

**MEDEON BIODESIGN, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022**

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.

MEDEON BIODESIGN, INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2023, 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. 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,

MEDEON BIODESIGN, INC.

Yue-Teh Jang, President

February 29, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MEDEON BIODESIGN, INC.

Opinion

We have audited the accompanying consolidated balance sheets of MEDEON BIODESIGN, INC. AND SUBSIDIARIES (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Valuation of goodwill impairment

Description

Please refer to Note 4(17) for accounting policies on impairment loss on non-financial assets, Note 5(2) for the uncertainty of accounting estimates and assumptions applied to goodwill impairment valuation, and Note 6(9) for details of goodwill impairment valuation.

The Group acquired Medeologix, Inc. in 2021 and acquired Second Source Medical LLC in 2022. The balance of goodwill arising from the acquisitions as at December 31, 2023 was NT\$ 106,737 thousand.

The evaluation report issued by external experts engaged by the Group uses cash flow forecasts prepared by management to determine the recovery amount of goodwill; however, the measurement results in a large extent depend on management's assumptions, including the discount rate and the estimated growth rate used, which are subject to management's judgements with considerable uncertainty. Therefore, the goodwill impairment assessment is a key audit matter this year.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Based on our understanding of the operations and industry of the Group, evaluated the rationality of the evaluation model used by the external experts appointed by the Group.
- B. We confirmed that the future cash flow used in the evaluation model is consistent with the future year budget provided by the Group. And reviewed the actual achievement of management's financial forecasts for the past year.
- C. We assessed the appropriateness of key assumptions used, such as growth rate and discount rate.

Other matter – Parent company only financial statements

We have audited and expressed an unmodified opinion on the parent company only financial statements of Medeon Biodesign, Inc. as at and for the years ended December 31, 2023 and 2022.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain 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.

Chou, Hsiao-Tzu

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

February 29, 2024

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

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

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

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,237,964	45	\$ 483,898	12
1110	Current financial assets at fair value	6(2)				
	through profit or loss		41,932	2	37,870	1
1136	Current financial assets at amortised	6(3)				
	cost, net		862,097	31	1,025,470	25
1170	Accounts receivable, net	6(4)	41,773	2	32,354	1
1200	Other receivables		7,957	-	26,653	1
1220	Current income tax assets		415	-	-	-
130X	Inventories	6(5)	10,769	-	10,059	-
1410	Prepayments		24,891	1	21,417	1
11XX	Current Assets		2,227,798	81	1,637,721	41
Non-current assets						
1550	Investments accounted for using	6(6)				
	equity method		-	-	1,876,293	46
1600	Property, plant and equipment	6(7)	146,578	5	150,613	4
1755	Right-of-use assets	6(8)	175,244	7	189,628	5
1780	Intangible assets	6(9)	171,066	6	180,181	4
1915	Prepayments for business facilities	6(7)	22,129	1	-	-
1920	Guarantee deposits paid		4,331	-	5,587	-
15XX	Non-current assets		519,348	19	2,402,302	59
1XXX	Total assets		\$ 2,747,146	100	\$ 4,040,023	100

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

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2130	Current contract liabilities	6(17)	\$ 3,108	-	\$ 856	-
2170	Accounts payable		5,361	-	3,939	-
2200	Other payables	6(10)	126,389	5	99,646	3
2230	Current income tax liabilities		37,968	1	56,776	1
2280	Current lease liabilities	6(8)	47,145	2	36,686	1
2300	Other current liabilities		1,784	-	611	-
21XX	Current Liabilities		221,755	8	198,514	5
Non-current liabilities						
2570	Deferred tax liabilities	6(23)	14,305	1	15,739	-
2580	Non-current lease liabilities	6(8)	139,591	5	162,224	4
25XX	Non-current liabilities		153,896	6	177,963	4
2XXX	Total Liabilities		375,651	14	376,477	9
Equity						
	Share capital	6(13)				
3110	Share capital - common stock		922,449	34	878,401	22
	Capital surplus	6(14)				
3200	Capital surplus		1,340,712	48	1,343,813	33
	Retained earnings	6(15)				
3310	Legal reserve		207,182	8	207,182	5
3320	Special reserve		12,489	-	12,489	-
3350	Total Unappropriated retained earnings (accumulated deficit)		(188,425)	(7)	1,135,220	28
	Other equity interest	6(16)				
3400	Other equity interest		36,184	1	30,940	1
3500	Treasury shares	6(13)	(10,603)	-	(10,603)	-
31XX	Equity attributable to owners of the parent		2,319,988	84	3,597,442	89
36XX	Non-controlling interest		51,507	2	66,104	2
3XXX	Total equity		2,371,495	86	3,663,546	91
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 2,747,146	100	\$ 4,040,023	100

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(17)		\$ 196,263	100	\$ 298,317	100
5000 Operating costs	6(5)(18)(19) and 7		(181,886)	(93)	(111,505)	(37)
5900 Net operating margin			14,377	7	186,812	63
Operating expenses	6(18)(19) and 7					
6100 Selling expenses			(26,330)	(14)	(25,283)	(8)
6200 General and administrative expenses			(159,578)	(81)	(127,744)	(43)
6300 Research and development expenses			(667,461)	(340)	(521,622)	(175)
6450 Impairment loss determined in accordance with IFRS 9	12(2)		(575)	-	-	-
6000 Total operating expenses			(853,944)	(435)	(674,649)	(226)
6900 Operating loss			(839,567)	(428)	(487,837)	(163)
Non-operating income and expenses						
7100 Interest income	6(21)		19,936	10	10,288	3
7020 Other gains and losses	6(2)(22)		(417,957)	(213)	(4,044)	(1)
7050 Finance costs	6(8)		(6,644)	(3)	(5,211)	(2)
7060 Share of profit of associates and joint ventures accounted for using equity method	6(6)		13,544	7	47,689	16
7000 Total non-operating income and expenses			(391,121)	(199)	48,722	16
7900 Loss before income tax			(1,230,688)	(627)	(439,115)	(147)
7950 Income tax expense	6(23)		(39,285)	(20)	(57,785)	(19)
8200 Profit (loss) for the year			<u>(\$ 1,269,973)</u>	<u>(647)</u>	<u>(\$ 496,900)</u>	<u>(166)</u>
Other comprehensive income						
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Financial statements translation differences of foreign operations	6(16)		\$ 4,916	2	\$ 36,909	12
8500 Total comprehensive loss for the year			<u>(\$ 1,265,057)</u>	<u>(645)</u>	<u>(\$ 459,991)</u>	<u>(154)</u>
Loss, attributable to:						
8610 Owners of the parent			(\$ 1,204,615)	(614)	(\$ 433,758)	(145)
8620 Non-controlling interest			(65,358)	(33)	(63,142)	(21)
			<u>(\$ 1,269,973)</u>	<u>(647)</u>	<u>(\$ 496,900)</u>	<u>(166)</u>
Comprehensive loss attributable to:						
8710 Owners of the parent			(\$ 1,199,371)	(612)	(\$ 390,329)	(131)
8720 Non-controlling interest			(65,686)	(33)	(69,662)	(23)
			<u>(\$ 1,265,057)</u>	<u>(645)</u>	<u>(\$ 459,991)</u>	<u>(154)</u>
Basic loss per share						
9750 Basic loss per share	6(24)		(\$ 13.09)		(\$ 4.71)	
9850 Diluted loss per share			<u>(\$ 13.09)</u>		<u>(\$ 4.71)</u>	

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent													
		Capital Surplus						Retained Earnings							
					Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Employee stock warrants			Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations			Non-controlling interest	Total equity
Notes	Common stock	Additional paid-in capital	Treasury share transactions					Legal reserve	Special reserve			Treasury shares	Total		
<u>Year 2022</u>															
		\$ 732,341	\$ 1,331,704	\$ 5,602	\$ 8,548	\$ -	\$ 3,406	\$ -	\$ -	\$ 2,071,824	(\$ 12,489)	(\$ 10,603)	\$ 4,130,333	\$ 58,154	\$ 4,188,487
		-	-	-	-	-	-	-	-	(433,758)	-	-	(433,758)	(63,142)	(496,900)
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	-	-	-	-	43,429	-	43,429	(6,520)	36,909
Total comprehensive income		-	-	-	-	-	-	-	-	(433,758)	43,429	-	(390,329)	(69,662)	(459,991)
Appropriation and distribution of retained earnings	6(15)														
Stock dividends of ordinary share		146,060	-	-	-	-	-	-	-	(146,060)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	-	-	-	-	(73,030)	-	-	(73,030)	-	(73,030)
Legal reserve		-	-	-	-	-	-	207,182	-	(207,182)	-	-	-	-	-
Special reserve		-	-	-	-	-	-	-	12,489	(12,489)	-	-	-	-	-
Share-based payments	6(12)	-	-	-	-	3,101	-	-	-	-	-	-	3,101	5	3,106
Changes in ownership interests in subsidiaries	6(25)	-	-	-	(8,548)	-	-	-	-	(64,085)	-	-	(72,633)	73,678	1,045
Acquisition of subsidiaries is adjusted according to the net equity value report		-	-	-	-	-	-	-	-	-	-	-	-	3,929	3,929
Balance at December 31, 2022		\$ 878,401	\$ 1,331,704	\$ 5,602	\$ -	\$ 3,101	\$ 3,406	\$ 207,182	\$ 12,489	\$ 1,135,220	\$ 30,940	(\$ 10,603)	\$ 3,597,442	\$ 66,104	\$ 3,663,546
<u>Year 2023</u>															
		\$ 878,401	\$ 1,331,704	\$ 5,602	\$ -	\$ 3,101	\$ 3,406	\$ 207,182	\$ 12,489	\$ 1,135,220	\$ 30,940	(\$ 10,603)	\$ 3,597,442	\$ 66,104	\$ 3,663,546
Loss for the year		-	-	-	-	-	-	-	-	(1,204,615)	-	-	(1,204,615)	(65,358)	(1,269,973)
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	-	-	-	-	5,244	-	5,244	(328)	4,916
Total comprehensive income		-	-	-	-	-	-	-	-	(1,204,615)	5,244	-	(1,199,371)	(65,686)	(1,265,057)
Appropriation and distribution of retained earnings	6(15)														
Stock dividends of ordinary share		43,823	-	-	-	-	-	-	-	(43,823)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	-	-	-	-	(43,823)	-	-	(43,823)	-	(43,823)
Share-based payments	6(12)	-	-	-	-	15,040	-	-	-	-	-	-	15,040	651	15,691
Changes in ownership interests in subsidiaries	6(25)	-	-	-	-	(18,141)	-	-	-	(31,384)	-	-	(49,525)	49,525	-
Exercise of employee stock options	6(13)	225	141	-	-	-	(141)	-	-	-	-	-	225	-	225
Increase in non-controlling interests	6(25)	-	-	-	-	-	-	-	-	-	-	-	-	913	913
Balance at December 31, 2023		\$ 922,449	\$ 1,331,845	\$ 5,602	\$ -	\$ -	\$ 3,265	\$ 207,182	\$ 12,489	(\$ 188,425)	\$ 36,184	(\$ 10,603)	\$ 2,319,988	\$ 51,507	\$ 2,371,495

