

	2024		2023	
	No. of options (shares in thousands)	Weighted- average exercise price (in dollars)	No. of options (shares in thousands)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	211	\$ 16.50	656	\$ 16.50
Options exercised	(82)	16.50	(270)	16.50
Options forfeited	(32)	16.50	(175)	16.50
Options outstanding at December 31	<u>97</u>	16.50	<u>211</u>	16.50
Options exercisable at December 31	<u>14</u>	16.50	<u>14</u>	16.50

C. The expiry date and exercise price of stock options outstanding for the years ended December 31, 2024 and 2023 were follows:

		December 31, 2024		December 31, 2023	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
Issue date approved	Expiry date				
2021.4.1	2026.3.31	20	\$ 16.50	40	\$ 16.50
2021.9.1	2026.8.1	77	\$ 16.50	171	16.50

D. The fair value of stock options and restricted stocks to employees granted 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
Third employee stock options	2021.4.1	\$17.08 dollars	\$16.5 dollars	32.20% ~33.63%	3~4.5 years	0%	0.23~0.28%	\$4.49 dollars
Fourth employee stock options	2021.9.1	9.88 dollars	16.5 dollars	33.56% ~35.88%	3~4.5 years	0%	0.26~0.30%	1.05 dollars
Cash capital increase reserved for employee preemption	2023.5.9	50.11 dollars	60 dollars	47.43%	0.29 year	0%	0.89%	2.01 dollars
Cash capital increase reserved for employee preemption	2024.3.4	71.32 dollars	65 dollars	37.27%	0.04 year	0%	1.02%	6.6 dollars

Note: As the Group was not a listed company on the Taiwan Stock Exchange or the Taiwan Over-The-Counter Securities Exchange at the grant date, there was no specific public transaction price, and the transaction price was calculated based on the information of several listed companies that are similar to the Company.

E. The compensation costs recognized for the above share-based payment transactions for the years ended December 31, 2024 and 2023 were \$3,575 and \$868, respectively.

(13) Share capital

A. As of December 31, 2024, the Company's authorised capital was \$1,000,000, consisting of 200,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$645,432 with a par value of NT\$5 (in dollars) per share.

B. On May 9, 2023, the Company's Board of Directors resolved to increase capital by issuing 6,000 thousand shares at premium of \$60 (in dollars) per share. The capital increase was set effective on August 24, 2023 and the registration has been completed on September 7, 2023.

- C. The Board of Directors during its meeting on December 14, 2023, adopted a resolution to increase the Company's capital by issuing 11,800 thousand ordinary shares prior to the initial public offering with the Taipei Exchange. The abovementioned cash capital increase through the issuance of ordinary shares includes public underwriting, competitive auctions and preemption of employees and specific person, with the number of shares amounting to 2,006 thousand, 8,024 thousand, 536 thousand and 1,234 thousand, respectively, in which, the public underwriting and preemption of employees and specific person are issued at a premium issuance price of NT\$65 (in dollars) per share, while the competitive auctions are issued based on the weighted-average price at a premium issuance price of NT\$89.66 (in dollars) per share. The effective date was set on March 22, 2024, and the proceeds from the capital increase totaled NT\$964,903. The registration was completed on May 13, 2024. The underwriting commission expense of \$3,000 arising from the cash capital increase through the issuance of ordinary shares was recorded as a deduction from capital surplus - additional paid-in capital as it was a necessary issuance cost.
- D. Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares):

	2024	2023
At January 1	117,204,004	110,933,804
Cash capital increase	11,800,000	6,000,000
Employee stock options exercised	82,400	270,200
At December 31	129,086,404	117,204,004

(14) Capital surplus

- A. 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. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. For the year ended December 31, 2023, the ESOP association sold the shares of the employee stock ownership held by the employees who resigned during the period of the stock trusts to the third party in accordance with the trust agreement. The proceeds of the disposal, net of the amount that should be returned to the employees, were remitted back to the Company amounting to \$2,727, which was credited to "capital surplus". For the year ended December 31, 2024, no shares of employee stock ownership held by the employees who resigned during the period of stock trust were sold.

