

**LUMOSA THERAPEUTICS CO., LTD. AND
SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**
JUNE 30, 2023 AND 2022
(Stock code: 6535)

For the convenience of readers and for information purpose only, the independent auditors' review 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 independent auditors' review report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Lumosa Therapeutics Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Lumosa Therapeutics Co., Ltd. and subsidiaries (the “Group”) as at June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month periods and six-month periods ended June 30, 2023 and 2022, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review


We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023 and 2022, and of its consolidated financial performance for the three-month periods and six-month periods ended June 30, 2023 and 2022 and its consolidated cash flows for the six-month periods ended June 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.



Teng, Shang-Wei



Yen, Yu-Fang

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2023

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 consolidated 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' review report are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the consolidated 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.

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	June 30, 2023		December 31, 2022		June 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current Assets							
1100	Cash	6(1)	\$ 331,798	18	\$ 516,848	27	\$ 698,460	36
1110	Financial assets at fair value	6(2) and 12(3)						
	through profit or loss - current		-	-	-	-	18,200	1
1136	Financial assets at amortised cost - current	6(3)	668,012	36	667,668	35	566,876	29
1170	Accounts receivable, net	6(4) and 7	18,035	1	13,998	1	4,728	-
1200	Other receivables	7	2,249	-	2,248	-	619	-
1220	Current income tax assets		16,021	1	15,734	1	15,835	1
130X	Inventory	6(5)	103,864	5	108,681	6	97,159	5
1410	Prepayments		68,801	4	60,876	3	59,977	3
1470	Other current assets		6	-	-	-	435	-
11XX	Total current assets		<u>1,208,786</u>	<u>65</u>	<u>1,386,053</u>	<u>73</u>	<u>1,462,289</u>	<u>75</u>
	Non-current assets							
1510	Financial assets at fair value	6(2) and 12(3)						
	through profit or loss - non-current		622,877	34	464,716	25	444,555	23
1600	Property, plant and equipment	6(6)	3,900	-	3,062	-	1,342	-
1755	Right-of-use assets	6(7)	2,476	-	4,602	-	6,728	-
1780	Intangible assets	6(8)	19,272	1	26,932	2	35,253	2
1900	Other non-current assets		323	-	323	-	2,380	-
15XX	Total non-current assets		<u>648,848</u>	<u>35</u>	<u>499,635</u>	<u>27</u>	<u>490,258</u>	<u>25</u>
1XXX	Total assets		<u>\$ 1,857,634</u>	<u>100</u>	<u>\$ 1,885,688</u>	<u>100</u>	<u>\$ 1,952,547</u>	<u>100</u>
	Liabilities and Equity							
	Current liabilities							
2130	Contract liabilities - current	6(17)	\$ 7,079	-	\$ 6,882	-	\$ 4,443	-
2170	Accounts payable		30	-	992	-	30	-
2200	Other payables	6(9) and 7	30,284	2	49,686	3	46,161	3
2280	Lease liabilities - current	6(25) and 7	2,536	-	4,330	-	4,287	-
2365	Refund liabilities - current	6(10)	151,130	8	151,130	8	151,130	8
2399	Other current liabilities		2,603	-	2,339	-	2,144	-
21XX	Total current liabilities		<u>193,662</u>	<u>10</u>	<u>215,359</u>	<u>11</u>	<u>208,195</u>	<u>11</u>
	Non-current liabilities							
2580	Lease liabilities - non-current	6(25) and 7	-	-	360	-	2,536	-
2XXX	Total liabilities		<u>193,662</u>	<u>10</u>	<u>215,719</u>	<u>11</u>	<u>210,731</u>	<u>11</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(13)						
3110	Common share		1,631,128	88	1,630,978	87	1,631,328	83
3170	Share capital awaiting retirement		(190)	-	-	-	(550)	-
	Capital surplus	6(14)						
3200	Capital surplus		1,267,767	69	1,268,438	67	1,268,388	65
	Retained earnings	6(15)						
3350	Deficit yet to be compensated		(1,261,714)	(68)	(1,256,097)	(66)	(1,141,081)	(58)
	Other equity interest	6(16)						
3400	Other equity interest		(10,269)	(1)	(13,530)	(1)	(16,269)	(1)
31XX	Equity attributable to shareholders of the parent		<u>1,626,722</u>	<u>88</u>	<u>1,629,789</u>	<u>87</u>	<u>1,741,816</u>	<u>89</u>
36XX	Non-controlling interests	4(3)	<u>37,250</u>	<u>2</u>	<u>40,180</u>	<u>2</u>	<u>-</u>	<u>-</u>
3XXX	Total equity		<u>1,663,972</u>	<u>90</u>	<u>1,669,969</u>	<u>89</u>	<u>1,741,816</u>	<u>89</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 1,857,634</u>	<u>100</u>	<u>\$ 1,885,688</u>	<u>100</u>	<u>\$ 1,952,547</u>	<u>100</u>