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

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

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 1,230,688)	(\$ 439,115)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(12)	15,691	3,106
Expected credit loss	12(2)	575	-
Depreciation expense(including right-of-use assets)	6(7)(8)(18)	86,023	47,218
Amortization expense	6(9)(18)	9,646	16,582
Revaluation gains on current financial assets measured at fair value through profit or loss	6(2)	(3,812)	(681)
Interest expense	6(8)	6,644	4,596
Interest income	6(20)	(19,936)	(10,288)
Dividend income		(180)	(160)
Losses on disposal of property, plant and equipment	6(21)	13,012	-
Losses on disposals of investments	6(21)	402,960	-
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(13,544)	(47,689)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(9,994)	5,302
Other receivables		22,179	11,388
Inventories		(710)	(4,397)
Other prepayments		(3,474)	8,887
Changes in operating liabilities			
Accounts payable		1,422	2,870
Other payables		15,819	6,171
Contract liabilities		2,252	209
Other current liabilities		1,173	409
Cash outflow generated from operations		(704,942)	(395,592)
Interest received		16,453	8,057
Interest paid		(6,644)	(4,596)
Income tax paid		(59,942)	(69,209)
Net cash flows used in operating activities		(755,075)	(461,340)

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

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of current financial assets at fair value through profit or loss		(\$ 255)	(\$ 29,720)
Acquired net cash of subsidiaries	6(25)	-	(165,888)
Proceeds from disposal of financial assets at amortised cost		163,373	582,630
Proceeds from disposal of investments accounted for using equity method		1,479,671	-
Acquisition of property, plant and equipment	6(26)	(55,287)	(140,572)
Dividends received		7,387	18,177
Acquisition of intangible assets		(524)	(145)
Increase in refundable deposits		1,256	(1,046)
Net cash flows from investing activities		<u>1,595,621</u>	<u>263,436</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of lease liabilities	6(27)	(47,886)	(29,172)
Exercise of employee share options	6(13)	225	-
Change in non-controlling interests	6(24)	913	1,045
Cash dividends paid	6(16)	(43,823)	(73,030)
Net cash flows used in financing activities		(90,571)	(101,157)
Effect of exchange rate changes		4,091	47,639
Net increase (decrease) in cash and cash equivalents		754,066	(251,422)
Cash and cash equivalents at beginning of year		483,898	735,320
Cash and cash equivalents at end of year		<u>\$ 1,237,964</u>	<u>\$ 483,898</u>

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

MEDEON BIODESIGN, INC. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. History and Organization

Medeon Biodesign, Inc. (the “Company”) was incorporated and approved by the Ministry of Economic Affairs, R.O.C. on December 22, 2012. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research and development of minimally invasive medical devices, and medical device contract manufacturing. The shares of the Company have been trading on the Taipei Exchange since July, 2016.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 29, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

Financial assets at fair value through profit or loss.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
Medeon Biodesign, Inc.	MedeonBio, Inc.	Manufacturing and sale of medical devices	-	-	Note 3
Medeon Biodesign, Inc.	Medeon International, Inc.	Equity investment and commerce of medical devices	100.00	100.00	Note 1
Medeon Biodesign, Inc.	Prodeon Medical Corporation	Manufacturing and development of medical devices	88.41	85.05	Note 2
Medeon Biodesign, Inc.	Yi Chuang Biodesign, Inc.	Sales of medical devices	100.00	100.00	
Medeon Biodesign, Inc.	Medeologix, Inc.	Manufacturing and sale of medical devices	95.6	94.49	Note 4
Medeon International, Inc.	Panther Orthopedics, Inc.	Manufacturing and development of medical devices	-	-	Note 7
Medeon International, Inc.	Aquedeon Medical, Inc.	Manufacturing and development of medical devices	97.03	97.14	Note 1
Prodeon Medical Corporation	Prodeon Medical, Inc.	Manufacturing and development of medical devices	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
Medeologix, Inc.	MedeonBio, Inc.	Manufacturing and sale of medical devices	100.00	100.00	Note 3
Medeologix, Inc.	MediBalloon, Inc.	Manufacturing and sale of medical devices	100.00	100.00	Note 6
Medeologix, Inc.	Second Source Medical LLC	Manufacturing and sale of medical devices	100.00	100.00	Note 5,6

Note 1: The Company increased the capital of Medeon International, Inc. through a cash investment in April 2022 for the total consideration of USD 1,030,000. Also, the Company acquired 4,000,000 shares of common stock of Medeon International, Inc. amounting USD 4,000,000 in January 2023, and participated in the Series E preferred stock issuance amounting to USD 4,000,000 for 1,600,000 shares of Aquedon Medical, Inc. through that subsidiary. The shareholding ratio to Aquedon Medical, Inc. was then increased to 97.27%. Subsequently in July 2023, the employees of Aquedon Medical, Inc. exercised the employee stock option, decreasing the shareholding ratio to 97.03%.

Note 2: The Company acquired 4,935,000 shares of Series B preferred stock issued by Prodeon Medical Corporation for the total consideration of \$394,800 in March 2022, and the Company's shareholding ratio increased to approximately 85.05%. The Company subsequently acquired 5,737,500 shares of Series C preferred stock issued by Prodeon Medical Corporation for the total consideration of \$459,000 in May 2023, and the Company's shareholding ratio increased to approximately 88.41%.

Note 3: The Company sold its shares of subsidiary, MedeonBio, Inc. for USD 3,334,757.19 to another subsidiary, Medeologix, Inc. in May 2022.

Note 4: The Company increased the capital of Medeologix, Inc. through a cash investment in April 2022, amounting to \$460,000, and the Company's shareholding ratio increased to 94.49%. The employees of Medeologix, Inc. exercised the employee stock option in February 2023, decreasing the Company's shareholding ratio to 94.30%. The Company increased the capital of Medeologix, Inc. through a cash investment in March 2023, totaling \$240,000 for 9,600,000 shares, and the Company's shareholding ratio increased to 95.6%.

Note 5: The Company acquired a 100% equity interest in Second Source Medical LLC for a consideration of USD 7,878,512 in April 2022, and the entity has been included in the consolidated financial statements from the date. Details of the subsidiary are provided in Note 6(25).

Note 6: Medeologix, Inc., the subsidiary, increased the capital of MediBalloon, Inc. and Second Source Medical LLC through cash investments in March 2023, amounting USD 2,000,000 and USD 2,000,000, respectively. Also, the subsidiary increased the capital of MediBalloon, Inc. through a cash investment in October 2023, amounting to USD 1,000,000.

Note 7: In December 2022, the Board of Directors resolved the dissolution and liquidation of Panther Orthopedics, Inc.

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 recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint

arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(5) Classification of current and non-current items

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

(6) Cash and cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised 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 amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control.

In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. 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.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment 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:

Research and development equipment	3 years
Office equipment	3~5 years
Machinery and equipment	3~10 years
Leasehold improvements	3~11 years

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

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

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

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

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

(16) Intangible assets

A. Computer software is started at cost and amortised on a straight-line basis over its estimated useful life of 2~5 years.

B. Patents is amortised on a straight-line basis over its economic benefit period of 10 years.

C. Customer relationship is amortised on a straight-line basis over its estimated useful life of 8 years.

D. Proprietary technology is amortised on a straight-line basis over its estimated useful life of 15 years.

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

(17) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

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

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

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

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

(23) Employee share-based payment

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

(24) Income tax

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

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from 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.

(25) Share capital

- A. 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.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

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

(27) Revenue recognition

- A. Revenue from sale of intellectual property and revenue from contract research and development services

The Group entered into the contract with the customer to sell the Group's certain intellectual property and to provide follow-up contract research and development services to the customer. The Group has determined that the sale of its intellectual property and follow-up contract research and development services are distinguishable. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The possibility of a variable price contained in the contract resulting in revenue to be written off may be significant when the uncertainty between the expected and

variable price is eliminated. In this case, variable price is included in the contract. Revenue recognition is based on the different types of revenue is as follows:

(a) Revenue from sale of intellectual property

The Group entered into the contract with the customer to sell the Group's intellectual property to the customer. The Group recognises the revenue when the intellectual property is transferred to a customer at a point in time.