(15) Unappropriated retained earnings (accumulated deficit)

- A. According to the Company's Articles of Incorporation, the current year's post-tax profit, if any, shall first be used to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After that, special reserve shall be set aside or reverse in accordance with the related laws or the regulations made by the regulatory authority. The remainder, if any, along with prior year's accumulated undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders as dividends to shareholders.
- B. The Company's dividend policy is to set aside distributable earnings for allocation of shareholder bonus which is in accordance with the current and future development plan, considering the investment environment, capital needs and domestic and foreign competition, as well as shareholders' benefits. The aforementioned shareholders' dividends and bonus may be distributed in the form of cash or shares, which shall be distributed as dividends (including cash or shares) at least 10% of the current earnings after tax, of which cash dividends shall not be less than 10% of the total dividends.
- C. On June 21, 2023, the Company's shareholders resolved the deficit compensation for 2022. The Company offset the accumulated deficit against the capital surplus - additional paid-in capital amounting to \$985,272.
- D. The appropriation of 2023 earnings as resolved by the shareholders on June 26, 2024 is as follows:

	<u>Year ended December 31, 2023</u>
Legal reserve	\$ 846

- E. On February 26, 2025, the Board of Directors proposed the deficit compensation for 2024. The Company proposed to offset the accumulated deficit against the capital surplus-additional paid-in capital amounting to \$159,043. The deficit compensation for 2024 has not yet been resolved by the shareholders.
- F. For the information relating to employees' compensation, please refer to Note 6(21).
- G. Information about deficit compensation as resolved by the shareholders at their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(16) Operating revenue

	<u>Year ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers		
Sales revenue	\$ 54,938	\$ -
Revenue from licencing	112,630	314,500
	<u>\$ 167,568</u>	<u>\$ 314,500</u>

A. Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of sales and patents at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2024			
	Taiwan	USA	Total
Revenue from external customer contracts	\$ 75	\$ 167,493	\$ 167,568
Timing of revenue recognition			
At a point in time	\$ 75	\$ 167,493	\$ 167,568
Year ended December 31, 2023			
	Taiwan	USA	Total
Revenue from external customer contracts	\$ -	\$ 314,500	\$ 314,500
Timing of revenue recognition			
At a point in time	\$ -	\$ 314,500	\$ 314,500

- (a) On June 28, 2023, the Group entered into an exclusive licensing agreement with Liquidia Technologies, Inc., (“Liquidia”) whereby the Group licensed Liquidia the rights to research, develop and commercialize L606 for the treatment of Pulmonary Arterial Hypertension (PAH) and Pulmonary Hypertension Associated with Interstitial Lung Disease (PH-ILD) and other indications in North American market. In the future, the Group will be responsible for cGMP manufacturing from clinical development stage to the commercialization stage, and the Group will supply L606 drug products to Liquidia under a supply agreement with mutual agreed price. Additionally, on October 2, 2024, the Group entered into the first amendment of exclusive licensing agreement with Liquidia, whereby the Group licensed Liquidia the rights to research, develop and commercialize L606 in the market outside North America (excluding countries and regions of Taiwan, Korea, Southeast Asia, China, Middle East, North Africa and Turkey). Furthermore, the Group also entered into an exclusive licensing agreement for the nebulizer with Liquidia, whereby the Group licensed Liquidia the rights to research, develop and commercialize the self-developed nebulizers in combination with L606 within the authorized areas.

(b) On August 20, 2024, the Group entered into an exclusive licensing agreement with Menagen Pharmaceutical Industries (“Menagen”), whereby the Group licensed Menagen the rights to apply for drug permit license and exclusively market L606 for the treatment of two indications including Pulmonary Arterial Hypertension (PAH) and Pulmonary Hypertension Associated with Interstitial Lung Disease (PH-ILD) in Middle East, North Africa, and Turkish markets. After signing the agreement, the Group received the upfront payment and will subsequently receive milestone payments for product development and additional milestone payments based on the achievement of sales milestones. Regarding the supply price of L606 after product launch, the supply price will be set at a fixed percentage of the marketing price, though it cannot be lower than the minimum supply price agreed by both parties. The supply price for the dedicated nebulizer will be determined under mutual agreement.