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

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE DATA)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$ 14,206	100	\$ 4,907	100	\$ 22,182	100	\$ 7,705	100
5000 Operating costs	6(5)	(2,864)	(20)	(3,442)	(70)	(9,412)	(42)	(5,219)	(68)
5900 Gross profit		<u>11,342</u>	<u>80</u>	<u>1,465</u>	<u>30</u>	<u>12,770</u>	<u>58</u>	<u>2,486</u>	<u>32</u>
Operating expenses	6(6)(7)(8)(11) (12)(21)(22) and 7								
6100 Selling expenses		(5,153)	(36)	(3,564)	(73)	(9,523)	(43)	(7,226)	(93)
6200 General and administrative expenses		(5,510)	(39)	(5,207)	(106)	(12,270)	(56)	(10,701)	(139)
6300 Research and development expenses		(109,022)	(768)	(93,519)	(1906)	(171,912)	(775)	(144,928)	(1881)
6450 Expected credit impairment loss		(1,624)	(11)	-	-	(1,624)	(7)	-	-
6000 Total operating expenses		(121,309)	(854)	(102,290)	(2085)	(195,329)	(881)	(162,855)	(2113)
6900 Operating loss		(109,967)	(774)	(100,825)	(2055)	(182,559)	(823)	(160,369)	(2081)
Non-operating income and expenses									
7100 Interest income	6(3)(18)	3,294	23	1,019	21	5,225	23	1,768	23
7010 Other income	6(19) and 7	8,627	60	909	19	9,635	43	1,756	23
7020 Other gains and losses	6(2)(20)	(54,444)	(383)	(96,163)	(1960)	159,186	718	(222,706)	(2891)
7050 Finance costs	6(7) and 7	(14)	-	(40)	(1)	(34)	-	(94)	(1)
7000 Total non-operating income and expenses		(42,537)	(300)	(94,275)	(1921)	174,012	784	(219,276)	(2846)
7900 Loss before income tax		(152,504)	(1074)	(195,100)	(3976)	(8,547)	(39)	(379,645)	(4927)
7950 Income Tax Expense	6(23)	-	-	-	-	-	-	-	-
8200 Loss for the period		<u>(\$ 152,504)</u>	<u>(1074)</u>	<u>(\$ 195,100)</u>	<u>(3976)</u>	<u>(\$ 8,547)</u>	<u>(39)</u>	<u>(\$ 379,645)</u>	<u>(4927)</u>
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations	6(16)	(\$ 51)	-	(\$ 23)	-	(\$ 44)	-	\$ 33	-
8300 Other comprehensive loss for the period		<u>(\$ 51)</u>	<u>-</u>	<u>(\$ 23)</u>	<u>-</u>	<u>(\$ 44)</u>	<u>-</u>	<u>\$ 33</u>	<u>-</u>
8500 Total comprehensive loss for the period		<u>(\$ 152,555)</u>	<u>(1074)</u>	<u>(\$ 195,123)</u>	<u>(3976)</u>	<u>(\$ 8,591)</u>	<u>(39)</u>	<u>(\$ 379,612)</u>	<u>(4927)</u>
Loss attributable to:									
8610 Shareholders of the parent		(\$ 150,952)	(1063)	(\$ 195,100)	(3976)	(\$ 5,617)	(26)	(\$ 379,645)	(4927)
8620 Non-controlling interests		(1,552)	(11)	-	-	(2,930)	(13)	-	-
		<u>(\$ 152,504)</u>	<u>(1074)</u>	<u>(\$ 195,100)</u>	<u>(3976)</u>	<u>(\$ 8,547)</u>	<u>(39)</u>	<u>(\$ 379,645)</u>	<u>(4927)</u>
Comprehensive loss attributable to:									
8710 Shareholders of the parent		(\$ 151,003)	(1063)	(\$ 195,123)	(3976)	(\$ 5,661)	(26)	(\$ 379,612)	(4927)
8720 Non-controlling interests		(1,552)	(11)	-	-	(2,930)	(13)	-	-
		<u>(\$ 152,555)</u>	<u>(1074)</u>	<u>(\$ 195,123)</u>	<u>(3976)</u>	<u>(\$ 8,591)</u>	<u>(39)</u>	<u>(\$ 379,612)</u>	<u>(4927)</u>
Loss per share (in dollars)									
9750 Basic loss per share	6(24)	<u>(\$ 0.92)</u>		<u>(\$ 1.20)</u>		<u>(\$ 0.03)</u>		<u>(\$ 2.34)</u>	
9850 Diluted loss per share		<u>(\$ 0.92)</u>		<u>(\$ 1.20)</u>		<u>(\$ 0.03)</u>		<u>(\$ 2.34)</u>	