(b) Revenue from contract research and development services

The Group provided services related to contract research and development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided. This is determined based on a ratio of the actual costs spent relative to the total expected costs. Under the circumstances that the Group lacks reliable information in the application of the appropriate method of measuring completion, the Group could estimate the collectible completed cost obligated, it then becomes possible for the Group to recognise revenue in the range of completed cost before the outcome of reasonable obligation. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

B. Sales of goods

(a) The Group manufactures and sales medical devices. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Operating segments

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

(29) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

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 goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 80	\$ 53
Checking accounts and demand deposits	1,237,884	483,845
	<u>\$ 1,237,964</u>	<u>\$ 483,898</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 fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 4,255	\$ 4,000
Unlisted stocks	31,750	31,750
	36,005	35,750
Valuation adjustment	6,972	3,160
Effect of exchange rate changes	(1,045)	(1,040)
	<u>\$ 41,932</u>	<u>\$ 37,870</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 3,812</u>	<u>\$ 681</u>

B. There are no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Current financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Time deposits maturing in excess of three months	\$ 862,097	\$ 1,025,470

A. There are no time deposits pledged to others as collateral.

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

(4) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 42,340	\$ 32,354
Less: Allowance for bad debts	(567)	-
	\$ 41,773	\$ 32,354

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

	December 31, 2023	December 31, 2022
Not past due	\$ 26,000	\$ 20,872
Up to 30 days	4,359	3,980
31 to 90 days	10,451	4,438
91 to 180 days	546	3,064
Over 180 days	984	-
	\$ 42,340	\$ 32,354

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable was all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$10,124.

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

D. The Group does not hold any collateral as security.

E. The Group had no account receivables pledged to others.

F. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$41,773 and \$32,354, respectively.

(5) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,080	\$ -	\$ 10,080
Finished goods	689	-	689
	<u>\$ 10,769</u>	<u>\$ -</u>	<u>\$ 10,769</u>
December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 9,875	\$ -	\$ 9,875
Finished goods	184	-	184
	<u>\$ 10,059</u>	<u>\$ -</u>	<u>\$ 10,059</u>

The cost of inventories recognised as expense for the period:

Year ended December 31,		
	2023	2022
Cost of goods sold	\$ 39,467	\$ 3,090
Unallocated manufacturing expense	81,940	21,978
	<u>\$ 121,407</u>	<u>\$ 25,068</u>

(6) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
Associates:		
Delta Asia International Corporation	<u>\$ -</u>	<u>\$ 1,876,293</u>

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio December 31, 2023	Nature of relationship	Methods of measurement
Delta Asia International Corporation	Taiwan	0.00%	Research collaboration	Equity method
Company name	Principal place of business	Shareholding ratio December 31, 2022	Nature of relationship	Methods of measurement
Delta Asia International Corporation	Taiwan	27.84%	Research collaboration	Equity method

- (b) The summarised financial information of the associates that are material to the Group is as follows:

Delta Asia International Corporation		
	December 31, 2023	December 31, 2022
Current assets	\$ -	\$ 570,935
Non-current assets	-	1,258,899
Current liabilities	- (167,668)
Non-current liabilities	- (484,384)
Total net assets	<u>\$ -</u>	<u>\$ 1,177,782</u>
Share in associate's net assets	\$ -	\$ 327,895
Goodwill	-	1,548,398
Carrying amount of the associate	<u>\$ -</u>	<u>\$ 1,876,293</u>

Delta Asia International Corporation		
	January 1, 2023 to April 30, 2023	Year ended December 31, 2022
Revenue	\$ 199,930	\$ 462,974
Profit from continuing operations	\$ 49,535	\$ 171,297
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 49,535</u>	<u>\$ 171,297</u>
Dividends from associates	<u>\$ 7,206</u>	<u>\$ 18,017</u>

- B. Delta Asia International Corporation, which is an associate of the Group, has an open market quotation with a fair value of \$1,657,559 in respect of the year ended December 31, 2022.
- C. The Group disposed all equity investments in Delta Asia International Corporation in May 2023, totaling \$1,479,671, and therefore recognized a loss on disposal of investment at the amount of \$402,960, which was recognized in “other gains and losses”. Details of the losses were provided in Note 6(21).

(7) Property, plant and equipment

2023					
	Research and development equipment	Office equipment	Leasehold improvements	Equipment pending acceptance	Total
At January 1					
Cost	\$ 113,187	\$ 19,608	\$ 45,604	\$ 36,171	\$ 214,570
Accumulated depreciation	(39,021)	(12,207)	(12,729)	-	(63,957)
	<u>\$ 74,166</u>	<u>\$ 7,401</u>	<u>\$ 32,875</u>	<u>\$ 36,171</u>	<u>\$ 150,613</u>
Opening net book amount as at January 1	\$ 74,166	\$ 7,401	\$ 32,875	\$ 36,171	\$ 150,613
Additions (including transfers)	17,912	8,388	2,782	15,000	44,082
Depreciation charge	(26,049)	(4,442)	(4,173)	-	(34,664)
Reclassifications	22,867	-	-	(22,867)	-
Disposals	(13,794)	-	-	-	(13,794)
Net exchange differences	46	(59)	3	351	341
Closing net book amount as at December 31	<u>\$ 75,148</u>	<u>\$ 11,288</u>	<u>\$ 31,487</u>	<u>\$ 28,655</u>	<u>\$ 146,578</u>
At December 31					
Cost	\$ 123,972	\$ 25,863	\$ 46,216	\$ 28,655	\$ 224,706
Accumulated depreciation	(48,824)	(14,575)	(14,729)	-	(78,128)
	<u>\$ 75,148</u>	<u>\$ 11,288</u>	<u>\$ 31,487</u>	<u>\$ 28,655</u>	<u>\$ 146,578</u>

	2022					
	Research and development equipment	Office equipment	Machinery	Leasehold improvements	Equipment pending acceptance	Total
At January 1						
Cost	\$ 37,064	\$ 9,271	\$ -	\$ 6,431	\$ -	\$ 52,766
Accumulated depreciation	(22,131)	(8,201)	-	(6,431)	-	(36,763)
	<u>\$ 14,933</u>	<u>\$ 1,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,003</u>
Opening net book amount as at January 1	\$ 14,933	\$ 1,070	\$ -	\$ -	\$ -	\$ 16,003
Additions (including transfers)	66,376	6,869	-	33,246	35,157	141,648
Additions - acquired through business combination	-	422	2,301	509	-	3,232
Disposal of subsidiary	(300)	-	-	-	-	(300)
Depreciation charge	(10,775)	(1,155)	(669)	(1,049)	-	(13,648)
Net exchange differences	2,179	195	121	169	1,014	3,678
Closing net book amount as at December 31	<u>\$ 72,413</u>	<u>\$ 7,401</u>	<u>\$ 1,753</u>	<u>\$ 32,875</u>	<u>\$ 36,171</u>	<u>\$ 150,613</u>
At December 31						
Cost	\$ 104,325	\$ 19,608	\$ 8,862	\$ 45,604	\$ 36,171	\$ 214,570
Accumulated depreciation	(31,912)	(12,207)	(7,109)	(12,729)	-	(63,957)
	<u>\$ 72,413</u>	<u>\$ 7,401</u>	<u>\$ 1,753</u>	<u>\$ 32,875</u>	<u>\$ 36,171</u>	<u>\$ 150,613</u>

A. The aforementioned plants were all for its own use.

B. There are no property, plant and equipment that were pledged to others as collaterals.

C. As of December 31, 2023 and 2022, the amount of prepayment on equipment was \$22,129 and \$0, respectively (listed as “Prepayments for business facilities” under non-current assets).

(8) Leasing arrangements — lessee

A. The Group leases various assets including buildings and land. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise certain buildings.

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

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Buildings and land	\$ 175,244	\$ 189,628
	Year ended December 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Buildings and land	\$ 51,359	\$ 33,570

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$36,995 and \$184,689, respectively.

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

	Year ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 6,644	\$ 4,596
Expense on short-term lease contracts	297	3,542

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$54,827 and \$37,310, respectively.

(9) Intangible assets

	2023					
	Patent	Software	Proprietary technology	Goodwill	Customer relationship	Total
At January 1						
Cost	\$ 34,269	\$ 7,446	\$ 23,778	\$ 106,737	\$ 46,582	\$ 218,812
Accumulated amortisation	(24,083)	(7,150)	(1,585)	-	(5,813)	(38,631)
	<u>\$ 10,186</u>	<u>\$ 296</u>	<u>\$ 22,193</u>	<u>\$ 106,737</u>	<u>\$ 40,769</u>	<u>\$ 180,181</u>
Opening net book amount as at January 1	\$ 10,186	\$ 296	\$ 22,193	\$ 106,737	\$ 40,769	\$ 180,181
Additions	-	524	-	-	-	524
Amortisation charge	(3,222)	(462)	(1,585)	-	(4,377)	(9,646)
Net exchange differences	(63)	70	-	-	-	7
Closing net book amount as at December 31	<u>\$ 6,901</u>	<u>\$ 428</u>	<u>\$ 20,608</u>	<u>\$ 106,737</u>	<u>\$ 36,392</u>	<u>\$ 171,066</u>
At December 31						
Cost	\$ 34,025	\$ 9,432	\$ 23,778	\$ 106,737	\$ 46,582	\$ 220,554
Accumulated amortisation	(27,124)	(9,004)	(3,170)	-	(10,190)	(49,488)
	<u>\$ 6,901</u>	<u>\$ 428</u>	<u>\$ 20,608</u>	<u>\$ 106,737</u>	<u>\$ 36,392</u>	<u>\$ 171,066</u>