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Current:			
Sales Contracts			
(Note 1)	\$ 6,893	\$ -	\$ -
Non-current:			
Exclusive Sales			
Agreement (Note 2)	<u>4,820</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,713</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: The Group received the advance payment due to the manufacturing and sales of research and development drugs of L606, of which the performance obligation is expected to be satisfied when the research and development drug is delivered to the customer, and management expects to recognize the contract revenue over time in the following year.

Note 2: The signing bonus received by the Group for licensing the sales right will be recognized as contract revenue by the management when the conditions are met, and the performance obligations are fulfilled.

(17) Interest income

	Year ended December 31	
	2024	2023
Interest income from bank deposits	\$ 25,931	\$ 9,448
Interest income from financial assets measured at amortized cost	6,048	-
Imputed interest on deposits	95	77
	<u>\$ 32,074</u>	<u>\$ 9,525</u>

(18) Other income

	Year ended December 31	
	2024	2023
Other income-others	<u>\$ 1,161</u>	<u>\$ 5,788</u>

(19) Other gains and losses

	Year ended December 31	
	2024	2023
Foreign exchange gains (losses)	\$ 19,312	(\$ 6,680)
Gains arising from lease modifications	181	-
Losses on disposals of property, plant and equipment	(342)	-
	<u>\$ 19,151</u>	<u>(\$ 6,680)</u>

(20) Finance costs

	Year ended December 31	
	2024	2023
Interest expense		
Bank borrowings	\$ 21	\$ 111
Interest expense on lease liabilities	128	-
Interest expense on decommissioning liabilities	4,286	2,746
	<u>4,435</u>	<u>2,857</u>
Less: Capitalisation of interest (Note)	(2,016)	-
	<u>\$ 2,419</u>	<u>\$ 2,857</u>

Note: For details of capitalization of interest , refer to Note 6(7).

(21) Employee benefit expense

Function Nature	Year ended December 31, 2024		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 992	\$ 67,934	\$ 68,926
Employee stock options	644	2,931	3,575
Labour and health insurance fees	67	5,211	5,278
Pension costs	43	3,092	3,135
Directors' remuneration	-	7,479	7,479
Other personnel expenses	21	2,244	2,265
Depreciation expense (Note)	768	24,905	25,673
Amortization expense	-	132	132

Function Nature	Year ended December 31, 2023		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ -	\$ 49,508	\$ 49,508
Employee stock options	-	868	868
Labour and health insurance fees	-	3,645	3,645
Pension costs	-	2,122	2,122
Directors' remuneration	-	6,395	6,395
Other personnel expenses	-	1,191	1,191
Depreciation expense (Note)	-	23,255	23,255
Amortization expense	-	66	66

Note: The depreciation charge pertained to the amount, deducting the capitalisation of depreciation charge on right-of-use assets. The deducted amount for the year ended December 31, 2024 was \$9,007. There was no capitalisation of depreciation charge on right-of-use assets for the year ended December 31, 2023.

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

- (a) In accordance with the Articles of Incorporation of the Group, 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 1% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- (b) For the year ended December 31, 2024, no employees' compensation or directors' remuneration was accrued due to accumulated deficit. For the years ended December 31, 2023, employees' compensation and directors' remuneration was accrued at \$85 and \$0, respectively.
- (c) For the year ended December 31, 2023, the employees' compensation and directors' remuneration resolved by the Board of Directors of the Group were \$85 and \$0, and the employees' compensation will be distributed in the form of cash. The distribution of employees' compensation has not yet been completed.

B. Information about employees' compensation and directors' remuneration of the Group as approved by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2024	2023
Tax calculated based on (loss) profit before tax and statutory tax rate	(\$ 33,331)	\$ 1,691
Tax exempt income by tax regulation	(389)	(1,101)
Temporary difference not recognized as deferred tax assets	-	1,658
Taxable loss not recognized as deferred tax assets	33,720	-
Unrecognized tax losses of prior years	-	(2,336)
Others	-	88
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

December 31, 2024			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development			
- Biotech and pharmaceutical	\$ 133,118	\$ 133,118	Note
Machinery and equipment	16,948	16,948	Note
	<u>\$ 150,066</u>	<u>\$ 150,066</u>	