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

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to shareholders of the parent										
		Share Capital		Capital Surplus					Other Equity Interest		Total	Non-controlling interests
		Common share	Share capital awaiting retirement	Share premium	Employee stock options	Employee restricted shares	Others	Deficit yet to be compensated	Financial statements translation differences of foreign operations	Unearned employee compensation		
												Total equity
<u>For the six-month period ended June 30, 2022</u>												
Balance at January 1, 2022		\$ 1,631,628	(\$ 150)	\$ 1,249,701	\$ 360	\$ 21,148	\$ 164	(\$ 761,436)	\$ 2,948	(\$ 25,776)	\$ 2,118,587	\$ -
Loss for the period		-	-	-	-	-	-	(379,645)	-	-	(379,645)	(379,645)
Other comprehensive income for the period	6(16)	-	-	-	-	-	-	-	33	-	33	33
Total comprehensive loss		-	-	-	-	-	-	(379,645)	33	-	(379,612)	(379,612)
Employee stock options exercised	6(12)(13)	450	-	297	(184)	-	-	-	-	-	563	563
Compensation costs of employee restricted stock	6(12)(16)(22)	-	-	-	-	-	-	-	-	2,278	2,278	2,278
Capital reduction through retirement of employee restricted shares	6(12)(13)	(750)	150	-	-	(1,616)	-	-	-	2,216	-	-
Adjustment on forfeited employee restricted shares due to resignation of employees	6(12)(13)(16)	-	(550)	-	-	(1,482)	-	-	-	2,032	-	-
Balance at June 30, 2022		<u>\$ 1,631,328</u>	<u>(\$ 550)</u>	<u>\$ 1,249,998</u>	<u>\$ 176</u>	<u>\$ 18,050</u>	<u>\$ 164</u>	<u>(\$ 1,141,081)</u>	<u>\$ 2,981</u>	<u>(\$ 19,250)</u>	<u>\$ 1,741,816</u>	<u>\$ 1,741,816</u>
<u>For the six-month period ended June 30, 2023</u>												
Balance at January 1, 2023		\$ 1,630,978	\$ -	\$ 1,250,130	\$ 94	\$ 18,050	\$ 164	(\$ 1,256,097)	\$ 2,970	(\$ 16,500)	\$ 1,629,789	\$ 40,180
Loss for the period		-	-	-	-	-	-	(5,617)	-	-	(5,617)	(2,930)
Other comprehensive loss for the period	6(16)	-	-	-	-	-	-	-	(44)	-	(44)	(44)
Total comprehensive loss		-	-	-	-	-	-	(5,617)	(44)	-	(5,661)	(2,930)
Employee stock options exercised	6(12)(13)	230	-	151	(94)	-	-	-	-	-	287	287
Compensation costs of employee restricted stock	6(12)(16)(22)	-	-	-	-	-	-	-	-	2,307	2,307	2,307
Capital reduction through retirement and adjustment due to resignation of employee restricted shares forfeited	6(12)(13)(16)	(80)	(190)	-	-	(728)	-	-	-	998	-	-
Balance at June 30, 2023		<u>\$ 1,631,128</u>	<u>(\$ 190)</u>	<u>\$ 1,250,281</u>	<u>\$ -</u>	<u>\$ 17,322</u>	<u>\$ 164</u>	<u>(\$ 1,261,714)</u>	<u>\$ 2,926</u>	<u>(\$ 13,195)</u>	<u>\$ 1,626,722</u>	<u>\$ 37,250</u>