2022						
	Patent	Software	Proprietary technology	Goodwill	Customer relationship	Total
At January 1						
Cost	\$ 83,250	\$ 1,404	\$ -	\$ 39,226	\$ -	\$ 123,880
Accumulated amortisation	(44,014)	(927)	-	-	-	(44,941)
	<u>\$ 39,236</u>	<u>\$ 477</u>	<u>\$ -</u>	<u>\$ 39,226</u>	<u>\$ -</u>	<u>\$ 78,939</u>
Opening net book amount as at January 1	\$ 39,236	\$ 477	\$ -	\$ 39,226	\$ -	\$ 78,939
Additions	145	-	-	-	-	145
Additions - acquired through business combination	-	253	-	83,229	46,582	130,064
Disposal of subsidiary	(22,834)	-	-	-	-	(22,834)
Remeasurements	-	-	23,778	(15,718)	-	8,060
Amortisation charge	(8,741)	(443)	(1,585)	-	(5,813)	(16,582)
Net exchange differences	<u>2,380</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,389</u>
Closing net book amount as at December 31	<u>\$ 10,186</u>	<u>\$ 296</u>	<u>\$ 22,193</u>	<u>\$ 106,737</u>	<u>\$ 40,769</u>	<u>\$ 180,181</u>
At December 31						
Cost	\$ 34,269	\$ 7,446	\$ 23,778	\$ 106,737	\$ 46,582	\$ 218,812
Accumulated amortisation	(24,083)	(7,150)	(1,585)	-	(5,813)	(38,631)
	<u>\$ 10,186</u>	<u>\$ 296</u>	<u>\$ 22,193</u>	<u>\$ 106,737</u>	<u>\$ 40,769</u>	<u>\$ 180,181</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31,	
	2023	2022
Operating costs	\$ 139	\$ 374
Selling expenses	-	7
Administrative expenses	5,962	7,429
Research and development expenses	3,545	8,772
	<u>\$ 9,646</u>	<u>\$ 16,582</u>

- A. Patent is comprised of the related patents and professional technologies of developing minimally invasive medical devices.
- B. (a) With the aim of better management of intellectual property, the Company centralized resources on research and development of related projects to speed up commercialization and afterward asset sale in November 2015. Medeon Biosurgical, Inc. (the “MBS” Company, and the liquidation was completed on June 30, 2016), a second-tier subsidiary of the Company, transfers the technology of ClickCleanTM and AbcloseTM, etc. Based on a tripartite agreement with the MBS Company, Shendder, Inc. (the “Shendder” Company) and Medeon International, Inc. (the “MBI” Company). The patent rights, which are owned by the MBS Company, was transferred to the shareholders, Shendder Company and MBI Company who owned approximately 42.99% and 57.01% of the shareholdings respectively, based on the equity ratio. The

transfer prices are USD168,293 and USD223,178, respectively. Meanwhile, Shendder Company and MBI Company transferred the patent rights to the Company based on the cost of acquisition. The Company shall pay immediately following the date of the sale of patent rights.

(b). The asset purchase agreement between Shendder Company and the Company states that if the licensing price of research and development results exceeds the transfer price, the Company should allocate 42.99 % of the profit to Shendder Company. For the year ended December 31, 2023, there was no payment to be allocated to Shendder Company and MBI Company.

C. The proprietary technology arose from the business combination of Medeologix, Inc. by the Group.

D. The customer relationship arose from the business combination of Second Source Medical LLC by the Group.

E. Goodwill arose from business combination of Medeologix, Inc. and Second Source Medical LLC.

F. (a) Goodwill is allocated as follows to the Group's cash-generating units:

	December 31, 2023	December 31, 2022
Medeologix, Inc.	\$ 23,508	\$ 23,508
Second Source Medical LLC	83,229	83,229
	<u>\$ 106,737</u>	<u>\$ 106,737</u>

(b) The recoverable amount of all cash-generating units was determined based on value-in-use calculations. These calculations use future cash flow projections for Medeologix, Inc. and Second Source Medical LLC.

(c) The recoverable amount calculated using the value-in-use exceeded their carrying amount, so the goodwill was not impaired. The recoverable amount of goodwill is evaluated based on value-in-use. The estimation of value-in-use is based on the Group's forecast of future cash flow before tax, estimated growth rate of 2%, and discount rate, which lies between 16.42% to 22.67%.

(10) Other accounts payable

	December 31, 2023	December 31, 2022
Salaries and bonus payable	\$ 56,239	\$ 45,522
Legal and professional fees payable	27,823	5,314
Employees' compensation and directors' remuneration	12,138	20,018
Payable on equipment	12,000	1,076
Labour health insurance payable and pension	1,814	2,233
Others	16,375	25,483
	<u>\$ 126,389</u>	<u>\$ 99,646</u>

(11) Pensions

- A. The Company and its Taiwan subsidiary have established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its subsidiary contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Group’s foreign subsidiaries contribute pensions and pension insurance in accordance with the local regulations. Other than the monthly contributions, the Group has no further obligations.
- C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022, were \$4,122 and \$3,207, respectively.

(12) Share-based payment

- A. The Company issues employee stock options to full-time employee by issuing new stock. The main content is as follows:

Issuer	Type of arrangement	Grant date	Quantity granted	Contract period	Estimates resign rate	Vesting conditions
The company	Employee stock options	2013.9.27 and 2014.8.13	2,570,000	10 years	21.0%~36.8%	Note 1
”	Employee stock options	2014.8.13	260,000	10 years	6.1%~11.6%	Note 1
”	Employee stock options	2014.11.18	820,000	10 years	6%~12%	Note 1
”	Employee stock options	2015.6.8	642,000	10 years	11.6%~23.3%	Note 1
”	Employee stock options	2015.11.3	538,000	10 years	29.5%~59.1%	Note 1
”	Treasury shares to be reissued to employees	2021.8.30	110,000	NA	NA	Vested immediately
”	Treasury shares to be reissued to employees	2021.12.15	80,000	NA	NA	Vested immediately

Issuer	Type of arrangement	Grant date	Quantity granted	Contract period	Estimates resign rate	Vesting conditions
Medeologix	Employee stock options	2022.2.15 2022.10.13 2023.2.23 and 2023.9.23 2022.10.13	1,256,370	10 years	5%	Note 2 and Note 5
"	Employee stock options	112.1.11 and 112.5.23	974,000	10 years	5%	Note 1
Aquedeeon	Employee stock options	2018.10.1	219,275	10 years	0%	Note 3
"	Employee stock options	2019.10.1	125,558	10 years	0%	Note 4
"	Employee stock options	2021.7.26	84,000	10 years	0%	Note 3
"	Employee stock options	2023.10.3	309,500	10 years	0%	Note 3

Note 1: When employee stock options have expired two years, stock options can be exercised based on the following schedule:

Accumulated ratio stock options that can be exercised

Expired 2 years 50%

Expired 3 years 75%

Expired 4 years 100%

Note 2: Vested 25% of stock-options after serviced one year, other stock-options can be exercised 1/48 month by month after 48 months of the effective date.

Note 3: Vested 25% of stock-options after granted one year, other stock-options can be exercised 1/48 month by month after 48 months of the effective date.

Note 4: 35,000 shares after 48 months of the effective date, the stock-options can be exercised 1/48 month by month; vested 1/4 of 90,558 shares after serviced one year, other stock-options can be exercised 1/48 month by month after 48 months of the aforementioned first-time acquired.

Note 5: Vested 50% of stock-options after serviced one year, other stock-options can be exercised 1/48 month by month after 36 months of the effective date.

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

(a) The Company

	2023		2022	
	No. of options	Exercise price (NTD)	No. of options	Exercise price (NTD)
Options outstanding at January 1	319,500	\$ 10~137	319,500	\$ 10~175
Options forfeited	(50,000)	10~137	-	10~144
Options exercised	(22,500)	10~137	-	10~144
Options outstanding at December 31	<u>247,000</u>	10~137	<u>319,500</u>	10~144
Options exercisable at December 31	<u>247,000</u>	10~137	<u>319,500</u>	10~144

(b) The subsidiary-Medeologix, Inc.

	2023		2022	
	No. of options	Exercise price (NTD)	No. of options	Exercise price (NTD)
Options outstanding at January 1	1,122,370	\$ 10	-	\$ -
Options granted	1,108,000	10	1,812,000	10
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	(483,630)	10
Options forfeited	(276,988)	10	(206,000)	10
Options exercised	(65,662)	10	-	-
Options outstanding at December 31	<u>1,887,720</u>	10	<u>1,122,370</u>	10
Options exercisable at December 31	<u>124,913</u>	10	<u>-</u>	-

(c) The second-tier subsidiary-Panther

	2022	
	No. of options	Exercise price (NTD)
Options outstanding at January 1	200,000	\$ 0.15
Options granted	-	-
Options forfeited	(200,000)	0.15
Options outstanding at December 31	<u>-</u>	0.15
Options exercisable at December 31	<u>-</u>	0.15

Note: As Panther completed the dissolution and liquidation in December 2022, the former outstanding options issued by the company were all expired.

(d) The second-tier subsidiary-Aquedeon

	2023		2022	
	No. of options	Exercise price (NTD)	No. of options	Exercise price (NTD)
Options outstanding at January 1	299,647	\$ 0.17~0.27	357,441	\$ 0.17~0.27
Options granted	309,500	0.39	-	-
Options forfeited	(41,289)	0.17~0.27	(22,098)	0.17~0.27
Options exercised	(21,289)	0.17~0.27	(35,696)	0.17~0.27
Options outstanding at December 31	<u>546,569</u>	0.17~0.39	<u>299,647</u>	0.17~0.27
Options exercisable at December 31	<u>221,444</u>	0.17~0.39	<u>249,611</u>	0.17~0.27

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

(a) The company

		December 31, 2023		December 31, 2022	
		No. of shares	Exercise price	No. of shares	Exercise price
<u>Issue date approved</u>	<u>Expiry date</u>	(in thousands)	(NTD)	(in thousands)	(NTD)
2013.9.27	2023.9.27	-	\$ 10	-	\$ 10
2013.9.27	2024.8.13	-	10	-	10
2014.8.13	2024.8.13	-	10	13	10
2014.11.18	2024.11.18	-	10	10	10
2015.6.8	2025.6.8	227	121	227	126
2015.11.3	2025.11.3	20	137	70	144

(b) The subsidiary-Medeologix, Inc.