December 31, 2023			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Research and development			
- Biotech and pharmaceutical	<u>\$ 99,849</u>	<u>\$ 99,849</u>	Note

Note: The unused tax credits in accordance with the Act for the Development of Biotech and Pharmaceutical Industry can offset the current income tax payable for the next five years. For the investment in machinery and equipment or systems, the commencement year for tax credits is the year when the income tax payable is available for reduction. If the income tax payable in the commencement year is insufficient to offset the tax credit, the remaining amount can offset the current income tax payable for the next two years. As of December 31, 2024, the Company has no income tax payable.

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

December 31, 2024				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017	\$ 65,094	\$ 51,045	\$ 51,045	2027
2018	79,433	79,433	79,433	2028
2019	132,727	132,727	132,727	2029
2020	187,212	187,212	187,212	2030
2021	256,735	256,735	256,735	2031
2022	271,627	271,627	271,627	2032
2024	188,850	188,850	188,850	2034
	<u>\$ 1,181,678</u>	<u>\$ 1,167,629</u>	<u>\$ 1,167,629</u>	

December 31, 2023

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017	\$ 65,094	\$ 51,045	\$ 51,045	2027
2018	79,433	79,433	79,433	2028
2019	132,727	132,727	132,727	2029
2020	187,212	187,212	187,212	2030
2021	256,735	256,735	256,735	2031
2022	271,627	271,627	271,627	2032
	<u>\$ 992,828</u>	<u>\$ 978,779</u>	<u>\$ 978,779</u>	

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2024	December 31, 2023
Deductible temporary differences	<u>\$ 2,930</u>	<u>\$ 9,239</u>

E. The Company's income tax returns through 2022 have been assessed and approved by the Tax Authority.

(23) (Loss) Earnings per share

	Year ended December 31, 2024		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share (Note)</u>			
Loss attributable to ordinary shares	<u>(\$ 166,653)</u>	<u>126,425</u>	<u>(\$ 1.32)</u>

	Year ended December 31, 2023		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shares	<u>\$ 8,456</u>	<u>113,221</u>	<u>\$ 0.07</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Share-based payments	-	171	
Employees' compensation	<u>-</u>	<u>1</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 8,456</u>	<u>113,393</u>	<u>\$ 0.07</u>

Note: The Group has no assumed conversion of all dilutive potential ordinary shares for the year ended December 31, 2024.

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	<u>2024</u>	<u>2023</u>
Purchase of property, plant and equipment	\$ 169,624	\$ 36,347
Add: Opening balance of payable on equipment	13,096	965
Less: Ending balance of payable on equipment	(23,403)	(13,096)
Add: Ending balance of prepaid equipment (Note)	74,218	57,244
Less: Opening balance of prepaid equipment (Note)	(57,244)	-
Less: Capitalization of depreciation on right-of-use assets	(9,007)	-
Less: Capitalization of interest on lease liabilities	(2,016)	-
Cash paid during the year	<u>\$ 165,268</u>	<u>\$ 81,460</u>

Note: Prepaid equipment shown as “other non-current assets”.

(25) Changes in liabilities from financing activities

	2024		
	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 2,448	\$ 141,921	\$ 144,369
Repayment	(2,448)	(18,708)	(21,156)
Addition	-	430	430
Changes in other non-cash items	-	(6,044)	(6,044)
At December 31	<u>\$ -</u>	<u>\$ 117,599</u>	<u>\$ 117,599</u>

	2023		
	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 5,970	\$ 15,224	\$ 21,194
Repayment	(3,522)	(10,696)	(14,218)
Addition	-	137,393	137,393
At December 31	<u>\$ 2,448</u>	<u>\$ 141,921</u>	<u>\$ 144,369</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
WANG CHIEN CHIH	The Company's chairman
YEN WEN HSU	The representative appointed by the Company's legal directors (Note)
Anxo Pharmaceutical Co., Ltd.	Other related parties

Note: YEN-WEN HSU was dismissed from his position as a director after the Group's shareholders' meeting re-elected him on June 26, 2024.