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

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the six-month periods ended June 30,	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before income tax for the period		(\$ 8,547)	(\$ 379,645)
Adjustments			
Adjustments to reconcile loss			
Depreciation	6(6)(7)(21)	2,712	2,832
Amortisation	6(8)(21)	8,360	8,321
Expected credit impairment loss		1,624	-
Net (gain) loss on financial assets or liability at fair value through profit or loss	6(2)(20)	(158,161)	230,457
Interest income	6(18)	(5,225)	(1,768)
Dividend income		(8,000)	-
Interest expense	6(7)	34	94
Compensation costs of employee restricted stock	6(12)(22)	2,307	2,278
Unrealised foreign exchange gain		(344)	(1,619)
Gains arising from lease modifications	6(7)(20)	-	(48)
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Accounts receivable		(5,661)	4,964
Inventory		4,817	(14,774)
Other receivables		601	85
Prepayments		(7,925)	(811)
Other current assets		(6)	(309)
Changes in liabilities relating to operating activities			
Contract liabilities - current		197	(237)
Accounts payable		(962)	(14,470)
Other payables		(19,402)	(218)
Other current liabilities		264	211
Cash outflow generated from operations		(193,317)	(164,657)
Interest received		4,623	1,687
Interest paid		(34)	(94)
Income tax (paid) refund received		(287)	549
Net cash flows used in operating activities		(189,015)	(162,515)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost - current		(496,800)	(457,600)
Proceeds from disposal of financial assets at amortised cost - current		496,800	482,231
Acquisition of property, plant and equipment	6(6)	(1,424)	-
Acquisition of intangible assets	6(8)	(700)	-
Dividends received		8,000	-
Increase in prepayments for equipment		-	(2,057)
Net cash flows from investing activities		5,876	22,574
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Employee stock options exercised		287	563
Payments of lease liabilities	6(7)(25)	(2,154)	(2,514)
Net cash flows used in financing activities		(1,867)	(1,951)
Effect due to changes in exchange rate		(44)	33
Decrease in cash		(185,050)	(141,859)
Cash at beginning of period		516,848	840,319
Cash at end of period		\$ 331,798	\$ 698,460

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

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Lumosa Therapeutics Co., Ltd. (“Lumosa” or the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 13, 2000. Starting from September 26, 2016, the Company’s stock was listed on the Taiwan Over-The-Counter Securities Exchange. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the development of new drugs. In order to maximize integration synergies of new drugs development resource and human resource, the shareholders during their meeting on July 27, 2018, resolved to merge the Company with TPG Biologics, Inc. (“TPG”) through a share swap, with the Company as the surviving company and TPG as the dissolved company.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 9, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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 IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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 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
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.

4. SUMMARY OF SIGNIFICANT 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" and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (“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
			June 30, 2023	December 31, 2022	June 30, 2022	
Lumosa	Lumosa Therapeutics Co., Ltd. (Cayman) (“Lumosa Cayman”)	Investment	100	100	100	
Lumosa	Cytoengine Co., Ltd. (“Cytoengine”)	New Drug Development	60	60	100	Note
Lumosa Cayman	Shanghai Lumosa Therapeutics Co., Ltd. (“Lumosa SH”)	Consulting, service and transfer of techniques	100	100	100	

Note: Cytoengine was established in January 2022, and completed an issuance of common shares for cash in the fourth quarter. Center Laboratories, Inc. acquired 40% of the shares, reducing the shareholding ratio of the Group to 60%.