		December 31, 2023		December 31, 2022	
		No. of shares	Exercise price	No. of shares	Exercise price
<u>Issue date approved</u>	<u>Expiry date</u>	(in thousands)	(NTD)	(in thousands)	(NTD)
2022.2.15	2032.2.15	241	\$ 10	503	\$ 10
2022.10.13	2032.10.13	50	10	50	10
2023.2.23	2033.2.23	603	10	-	-
2023.9.23	2033.9.23	100	10	-	-
2022.10.13	2032.10.13	499	10	569	10
2023.1.11	2033.1.11	230	10	-	-
2023.5.23	2033.5.23	165	10	-	-

(c) The second-tier subsidiary-Aquedeon

		December 31, 2023		December 31, 2022	
		No. of shares	Exercise price	No. of shares	Exercise price
<u>Issue date approved</u>	<u>Expiry date</u>	(in thousands)	(USD)	(in thousands)	(USD)
2018.10.1	2028.9.30	126	\$ 0.17	169	0.17
2019.10.1	2029.9.30	51	0.25	51	0.25
2021.7.26	2031.7.25	60	0.27	80	0.27
2023.10.3	2033.10.2	310	0.39	-	-

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

Issuer	Grant date	Stock price (NTD)	Expected price volatility	Option life	Expected dividends rate	Risk-free interest rate	Fair value per unit (NTD)
The company	2013.9.27	\$ 10	39.93%~ 41.53%	7 years	0%	0.78%~ 1.66%	\$2~\$2.29
"	2014.8.13~1 1.18	\$ 10	39.75%~ 40.67%	6~7 years	0%	1.37%~ 1.48%	\$5.55~\$7.07
"	2015.6.8	\$ 204	34.75%~ 42.35%	6~7 years	0%	1.26%~ 1.39%	\$10.15~\$13.28
"	2015.11.3	\$ 222	44.25%~ 45.22%	6~7 years	0%	1.01%~ 1.09%	\$34.14~\$40.26
Medeologix, Inc.	2022.02.15	\$ 10	29.91%~ 32.42%	5.5~7 years	0%	0.64%~ 0.67%	\$9.9~\$10.5
"	2022.10.13	\$ 10	29.72%~ 31.09%	5.5~7 years	0%	1.56%~ 1.59%	\$19.9~\$20.3
"	2023.2.23	\$ 10	29.72%~ 31.09%	5.5~7 years	0%	1.56%~ 1.59%	\$20~\$20.3
"	2023.9.23	\$ 10	29.72%~ 31.09%	5.5~7 years	0%	1.56%~ 1.59%	\$19.9~\$20.3
"	2022.10.13	\$ 10	29.76%~ 31.09%	6~7 years	0%	1.56%~ 1.59%	\$20~\$20.3
"	2023.1.11	\$ 10	29.72%~ 31.09%	5.5~7 years	0%	1.56%~ 1.59%	\$20~\$20.3
"	2023.5.23	\$ 10	29.72%~ 31.09%	5.5~7 years	0%	1.56%~ 1.59%	\$20~\$20.3
Aquedon	2018.10.1	USD \$0.17	47.30%	6.08 years	0%	3.10%	USD \$0.08
"	2019.10.1	USD \$0.25	67.40%	6.08 years	0%	1.42%	USD \$0.15
"	2021.7.26	USD \$0.27	49.00%	6.08 years	0%	0.90%	USD \$0.13
"	2023.10.3	USD \$0.39	55.40%	6.08 years	0%	4.13%	USD \$0.22

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

	Year ended December 31,	
	2023	2022
Equity-settled	\$ 15,691	\$ 3,106

(13) Share capital/ Treasury shares

A. As of December 31, 2023, the Company's authorised capital was \$2,000,000, consisting of 200,000,000 shares of ordinary stock, and the paid-in capital was \$922,449 with a par value of \$10 (NTD) per share. All proceeds from shares issued have been collected.

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

	2023	2022
	No. of shares	No. of shares
At January 1	\$ 87,636,089	\$ 73,030,074
Stock dividends of ordinary share	4,382,304	14,606,015
Employee stock options exercised	22,500	-
At December 31	\$ 92,040,893	\$ 87,636,089

B. In 2023 and 2022, the separate amount recollected due to the exercised employee stock options by the Company is \$225 and \$0, respectively.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	204,000	\$ 10,603

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	204,000	\$ 10,603

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued are to be retired. The amendment of the cancellation of shares should have been completed.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above

should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. There is no need for such action if legal reserve meets paid-in capital, it then distributes or rotates legal reserve based on the law. The remaining earnings along with unappropriated earnings of prior years will be retained or distributed as proposed by the Board of Directors and resolved by the shareholders.

Pursuant to Article 240 Paragraph 5 of the R.O.C. Company Act, the Company may, authorise the distributable dividends and bonuses, capital surplus, or legal reserve in whole or in part, be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The dividend distribution policy of the Company reported to shareholders, meeting annually by the Board of Directors is based not only on the current and future investing environment, funds needed, domestic and foreign competition, and the situation of capital, but also on the interest of shareholders, balanced dividend and the long-term plans for the Company. The category and ratio of the dividend from the dividend policy may be adjusted by the shareholders based on the actual profit and the situation of available funds of the year. The only restriction is that the total amount of dividend distributed must not be lower than 10 percent of the year's distributable dividend and the ratio of cash dividend distributed must not be lower than 10 percent of the total dividend.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. The distribution of earnings in respect of the years ended December 31, 2022 and 2021 was approved at the shareholders' meeting on June 19, 2023 and June 20, 2022, respectively, as follows:

	2022		2021	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ -		\$ 207,182	
Special reserve	-		12,489	
Cash dividends (Note)	43,823	\$ 0.50	73,030	\$ 1.00
Stock dividends	43,823	0.50	146,060	2.00

The abovementioned distribution of 2022 earnings were in agreement with those amounts proposed by the Board of Directors on March 22, 2023.

Information about the distribution of earnings as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Note: As authorised by the Company's Articles of Incorporation, the Board of Directors approved the distribution of cash dividends proposal in respect of the year ended December 31, 2022, through a special resolution on March 22, 2023.

(16) Other equity items

	2023	2022
At January 1	\$ 30,940	(\$ 12,489)
Currency translation differences:		
–Group	5,244	43,429
At December 31	<u>\$ 36,184</u>	<u>\$ 30,940</u>

(17) Operating revenue

	Medical Device Development Department		Medical Device Components Manufacturing and Sales Department		
	Revenue from research and development services	Sales Revenue	Revenue from research and development services	Sales Revenue	Total
2023					
Revenue by region					
America	\$ 10,700	\$ -	\$ 63,471	\$ 122,092	\$ 196,263
Timing of revenue recognition					
At a point in time	\$ -	\$ -	\$ -	\$ 122,092	\$ 122,092
Over time	10,700	-	63,471	-	74,171
	<u>\$ 10,700</u>	<u>\$ -</u>	<u>\$ 63,471</u>	<u>\$ 122,092</u>	<u>\$ 196,263</u>

	Medical Device Development Department		Medical Device Components Manufacturing and Sales Department		
	Revenue from research and development services	Sales Revenue	Revenue from research and development services	Sales Revenue	Total
2022					
Revenue by region					
America	\$ 209,537	\$ -	\$ -	\$ 88,780	\$ 298,317
Timing of revenue recognition					
At a point in time	\$ -	\$ -	\$ -	\$ 88,780	\$ 88,780
Over time	209,537	-	-	-	209,537
	\$ 209,537	\$ -	\$ -	\$ 88,780	\$ 298,317

A. The Company entered into the Asset Purchase Agreement along with the Master Service Agreement and Supply Agreement for XPro™ Suture-Mediated Vascular Closure Device system (“IVC-C01”) with Terumo Medical Corporation (“Terumo”) on March 2, 2018. According to the agreements, the Company continues to provide services including product development, clinical studies, regulatory affairs, and product supply after the transaction.

The total transaction price of the aforementioned agreements is USD 50 million, consisting of the upfront cash payment of USD 20 million which is fully paid upon closing, and the additional milestone payment up to USD 30 million. The milestone payment will be paid upon achieving the following milestones: (a) completing next-generation product design verification before the end of March 2020 for USD 5 million; (b) obtaining U.S. FDA premarket approval (PMA approval) for the current generation product before the end of June 2021 for USD 10 million; (c) obtaining U.S. FDA PMA approval for the next-generation product before the end of June 2022 for USD 15 million. Terumo is responsible for all product development costs (including regulatory and clinical related costs), except Terumo and the Company are responsible for its own respective design and development costs for the next-generation product. As agreed by both parties, if any design changes of the next-generation product lead to additional clinical studies requested by the U.S. FDA, the related costs shall be borne by the Company.

Considering the external factors and product development timeline, both parties agreed to revise the agreements accordingly and executed the Amendment in August 2020.