(2) Relationship with the Group

A. Other income

	Year ended December 31	
	2024	2023
Other related parties	<u>\$ 39</u>	<u>\$ -</u>

B. Guarantees provided by related parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>Guarantees provided to related parties</u>
Long-term bank borrowings	<u>\$ 101,668</u>	<u>\$ 2,448</u>	Jointly guaranteed by the chairman and directors

(3) Key management compensation

	Year ended December 31	
	2024	2023
Short-term employee benefits	\$ 29,714	\$ 25,612
Post-employment benefits	864	855
Share-based payment	1,287	884
	<u>\$ 31,865</u>	<u>\$ 27,351</u>

8. **PLEDGED ASSETS**

The carrying amounts of the Group's assets provided as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2024	December 31, 2023	
Guarantee deposits paid (shown as other non-current assets)	<u>\$ 18,599</u>	<u>\$ 14,371</u>	Performance guarantee for right-of-use assets

9. **SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

(1) Contingencies

None.

(2) Commitments

A. The Group commissioned domestic and foreign vendors to perform services such as filling medicines, manufacturing devices and clinical trial and analysis in accordance with the project progress. As of December 31, 2024 and 2023, the amount that was contracted but not yet paid was \$187,846 and \$150,801, respectively.

B. As of December 31, 2024 and 2023, the property, plant and equipment that was contracted but not yet paid amounted to \$209,215 and \$143,597, respectively. The Group had unused letters of credit due to the aforementioned transaction amounting to \$117,822 and \$0, respectively.

10. **SIGNIFICANT DISASTER LOSS**

None.

11. **SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

Refer to Note 6(15) for details of the deficit compensation.

12. **OTHERS**

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2024	December 31, 2023
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 749,443	\$ 974,059
Financial assets at amortized cost	869,000	-
Accounts receivable	4,654	-
Other receivables	2,778	1,472
Guarantee deposits paid (shown as other non-current assets)	18,599	14,371
	<u>\$ 1,644,474</u>	<u>\$ 989,902</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Accounts payable	\$ 677	\$ 585
Other payables	90,388	50,128
Long-term borrowings (including current portion)	-	2,448
	<u>\$ 91,065</u>	<u>\$ 53,161</u>
Lease liability	<u>\$ 117,599</u>	<u>\$ 141,921</u>

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Group's management has set up a policy to manage its foreign exchange risk against its functional currency. The Group are required to hedge their entire foreign exchange risk exposure with the treasury. Foreign exchange risk arises when future commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some functional currency operations (the Group's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2024							
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	14,025	32.79	\$ 459,795	1%	\$ 4,598	\$ -
EUR:NTD		2,094	34.14	71,503	1%	715	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$	735	32.79	\$ 24,107	1%	\$ 241	

December 31, 2023							
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	8,909	30.71	\$ 273,595	1%	\$ 2,736	\$ -
EUR:NTD		21	33.98	722	1%	7	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$	389	30.71	\$ 11,946	1%	\$ 119	\$ -

iv. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2024 and 2023, amounted to \$19,312 and (\$6,680), respectively.

Price risk

The Group did not hold any investment targets of equity instruments, and thus there was no risk of price movement.

Cash flow and fair value Interest rate risk

- i. For the year ended December 31, 2024, the Group had no long-term borrowings.
- ii. The Group's interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2023, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- iii. For the sensitivity analysis relating to interest rate risk, if the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the year ended December 31, 2023 would have increased/decreased by \$20. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that customers could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire Group's concern. For banks and financial institutions, only those with good credit quality are accepted. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. 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.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. The Group incorporates the global economic climate information into future forwardlooking considerations and adjusts the loss rate based on historical and current information for a specific period. The expected loss rate of customers in credit-worthy groups is 0.03 % in 2024 and 2023. The total book value of notes receivable and accounts receivable and allowance losses on December 31, 2024 and 2023 were \$4,624 and \$0 respectively. As the credit risk is good and the expected credit risk is insignificant based on the assessment, thus, no loss allowance was recognized.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating departments of the Group 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.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2024						
<u>Non-derivative financial liabilities</u>						
Accounts payable	\$	677	\$ -	\$ -	\$ -	\$ 677
Other payables		90,388	-	-	-	90,388
Lease liability		21,691	21,693	68,453	18,188	130,025

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2023						
<u>Non-derivative financial liabilities</u>						
Accounts payable	\$	585	\$ -	\$ -	\$ -	\$ 585
Other payables		50,128	-	-	-	50,128
Lease liability		29,074	21,619	66,539	41,277	158,509
Long-term borrowings (including current portion)		1,312	1,202	-	-	2,514

- (d) The Group does not expect the maturity to end early nor the actual cash flow to be materially different.