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

D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of June 30, 2023, December 31, 2022 and June 30, 2022 the non-controlling interest amounted to \$37,250, \$40,180 and \$0, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2023		December 31, 2022		June 30, 2022	
		Ownership		Ownership		Ownership	
		Amount	(%)	Amount	(%)	Amount	(%)
Cytoengine Co., Ltd.	Taiwan	\$ 37,250	40%	\$ 40,180	40%	\$ -	0%

Summarised financial information of the subsidiaries:

Balance sheets

	Cytoengine Co., Ltd.		
	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 79,635	\$ 103,796	\$ -
Non-current assets	15,662	5,947	-
Current liabilities	(2,174)	(9,294)	-
Total net assets	\$ 93,123	\$ 100,449	\$ -

Statements of comprehensive income

Cytoengine Co., Ltd.		
For the three-month periods ended June 30,		
	2023	2022
Total operating expenses	(\$ 4,061)	\$ -
Total non-operating income and expenses	179	-
Loss for the period	(\$ 3,882)	\$ -
Total comprehensive loss for the period	(\$ 3,882)	\$ -
Comprehensive loss attributable to non-controlling interest	(\$ 1,552)	\$ -

Cytoengine Co., Ltd.		
For the six-month periods ended June 30,		
	2023	2022
Total operating expenses	(\$ 7,505)	\$ -
Total non-operating income and expenses	179	-
Loss for the period	(\$ 7,326)	\$ -
Total comprehensive loss for the period	(\$ 7,326)	\$ -
Comprehensive loss attributable to non-controlling interest	(\$ 2,930)	\$ -

Statements of cash flows

Cytoengine Co., Ltd.		
For the six-month periods ended June 30,		
	2023	2022
Net cash used in operating activities	(\$ 29,130)	\$ -
Net cash used in investing activities	(2,124)	-
Decrease in cash and cash equivalents	(31,254)	-
Cash and cash equivalents, beginning of period	97,003	-
Cash and cash equivalents, end of period	\$ 65,749	\$ -

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - c. 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:

- (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.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) 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.

Otherwise they are classified as non-current liabilities.

(6) 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.

(7) Financial assets at amortised cost

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

(8) Accounts receivable

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

(9) Impairment of financial assets

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

do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) 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, other direct/indirect costs. 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 estimated cost to complete the sale.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or 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:

Experiment equipment:	2 ~ 10 years
Machinery and office equipment:	3 ~ 5 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the 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;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- 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.

(14) Intangible assets

A. Patents and proprietary technology

Separately acquired proprietary technology is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 years. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date and amortised on a straight-line basis over its estimated useful life of 3 ~ 9 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2~3 years.

C. Goodwill

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

(15) 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. 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 are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. 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.

(16) 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.

(17) Derecognition of financial liabilities

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

(18) Employee benefits

A. Short-term employee benefits

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

B. Pensions - 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' remuneration

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

(19) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are 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.
- B: Employee restricted shares:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Group will redeem at no consideration and retire those stocks.
- C. The share-based payment grant date is the date that the Group and employees reached a consensus on the terms and provisions of share-based payment arrangements.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders 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. 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. 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.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(21) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells new drugs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' 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 customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from sales of goods is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is 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.

B. Service revenue

- (a) The Group provides technical service, clinical trial and related services. 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 to the

end of the reporting period as a proportion of the total services to be provided. 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.

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

C. Revenue from licencing intellectual property

- (a) The Group entered into a contract with a customer to grant a licence of intellectual property to the customer. Because licencing is divisible from the contract, the Group recognises licencing revenue when the licence is transferred to a customer at a point in time based on the nature of licencing. The nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when the licence is transferred to a customer at a point in time.
- (b) Some contracts require a sales-based royalty in exchange for a licence of intellectual property. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

(22) Operating segments

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

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

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

Critical accounting estimates and assumptions

Impairment assessment of intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes

of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of June 30, 2023, the Group recognised intangible assets, net of impairment loss, amounting to \$19,272.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand and revolving funds	\$ 20	\$ 20	\$ 80
Demand deposits	331,778	516,828	698,380
	<u>\$ 331,798</u>	<u>\$ 516,848</u>	<u>\$ 698,460</u>

A. The Group associates with a variety of financial institutions and all of them 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 pledged to others.