Consistent with the overall milestone payments of USD 30 million in the original agreements, each milestone and timeline has been adjusted as follows: (a) completing engineering verification and technology transfer of the next-generation product before the end of December 2020 for USD 2.5 million (already obtained); completing design verification of the next-generation product before the end of June 2022 for USD 1 million; (b)(i) completing FDA cGMP audit before the end of June 2021 for USD 2 million; (ii)

obtaining U.S. FDA PMA approval for the product before the end of December 2021 for USD 6.5 million; (c) submitting the PMA application for the next-generation product before December 2022 for USD 3 million; obtaining FDA PMA approval for the next-generation product before the end of December 2023 for USD 7 million; (d) launching the next-generation product before December 2023 for USD 4 million; reaching a sales target of 12,500 and 25,000 units within 3 years from product launch for USD 2 million respectively. Other clauses remain unchanged except for the amendments described above. The Amendment has been approved by the Board of Directors on August 6, 2020. However, the U.S. FDA might postpone overseas on-site audits due to the impact of the COVID-19 pandemic. Considering both parties have cooperated in good faith to move the project forward and to acknowledge the achievements of the project up to now, both parties agreed to divide the first item of milestone payment (b)(i) in the aforementioned amendment into the following two payments: (i) completing the preparation for the U.S. FDA cGMP audit before the end of June 2021 for USD 1 million (already obtained); (ii) completing the U.S. FDA cGMP on-site audit for USD 1 million (no due date specified). Except for the adjustments stated above, other milestone payments and corresponding requirements stipulated in the first Amendment remain unchanged. The Amendment has been approved by the Board of Directors on December 24, 2020.

As the impact of COVID-19 pandemic is still ongoing, the U.S. FDA continued to postpone overseas on-site audits. Considering both parties have cooperated in good faith to move the project forward and to acknowledge the achievements of the project up to now, both parties agreed to adjust the milestone payment (b)(i)(ii) and (b)(ii) in the aforementioned amendment into two payments according to certain situation and signed the third amendment to asset purchase agreement. The adjustment amendments are as follows: 1.(b)(i)(ii) completing a successful FDA cGMP audit and obtaining PMA Approval for USD 1 million (no due date specified); 2.(b)(ii) obtaining a PMA approvable letter conditioning PMA approval on an FDA site inspection before the end of December 2021 for USD 6.5 million (already obtained). Except for the adjustments stated above, other milestone payments and corresponding requirements stipulated in the first and second Amendment remain unchanged. The Amendment has been approved by the Board of Directors on December 11, 2021.

- B. The representations and warranties provided by the Company to Terumo, under this agreement, includes:
- (a) The Company is a validly existing legal entity, which is warranted indefinitely. In case of violation, the liability cap of the Company for the breach of this warranty is equal to the transaction price.
 - (b) The intellectual property warranty which shall remain in effect until the first anniversary of the FDA PMA approval of the next generation product, but no later than July 2023. The liability cap of the Company for the breach of this warranty is

initially \$2.5 million and will increase with an amount equal to 37.5% of the total receivable milestone payments.

- (c) The warranties, except for (a) and (b), shall become effective from the closing and remain valid for a period of 18 months, and the liability cap of the Company for the breach is initially USD 2.5 million and will increase with an amount equal to 12.5% of the total receivable milestone payments.

The maximum amount of liability for the breach of warranties specified above shall not exceed USD 13.75 million unless any of such losses and damages is arising from intentional breach or fraud.

C. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities			
– current	<u>\$ 3,108</u>	<u>\$ 856</u>	<u>\$ 647</u>

- (a) As of December 31, 2023, other contracts of the group are shorter than one year.

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

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 869</u>	<u>\$ 597</u>

(18) Expenses by nature

	Year ended December 31, 2023		
	Classified as operating costs	Classified as operating expense	Total
Employee benefit expense	\$ 112,107	\$ 441,355	\$ 553,462
Depreciation charges on property, plant and equipment	3,186	31,478	34,664
Depreciation charges on right-of-use assets	12,765	38,594	51,359
Amortisation charge	139	9,507	9,646
Manufacturing cost and operating cost	<u>\$ 128,197</u>	<u>\$ 520,934</u>	<u>\$ 649,131</u>

	Year ended December 31, 2022		
	Classified as operating costs	Classified as operating expense	Total
Employee benefit expense	\$ 76,393	\$ 361,196	\$ 437,589
Depreciation charges on property, plant and equipment	2,288	11,360	13,648
Depreciation charges on right-of-use assets	11,408	22,162	33,570
Amortisation charge	374	16,208	16,582
Manufacturing cost and operating cost	<u>\$ 90,463</u>	<u>\$ 410,926</u>	<u>\$ 501,389</u>

(19) Employee benefit expense

	Year ended December 31,	
	2023	2022
Wages and salaries	\$ 500,169	\$ 387,905
Labour and health insurance fees	35,509	25,958
Pension costs	4,122	3,207
Directors' remuneration	2,494	2,228
Other personnel expenses	11,168	18,291
	<u>\$ 553,462</u>	<u>\$ 437,589</u>

- A. In accordance with the Articles of Incorporation of the Company, the distributable profit of the current year, after covering accumulated losses, shall be reserved no less than 1% for employees' compensation and no more than 2% for directors' remuneration.
- B. For the years ended December 31, 2023 and 2022, the Company incurred loss before tax, and thus did not accrue employees' compensation and directors' remuneration.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Interest income

	Year ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 19,936	\$ 10,288

(21) Other gains and losses

	Year ended December 31,	
	2023	2022
Loss on disposal of property, plant and equipment	(\$ 13,012)	\$ -
Net foreign exchange (losses) gains	(6,186)	15,351
Loss on disposal of investment	(402,960)	(20,412)
Gains on financial asset at fair value through profit and loss	3,812	681
Others	389	336
	(\$ 417,957)	(\$ 4,044)

(22) Income tax

A. Components of income tax expense:

	Year ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 40,617	\$ 2,892
Tax on undistributed surplus earnings	-	57,037
Prior year income tax under(over)estimation	102	(92)
Total current tax	40,719	59,837
Deferred tax:		
Origination and reversal of temporary differences	(1,434)	(2,052)
Total deferred tax	(1,434)	(2,052)
Income tax expense	\$ 39,285	\$ 57,785

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	(\$ 463,813)	(\$ 263,683)
Effect on income tax expense by tax regulation	169,089	95,439
Prior year income tax under(over)estimation	102 (92)
Temporary differences not recognised as deferred tax assets	16,389	30,906
Taxable loss not recognised as deferred tax assets	278,334	137,339
Effect from alternative minimum tax	39,417	-
Tax on undistributed earnings	-	57,037
Separate taxation	1,201	2,891
Others	(1,434)	(2,052)
Income tax expense	<u>\$ 39,285</u>	<u>\$ 57,785</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2023			
	January 1	Business combination	Recognised in profit or loss	December 31
Temporary differences:				
— Deferred tax liabilities:				
Proprietary technology	\$ 4,439	\$ -	(\$ 317)	\$ 4,122
Customer relationship	11,300	-	(1,117)	10,183
Total	<u>\$ 15,739</u>	<u>\$ -</u>	<u>(\$ 1,434)</u>	<u>\$ 14,305</u>

	2022			
	January 1	Business combination	Recognised in profit or loss	December 31
Temporary differences:				
— Deferred tax liabilities:				
Proprietary technology	\$ -	\$ 4,756	(\$ 317)	\$ 4,439
Customer relationship	-	13,035	(1,735)	11,300
Total	<u>\$ -</u>	<u>\$ 17,791</u>	<u>(\$ 2,052)</u>	<u>\$ 15,739</u>

D. As of December 31, 2023, details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

Qualifying items	Year incurred	Total deductible amount	Unused tax credits	Expiry year
Research and development	2013	\$ 5,059	\$ 5,059	Note
Research and development	2014	6,144	6,144	Note
Research and development	2015	14,475	14,475	Note
Research and development	2016	24,158	24,158	Note
Research and development	2017	29,625	29,625	Note
Research and development	2018	30,369	30,369	Note
		<u>\$ 109,830</u>	<u>\$ 109,830</u>	

Note: Under the Regulations Governing Application of Investment Tax Credits to the Funds Invested in Research and Development and Personnel Training by a Biotech and New Pharmaceuticals Company, the Company is entitled to the investment tax credits, which can be used to offset against the income tax payable starting from the time when the Company is subject to corporate income tax. Any unused tax credit is available for the following four years.

Due to the uncertainty of its realization, the aforementioned unused research and development deductible is not recognized as deferred tax assets.

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

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	\$ 210,408	\$ 6,976	\$ 6,976	2026
2017	215,412	215,412	215,412	2027
2018	47,645	47,645	47,645	2028
2019	231,917	231,917	231,917	2029
2020	176,597	176,597	176,597	2030
2021	270,328	270,328	270,328	2031
2022 (filed)	295,225	295,225	295,225	2032
2023 (estimate)	942,013	942,013	942,013	2033
	<u>\$ 2,389,545</u>	<u>\$ 2,186,113</u>	<u>\$ 2,186,113</u>	

F. For the year ended December 31, 2023, the Company and its domestic subsidiary's income tax returns through 2021 have been assessed and approved by the Tax Authority.

G. There were no tax payables for the years 2023 and 2022 due to losses in the US subsidiaries, and related deferred tax assets have not been recognized due to the deductible temporary differences and the uncertainty of future realisation caused by unused tax loss. As of December 31, 2023, the total amount of unused tax deduction of the US subsidiaries is USD 12,366 thousand. According to the revised US Federal Tax Law, income tax is deductible for future profit year, and according to the California Tax Law, deductible profit loss can be used up to 10 years.

(23) Losses per share

Year ended December 31, 2023			
		Weighted average number of ordinary shares outstanding	Losses per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of the parent	(\$ 1,204,615)	92,036	(\$ 13.09)
Year ended December 31, 2022			
		Retrospective adjustment Weighted average number of ordinary shares outstanding	Losses per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of the parent	(\$ 433,758)	92,018	(\$ 4.71)

A. When calculating earnings per share of ordinary shares, the effect of distribution of stock dividends was adjusted retroactively. The effective date of distribution of stock dividends was set on August 29, 2023.