(3) Fair value information

The management of the Group considers that the carrying amounts of financial assets and liabilities not measured at fair value, including cash and cash equivalents, financial assets at amortized cost, accounts receivable, other receivables, guarantee deposits paid, accounts payable, other payables, long-term borrowings and lease liabilities, are approximate to their fair value.

13. **SUPPLEMENTARY DISCLOSURES**

(1) Significant transactions information

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 1.

(3) Information on investments in Mainland China

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

(4) Major shareholders information

The related information on names of shareholders whose shareholding ratio exceeded 5%:
Please refer to table 2.

14. **SEGMENT INFORMATION**

(1) General information

The Group is mainly engaged in the research of new drugs and sells biotech products. The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

- A. The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies and the assumptions and estimates of the operating segments are in agreement with the significant accounting policies summarised and critical accounting assumptions and estimates as described in Note 4 and Note 5.
- B. The financial information provided to the chief operating decision maker with respect to total assets is measured in a manner consistent with that of the comprehensive income.

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

The Group has only one reportable operating segment; thus, the reportable information was in agreement with the financial statements.

(4) Reconciliation for segment income (loss)

The operating profit that the Group reported to the chief operating decision-maker is measured in a manner consistent with revenue and expenses in the statement of comprehensive income. The Group did not provide the amounts of total assets and total liabilities to chief operating decision-maker. As the amounts in the statement provided to the chief operating decision-maker for managing segment are in agreement with the amounts in the statements of segment income, reconciliation is not needed.

(5) Information on products and services

Please refer to Note 6(16) for the related information.

(6) Geographical information

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

	<u>Year ended December 31, 2024</u>		<u>Year ended December 31, 2023</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
USA	\$ 167,493	\$ -	\$ 314,500	\$ -
Taiwan	75	389,997	-	237,943
	<u>\$ 167,568</u>	<u>\$ 389,997</u>	<u>\$ 314,500</u>	<u>\$ 237,943</u>

(7) Major customer information

Major customers which contributed more than 10% of the Group's total operating revenues for the years ended December 31, 2024 and 2023 are listed below:

	<u>Year ended December 31, 2024</u>		<u>Year ended December 31, 2023</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	<u>\$ 167,493</u>	Note	<u>\$ 314,500</u>	Note

Note: The Group has only one reportable operating segment.

PHARMOSA BIOPHARM INC. and its subsidiaries
 NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEE COMPANIES (NOT INCLUDING INVESTEES IN MAINLAND CHINA)
 For the year ended December 31, 2024

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2024			Net profit (loss) of the investee for the year ended December 31, 2024	Investment income (loss) recognized by the Company for the year ended December 31, 2024	Footnote
				Balance as at December 31, 2024	Balance as at December 31, 2023	Number of shares (in thousand)	Ownership (%)	Book value			
Pharmosa Biopharm Inc.	AUPA Biopharm co., ltd	Taiwan	Medical goods manufacturing	\$ 55,972	\$ 55,972	5,597	12.04	\$ 73,259	\$ 14,796	\$ 1,947	
Pharmosa Biopharm Inc.	Pharmosa Therapeutics, Inc.	USA	New pharmaceutical research and development services	402	149	13	100.00	229 (78) (78)	

Table 1

PHARMOSA BIOPHARM INC.and its subsidiaries

Major shareholders information

December 31, 2024

Table 2

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
CDIB Capital Healthcare Ventures II	8,650,701	6.70%
FUKESHEN Investment Co., Ltd.	8,566,664	6.64%
FENGSI Investment Co., Ltd.	7,340,324	5.69%
GISOU Investment Co., Ltd.	6,790,000	5.26%