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

<u>Items</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current Items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed and OTC stocks	\$ -	\$ -	\$ 2,995
Valuation adjustment	-	-	15,205
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,200</u>
Non-current Items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed and OTC stocks (Note 1)	\$ 88,000	\$ -	\$ -
Emerging stocks (Notes 1 and 2)	84,944	172,944	88,000
Public stocks (Note 2)	20,000	20,000	90,000
	192,944	192,944	178,000
Valuation adjustment	429,933	271,772	266,555
	<u>\$ 622,877</u>	<u>\$ 464,716</u>	<u>\$ 444,555</u>

Note 1: The Group held an investment in the stocks of Ever Fortune AI Co., Ltd. which was listed on the Taipei Exchange since March 1, 2023.

Note 2: The Group has acquired additional stocks in Shine-On BioMedical Co., Ltd. amounting to \$14,944 during August, 2022. Shine-On BioMedical Co., Ltd. has been offered publicly on September 20, 2022, and obtained an emerging stock market registration on November 25, 2022.

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

		For the three-month periods ended June 30,	
		2023	2022
Financial assets mandatorily measured at fair value through profit or loss			
Equity instruments		(\$ 56,345)	(\$ 99,553)
		For the six-month periods ended June 30,	
		2023	2022
Financial assets mandatorily measured at fair value through profit or loss			
Equity instruments		\$ 158,161	(\$ 230,457)

B. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost

	June 30, 2023	December 31, 2022	June 30, 2022
Current item:			
Time deposits - maturing over three months	\$ 668,012	\$ 667,668	\$ 566,876

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

		For the three-month periods ended June 30,	
		2023	2022
Interest income		\$ 2,025	\$ 812
		For the six-month periods ended June 30,	
		2023	2022
Interest income		\$ 3,955	\$ 1,560

B. As of June 30, 2023, December 31, 2022 and June 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$668,012, \$667,668 and \$566,876, respectively.

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

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

(4) Accounts receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable	\$ 19,659	\$ 13,998	\$ 4,728
Less: Loss allowance	(1,624)	-	-
	<u>\$ 18,035</u>	<u>\$ 13,998</u>	<u>\$ 4,728</u>

A. The ageing analysis of accounts receivable is as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Not past due	\$ 5,774	\$ 10,811	\$ 2,429
Up to 30 days	10,460	3,187	2,250
31 to 90 days	-	-	-
91 to 180 days	311	-	-
Over 181 days	3,114	-	49
	<u>\$ 19,659</u>	<u>\$ 13,998</u>	<u>\$ 4,728</u>

The above aging analysis is based on past due date.

B. As of June 30, 2023, December 31, 2022, June 30, 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to \$19,659, \$13,998, \$4,728 and \$9,692, respectively.

C. The Group does not hold financial assets as security for accounts receivable.

D. As of June 30, 2023, December 31, 2022 and June 30, 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 were \$18,035, \$13,998 and \$4,728, respectively.

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

(5) Inventories

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Raw materials and supplies	\$ 15,109	\$ 15,143	\$ 291
Semi-finished goods	87,472	89,118	92,759
Finished goods	1,283	4,420	4,109
	<u>\$ 103,864</u>	<u>\$ 108,681</u>	<u>\$ 97,159</u>

The cost of inventories recognised as expense for the period:

	<u>For the three-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 2,664	\$ 3,195
Cost of royalty	200	247
	<u>\$ 2,864</u>	<u>\$ 3,442</u>

	For the six-month periods ended June 30,	
	2023	2022
Cost of goods sold	\$ 6,068	\$ 4,837
Cost of royalty	3,344	382
	<u>\$ 9,412</u>	<u>\$ 5,219</u>