B. Due to loss in 2023 and 2022, potential ordinary stocks are excluded since such stocks are antidilutive. Therefore, it is the same as basic losses per share.

(24) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by the subsidiaries mentioned below proportionally to its interest to the subsidiary and the second-tier subsidiary. Subsidiaries, Prodeon Medical Corporation and Medeologix, Inc. of the Group increased its capital by issuing new shares in March and April, 2022, respectively. The Group did not acquire shares proportionally to its interest. As a result, the Group increased its share interest by 4.95%, and 14.49%, respectively. The transactions increased non-controlling interest by \$72,633 and decreased the equity attributable to owners of parent by \$72,633.

Second-tier subsidiary, Aquedon Medical, Inc., subsidiaries, Medeologix, Inc., and Prodeon Medical Corporation of the Group increased its capital by issuing new shares on January, March and May, 2023, respectively. The Group did not acquire shares proportionally to its interest. As a result, the Group increased its share interest by 0.13%, 1.3%, and 3.36%, respectively. The transactions increased non-controlling interest by \$49,525 and decreased the equity attributable to owners of parent by \$49,525.

Subsidiary, Medeologix, Inc. and second-tier subsidiary, Aquedon Medical, Inc., exercised the employee stock option on February and July, 2023, respectively. As a result, decreased the Group's share interests by 0.19% and 0.24%, respectively. The transactions increased non-controlling interest by \$913.

(25) Business combinations

A. Second Source Medical LLC (the "SSM")

- (a) On April 8, 2022, the Group acquired a 100% equity interest in SSM for a cash consideration of USD 7,878,512 and obtained the control over it. The company's main business in the United States of America is medical device contract manufacturing.
- (b) The following table summarises the consideration paid for Medeologix and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>April 8, 2022</u>
Purchase consideration	
Cash paid	\$ 227,847
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	61,959
Accounts receivable	30,270
Inventories	5,662
Other receivables	28,580
Prepaid expenses	5,582
Property, plant and equipment	3,232
Intangible assets	46,835
Refundable deposits	43
Accounts payable	(10,240)
Other payables	(14,270)
Deferred tax liabilities	(13,035)
Total identifiable net assets	<u>144,618</u>
Goodwill	<u>\$ 83,229</u>

- (c) The operating revenue included in the consolidated statement of comprehensive income since April 8, 2022 contributed by SSM was \$75,430. SSM also contributed

loss before income tax of (\$44,630) over the same period. Had SSM been consolidated from January 1, 2022, the consolidated statement of comprehensive income would show operating revenue of \$330,238 and loss before income tax of (\$483,144).

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment (including transfer)	\$ 44,082	\$ 141,648
Add: Opening balance of payable on equipment	1,076	-
Ending balance of prepayment on equipment	22,129	-
Less: Ending balance of payable on equipment	(12,000)	(1,076)
Cash paid during the year	<u>\$ 55,287</u>	<u>\$ 140,572</u>

(27) Changes in liabilities from financing activities

	2023	2022
	Lease Liability	Lease Liability
At January 1	\$ 198,910	\$ 30,239
Changes in cash flow from financing activities	(47,886)	(29,172)
Changes in other non-cash items	36,995	184,689
Changes in foreign exchange rates	(1,283)	13,154
At December 31	<u>\$ 186,736</u>	<u>\$ 198,910</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Delta Asia International Corporation (Delta Asia)	The Group used to have significant influence to entity (Note)

Note: The Group disposed all equity investments in Delta Asia International Corporation in May 2023, lost the seat on Delta Asia's Board of Directors, and ceased to be a related party of Delta Asia. Details are provided in Note 6(6).

(2) Significant related party transactions

A. Operating Cost

	2023	2022
Delta Asia	<u>\$ -</u>	<u>\$ 4,615</u>

The Company commissioned Delta Asia International Corporation to assist in the development of medical devices. The terms of the transaction are agreed by both parties. The period of payment is 30 to 60 days.

B. Operating expense

	2023	2022
Delta Asia	\$ -	\$ 156

The Company is commissioned by Delta Asia International Corporation to assist in the research and management of medical devices. The terms of transaction are agreed by both parties. The period of payment is 30 to 60 days.

(3) Key management compensation

	Year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 83,164	\$ 93,716
Share-based payments	3,189	86
Total	\$ 86,353	\$ 93,802

8. Pledged Assets

None.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

As of December 31, 2023 and 2022, the other significant commitments of the Group are as follows:

- (1) Information relating to the profit distribution of the commercialization of research products according to the intangible asset transfer contract signed between the Company and Shendder, Inc. is provided in Note 6(9).
- (2) Information relating to the commitment stipulated in the Assets Purchase Agreement along with the Master Service Agreement and Supply Agreement for XProTM Suture-Mediated Vascular Closure Device system signed with Terumo is provided in Note 6(18).

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) The Company's Board of Directors approved the proposal of acquiring 12,600,000 shares of the subsidiary, Medeologix, Inc., for a cash consideration of \$315,000 thousand on January 18, 2024. As a result, the Company's shareholding ratio increased to 96.61%.
- (2) The Company's Board of Directors approved the proposal of private placement on February 29, 2024. Expecting to issue at most 35,000,000 shares at \$10 per share. As of February 29, 2024, the shareholders' meeting has not resolved the aforementioned proposal.

12. Others

(1) Capital management

The Company's objectives when managing capital at this stage are to safeguard the Company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital, and to provide stable returns for shareholders after the future operation become profitable. To achieve the aforementioned targets, the Company maintains or adjusts its capital structure through, but not limited to, cash capital increase to repay or replenish working capital, dividend distribution, capital reduction and others. The Company monitors and manages capital on the basis of the debt-to-equity ratio. The ratio is calculated as 'net debt' divided by 'total equity'. The net debt is calculated as 'total liability' less cash and cash equivalents. 'Total equity' is calculated as 'total equity' as shown in the balance sheet.

During the years ended December 31, 2023 and 2022, the Group's total liabilities are less than cash and cash equivalents, thus, the debt-to-equity ratio is 0%.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit and loss	\$ 41,932	\$ 37,870
Financial assets at amortised cost		
Cash and cash equivalents	1,237,964	483,898
Financial assets at amortised cost	862,097	1,025,470
Accounts receivable	41,773	32,354
Other receivables	7,957	26,653
Guarantee deposits paid	4,331	5,587
	<u>\$ 2,196,054</u>	<u>\$ 1,611,832</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable	\$ 5,361	\$ 3,939
Other accounts payable	126,389	99,646
	<u>\$ 131,750</u>	<u>\$ 103,585</u>
Lease liability	<u>\$ 186,736</u>	<u>\$ 198,910</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to coordinate with the Group treasury to hedge the overall foreign exchange risk.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount		Book value
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,280	30.71	\$ 377,057
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	24	30.71	737

December 31, 2022			
	amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,712	30.71	\$ 298,256
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	485	30.71	14,894
v. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to (\$6,186) and \$15,351, respectively.			
vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:			

Year ended December 31, 2023			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,771	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	7	-

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,983	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	149	-

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only rated parties with a good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.
- iii. The Group considers the historical experience, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the 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 Group classifies customers' accounts receivable in accordance with credit rating of customers. The Group applies the simplified approach using provision matrix to estimate expected credit loss.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and

2022, the provision matrix is as follows:

	Not past due	Up to 30 days past due	90 days past due	180 days past due	Over 180 days past due	Total
<u>At December 31, 2023</u>						
Expected loss rate	0.03%	0.03%	0.03%	25%	50%~100%	
Total book value	\$ 26,000	\$ 4,359	\$ 10,451	\$ 546	\$ 984	\$ 42,340
Loss allowance	\$ 8	\$ 1	\$ 41	\$ 23	\$ 494	\$ 567
	Not past due	Up to 30 days past due	90 days past due	180 days past due	Over 180 days past due	Total
<u>At December 31, 2022</u>						
Expected loss rate	0.03%	0.03%	0.03%	25%	50%~100%	
Total book value	\$ 20,872	\$ 3,980	\$ 4,438	\$ 3,064	\$ -	\$ 32,354
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ -	\$ -
Bad debt expense	575	-
Changes in foreign exchange rates	(8)	-
At December 31	\$ 567	\$ -

(c) Liquidity risk

- Cash flow forecasting is performed by the Group. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational and research needs.
- The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	\$ 5,361	\$ -	\$ -	\$ -
Other payables	126,389	-	-	-
Lease liability	52,050	52,990	66,769	30,217

Non-derivative financial liabilities

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Accounts payable	\$ 3,939	\$ -	\$ -	\$ -
Other payables	99,646	-	-	-
Lease liability	42,048	37,650	85,670	50,678

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in emerging stock is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The book value of financial assets and liabilities that does not use fair value is approximate to fair value, including cash and cash equivalents, current financial asset at amortised cost, accounts receivable, other receivables, guarantee deposits paid, accounts payable and other payables.

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

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 11,227	\$ -	\$ 30,705	\$ 41,932
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,160	\$ -	\$ 30,710	\$ 37,870

(b) The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices, which was measured by the average of the highest and the lowest stock price of the day, as their fair values (that is, Level 1).

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2023:

	<u>2023</u>	<u>2022</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 30,710	\$ -
Additions	-	29,720
Changes in foreign exchange rates	(5)	990
At December 31	\$ 30,705	\$ 30,710

F. For the year ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table 2.
- 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 (Individual transactions not exceeding \$100 are not disclosed. Additionally, the related party transactions for counterparty are not disclosed.): Please refer to Table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to Table 4.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Table 5.

14. Segment Information

(1) General information

The main services of the Group are the research and development of medical devices, manufacturing and sale of injection molding and components of medical devices. The Board of Directors of the Group evaluates the performance of each operating department based on the operating outcome categorized by function presented in the consolidated financial statements.