(6) Property, plant and equipment

	Experiment equipment	Machinery and office equipment	Total
<u>January 1, 2023</u>			
Cost	\$ 30,891	\$ 928	\$ 31,819
Accumulated depreciation	(27,829)	(928)	(28,757)
	<u>\$ 3,062</u>	<u>\$ -</u>	<u>\$ 3,062</u>
<u>2023</u>			
At January 1	\$ 3,062	\$ -	\$ 3,062
Additions	1,424	-	1,424
Depreciation	(586)	-	(586)
At June 30	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 3,900</u>
<u>June 30, 2023</u>			
Cost	\$ 30,893	\$ 748	\$ 31,641
Accumulated depreciation	(26,993)	(748)	(27,741)
	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 3,900</u>
	Experiment equipment	Machinery and office equipment	Total
<u>January 1, 2022</u>			
Cost	\$ 28,605	\$ 928	\$ 29,533
Accumulated depreciation	(26,961)	(928)	(27,889)
	<u>\$ 1,644</u>	<u>\$ -</u>	<u>\$ 1,644</u>
<u>2022</u>			
At January 1	\$ 1,644	\$ -	\$ 1,644
Depreciation	(302)	-	(302)
At June 30	<u>\$ 1,342</u>	<u>\$ -</u>	<u>\$ 1,342</u>
<u>June 30, 2022</u>			
Cost	\$ 28,605	\$ 928	\$ 29,533
Accumulated depreciation	(27,263)	(928)	(28,191)
	<u>\$ 1,342</u>	<u>\$ -</u>	<u>\$ 1,342</u>

A. No borrowing costs were capitalized as part of property, plant and equipment.

B. The Group has no property, plant and equipment pledged to others.

(7) Leasing arrangements - lessee

A. The Group leases various assets including buildings and other equipment. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 2,476	\$ 4,602	\$ 6,728

	<u>For the three-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 1,063	\$ 1,164

	<u>For the six-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 2,126	\$ 2,530

C. For the six-month periods ended June 30, 2023 and 2022, the additions to right-of-use assets were \$0 and \$112, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 14	\$ 40
Expense on short-term lease contracts	1,076	617
Expense on leases of low-value assets	14	14
Gain on lease modification	-	48

	<u>For the six-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34	\$ 94
Expense on short-term lease contracts	1,933	1,405
Expense on leases of low-value assets	29	29
Gain on lease modification	-	48

E. For the six-month periods ended June 30, 2023 and 2022, the Group's total cash outflow for leases were \$4,150 and \$4,042, respectively.

(8) Intangible assets

	Patents and proprietary technology	Computer software	Goodwill	Total
<u>January 1, 2023</u>				
Cost	\$ 361,173	\$ 490	\$ 78,490	\$ 440,153
Accumulated impairment	(24,033)	-	(78,490)	(102,523)
Accumulated amortisation	(310,372)	(326)	-	(310,698)
	<u>\$ 26,768</u>	<u>\$ 164</u>	<u>\$ -</u>	<u>\$ 26,932</u>
<u>2023</u>				
At January 1	\$ 26,768	\$ 164	\$ -	\$ 26,932
Additions	-	700	-	700
Amortisation	(8,198)	(162)	-	(8,360)
At June 30	<u>\$ 18,570</u>	<u>\$ 702</u>	<u>\$ -</u>	<u>\$ 19,272</u>
<u>June 30, 2023</u>				
Cost	\$ 361,173	\$ 1,190	\$ 78,490	\$ 440,853
Accumulated impairment	(24,033)	-	(78,490)	(102,523)
Accumulated amortisation	(318,570)	(488)	-	(319,058)
	<u>\$ 18,570</u>	<u>\$ 702</u>	<u>\$ -</u>	<u>\$ 19,272</u>
<u>January 1, 2022</u>				
Cost	\$ 361,173	\$ 490	\$ 78,490	\$ 440,153
Accumulated impairment	(24,033)	-	(78,490)	(102,523)
Accumulated amortisation	(293,975)	(81)	-	(294,056)
	<u>\$ 43,165</u>	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ 43,574</u>
<u>2022</u>				
At January 1	\$ 43,165	\$ 409	\$ -	\$ 43,574
Amortisation	(8,198)	(123)	-	(8,321)
At June 30	<u>\$ 34,967</u>	<u>\$ 286</u>	<u>\$ -</u>	<u>\$ 35,253</u>
<u>June 30, 2022</u>				
Cost	\$ 361,173	\$ 490	\$ 78,490	\$ 440,153
Accumulated impairment	(24,033)	-	(78,490)	(102,523)
Accumulated amortisation	(302,173)	(204)	-	(302,377)
	<u>\$ 34,967</u>	<u>\$ 286</u>	<u>\$ -</u>	<u>\$ 35,253</u>