(2) Measurement of segment information

The accounting policies of operating departments and the summary of significant accounting policies stated in Note 4 of the consolidated financial statements are the same. Evaluation of the performance of operating departments is based on after-tax operating income of each operating department.

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

A. The after-tax profit and loss presented to the operation decision maker is under the same evaluation method of the consolidated statement of comprehensive income. Therefore, there is no need for adjustment.

B. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year 2023 :

	Medical Device Development Department	Medical Device Components Manufacturing and Sales Department	Total
Revenue from external customers	\$ 10,700	\$ 185,563	\$ 196,263
Inter-segment revenue	-	-	-
Operating revenue	<u>\$ 10,700</u>	<u>\$ 185,563</u>	<u>\$ 196,263</u>
Segment income (loss)	<u>(\$ 931,350)</u>	<u>(\$ 338,623)</u>	<u>(\$ 1,269,973)</u>
Segment income (loss), including the following			
Depreciation expense	<u>\$ 8,952</u>	<u>\$ 77,071</u>	<u>\$ 86,023</u>
Amortisation expense	<u>\$ 5,095</u>	<u>\$ 4,551</u>	<u>\$ 9,646</u>
Interest income	<u>\$ 18,404</u>	<u>\$ 1,532</u>	<u>\$ 19,936</u>
Income tax expense	<u>(\$ 39,201)</u>	<u>(\$ 84)</u>	<u>(\$ 39,285)</u>

Year 2022 :

	Medical Device Development Department	Medical Device Components Manufacturing and Sales Department	Total
Revenue from external customers	\$ 209,537	\$ 88,780	\$ 298,317
Inter-segment revenue	-	-	-
Operating revenue	<u>\$ 209,537</u>	<u>\$ 88,780</u>	<u>\$ 298,317</u>
Segment income (loss)	<u>(\$ 330,531)</u>	<u>(\$ 166,369)</u>	<u>(\$ 496,900)</u>
Segment income (loss), including the following			
Depreciation expense	<u>\$ 10,577</u>	<u>\$ 36,641</u>	<u>\$ 47,218</u>
Amortisation expense	<u>\$ 8,909</u>	<u>\$ 7,673</u>	<u>\$ 16,582</u>
Interest income	<u>\$ 9,070</u>	<u>\$ 1,218</u>	<u>\$ 10,288</u>
Income tax expense	<u>(\$ 59,083)</u>	<u>\$ 1,298</u>	<u>(\$ 57,785)</u>

(4) Information on products and services

Revenue from external customers is mainly from the research and development services and the manufacturing and sale of medical device components.

(5) Geographical information

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ -	\$ 156,461	\$ -	\$ 155,386
US	196,263	362,887	298,317	365,878
Total	<u>\$ 196,263</u>	<u>\$ 519,348</u>	<u>\$ 298,317</u>	<u>\$ 521,264</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	Revenue	Revenue
B	\$ 10,700	\$ 209,537

MEDEON BIODESIGN, INC.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Medimaging Integrated Solution Inc.	None	Current financial assets at fair value through profit or loss	102,999	\$ 11,227	0.30	\$ 11,227	
The Company's subsidiary	Star Victoria Limited	None	Current financial assets at fair value through profit or loss	714	30,705	1.43	30,705	

MEDEON BIODESIGN, INC.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at		Addition		Disposal			Balance as at December 31, 2023		
					January 1, 2023									
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Medeon Biodesign, Inc.	Delta Asia International	Investments accounted for using equity method	Not applicable	Investments accounted for using equity method	7,207	\$ 1,876,293	-	\$ -	7,207	\$ 1,479,671	\$ 1,882,631	(\$ 402,960)	-	\$ -

MEDEON BIODESIGN, INC.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount		
0	Medeon Biodesign, Inc.	Medeon International, Inc.	1	Other payables- related parties	\$ 6,851	Agreed by both parties	0.25
0	Medeon Biodesign, Inc.	Medeologix, Inc.	1	Other receivable- related parties	4,724	Agreed by both parties	0.17
0	Medeon Biodesign, Inc.	Medeologix, Inc.	1	Other Revenue	9,000	Agreed by both parties	4.59
0	Medeon Biodesign, Inc.	Prodeon Medical Corporation	1	Other Revenue	10,805	Agreed by both parties	5.51
0	Medeon Biodesign, Inc.	Prodeon Medical Corporation	1	Other receivable- related parties	2,647	Agreed by both parties	0.10
0	Medeon Biodesign, Inc.	MedeonBio, Inc.	1	Other payables- related parties	6,605	Agreed by both parties	0.24
0	Medeon Biodesign, Inc.	MedeonBio, Inc.	1	Operating Expense	27,027	Agreed by both parties	13.77
1	MedeonBio, Inc.	Aquedeon Medical, Inc.	3	Other Revenue	11,144	Agreed by both parties	5.68
1	MedeonBio, Inc.	Prodeon Medical, Inc.	3	Other receivable- related parties	1,367	Agreed by both parties	0.05
1	MedeonBio, Inc.	Prodeon Medical, Inc.	3	Other Revenue	17,019	Agreed by both parties	8.67
1	MedeonBio, Inc.	Second Source Medical LLC	3	Other receivable- related parties	1,413	Agreed by both parties	0.05
1	MedeonBio, Inc.	Second Source Medical LLC	3	Other Revenue	16,290	Agreed by both parties	8.30
1	MedeonBio, Inc.	MediBalloon, Inc.	3	Other Revenue	5,466	Agreed by both parties	2.79
3	Prodeon Medical Corporation	Prodeon Medical, Inc.	3	Other payables- related parties	67,605	Agreed by both parties	2.46
3	Prodeon Medical Corporation	Prodeon Medical, Inc.	3	Operating Expense	368,294	Agreed by both parties	187.65
7	MediBalloon, Inc.	Second Source Medical LLC	3	Other receivable- related parties	1,242	Agreed by both parties	0.05
7	MediBalloon, Inc.	Second Source Medical LLC	3	Other Revenue	2,353	Agreed by both parties	1.20
7	MediBalloon, Inc.	Second Source Medical LLC	3	Operating Expense	5,228	Agreed by both parties	2.66
7	MediBalloon, Inc.	Medeologix, Inc.	3	Other payables- related parties	1,409	Agreed by both parties	0.05
7	MediBalloon, Inc.	Medeologix, Inc.	3	Other Revenue	1,488	Agreed by both parties	0.76
7	MediBalloon, Inc.	Medeologix, Inc.	3	Operating Expense	1,970	Agreed by both parties	1.00

NOTE1 : The above transactions between the Company and its subsidiaries and those between the subsidiaries have been wrote-off in the consolidated financial reports.

NOTE2 : The numbers for the company in respect of inter-company transactions are as follows :

Medeon Biodesign, Inc. : 0

MedeonBio, Inc. : 1

Medeon International, Inc. : 2

Prodeon Medical Corporation : 3

Aquedeon Medical, Inc. : 4

Prodeon Medical Inc. : 5

Second Source Medical LLC : 6

MediBalloon, Inc. : 7

Medeologix, Inc. : 8

NOTE3 : Relationship between transaction company and counterparty is classified into the following three categories :

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

MEDEON BIODESIGN, INC.

Information on investees

For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31,2023			Net profit (loss)	Investment income(loss)		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	of the investee for the year	recognised by the Company		
									ended December 31, 2023	for the year ended December 31, 2023		
Medeon Biodesign, Inc.	Delta Asia International	Taiwan (R.O.C)	Manufacturing and sales of medical device components	\$ -	\$ 149,726	-	0.00	\$ -	\$ 49,636	\$ 13,544		
Medeon Biodesign, Inc.	Prodeon Medical Corporation	Taiwan (R.O.C)	Manufacturing and development of medical devices	1,426,658	967,658	22,586,000	88.41	255,916	(365,870)	(318,811)	NOTE3	
Medeon Biodesign, Inc.	Yi Chuang Biodesign, Inc.	Taiwan (R.O.C)	Sales of medical devices	100	100	10,000	100.00	73	(1)	(1)		
Medeon Biodesign, Inc.	Medeologix, Inc.	Taiwan (R.O.C)	Manufacturing and sales of medical devices	840,000	600,000	40,214,174	95.60	384,988	(338,623)	(323,961)		
Medeon Biodesign, Inc.	Medeon International, Inc.	Samoa	Equity investment and commerce of medical devices	796,979	675,539	26,939,999	100.00	81,231	(80,529)	(80,529)		
Medeon International, Inc.	Aquedeon Mediacal, Inc.	US	Manufacturing and development of medical devices	512,374	375,341	8,400,000	97.03	43,285	(82,905)	(80,535)	NOTE1.2	
Prodeon Medical Corporation	Prodeon Medical, Inc.	US	Manufacturing and development of medical devices	84,270	84,270	3,000	100.00	89,616	22,956	22,956		
Medeologix, Inc.	MediBalloon, Inc.	US	Manufacturing and sales of medical devices	234,603	141,353	16,500,000	100.00	92,750	(102,392)	(102,392)		
Medeologix, Inc.	MedeonBio, Inc.	US	Manufacturing and development of medical devices	99,509	99,509	2,900,000	100.00	34,100	(37,832)	(37,832)		
Medeologix, Inc.	Second Source Medical, LLC	US	Manufacturing and sales of medical devices	288,807	227,847	-	100.00	152,549	(94,962)	(94,962)		

Note 1 : It is originally 17,560,000 US dollars.

Note 2 : Preferred stock.

Note 3 : Preferred stock in the amount of 14,357,500 shares is included.

MEDEON BIODESIGN, INC.

Major shareholders information

December 31,2023

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Center Laboratories, Inc	27,411,028	29.71
Medeon, Inc. (US)	10,450,911	11.32