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

	For the three-month periods ended June 30,	
	2023	2022
Selling expenses	\$ 62	\$ 61
Research and development expenses	4,128	4,099
	<u>\$ 4,190</u>	<u>\$ 4,160</u>
	For the six-month periods ended June 30,	
	2023	2022
Selling expenses	\$ 123	\$ 123
Research and development expenses	8,237	8,198
	<u>\$ 8,360</u>	<u>\$ 8,321</u>

B. The Group has no intangible assets pledged to others.

C. As a result of the Covid-19 pandemic, deliveries of the supplies which were purchased for ECC series development project were suspended, causing significant delay in the overall progress of the project. Further, as the cell therapy technology on other similar indications and the therapeutic techniques of antibody-drug conjugates continue to flourish, the subsequent market share is expected to decrease because the project's progress was behind schedule. Based on the Group's assessment, the recoverable amount of ECC series project was less than its carrying amount, thus, the Group recognised accumulated impairment loss amounting to \$102,523 as of June 30, 2023. The recoverable amount was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates, and the key assumptions used for value-in-use calculations are as follows:

	For the year ended December 31, 2022
	<u>ECC series project operation</u>
Gross margin	100%
Growth rate	2%
Discount rate	19.7%

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant operating segments.

D. Details of licence granted are as follows:

In July 2012, Cheng Pang Medical Technology Inc. (hereinafter referred to as “Cheng Pang”) entered into a “Novel Long-acting Analgesic Injection” technology transfer agreement with the Ministry of Science and Technology (originally as the “National Science Council, Executive Yuan”), the National Defense Medical Center, and the co-inventor(s). The Company obtained such proprietary technology when Cheng Pang merged with the Company in June 2014. Such proprietary technology was recognised based on the fair value at the acquisition date, in accordance with the accounting standards of enterprise merger.

The abovementioned technology transfer agreement provides that when relevant technology (or product) is sub-licensed to a third party, the Company shall pay a sublicense fee. The sublicense fee is 10% of the sublicense income received from the sub-licencee less the development costs; also, the sublicense fee shall not be less than 20% of the sublicense income received from the sub-licencee. If the Company manufactures and markets the relevant product, the Company shall pay 1.875%~7.5% of the net sale of the product as royalty during the term of the agreement.

(9) Other payables

	June 30, 2023	December 31, 2022	June 30, 2022
Salaries and bonus payable	\$ 9,053	\$ 14,669	\$ 8,867
Service payable	2,116	2,199	2,341
Research expenses payable	7,154	18,951	25,187
Royalties payable	9,586	11,257	8,386
Other payables	2,375	2,610	1,380
	<u>\$ 30,284</u>	<u>\$ 49,686</u>	<u>\$ 46,161</u>

(10) Refund liabilities - current

- A. At the beginning and end of the six-month periods ended June 30, 2023 and 2022, refund liabilities both amounted to \$151,130.
- B. Refund liabilities pertains to licencing revenue recognised in accordance with contractual terms agreed upon with customers.

(11) Pensions

- A. The Company has established a defined contribution pension plan (the ‘New Plan’) under the Labor Pension Act (the ‘Act’) covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension expense under the defined contribution pension plan of the Group for the three-month periods ended June 30, 2023 and 2022 and six-month periods ended June 30, 2023 and 2022 were \$558, \$504, \$1,147 and \$1,034, respectively.

B. The subsidiaries, Lumosa Cayman, Lumosa SH and Cytoengine, have no formal employee and were not subject to local pension act.

(12) Share-based payments

A. As of June 30, 2023, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Employee stock options	2015/03/30	4,915	8 years	Note 1
Restricted stocks to employees	2021/07/09	900	4.5 years	Note 2

Note 1: After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules and percentage as prescribed in the option plan.

Note 2: Employees can receive shares several times when restricted stocks are granted to employees who continue to serve the Company and when the Company reaches its operational goals.

The above share-based payment arrangements are settled by equity.

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

(a) Employee stock options

	2023		2022	
	Number of options (shares in thousands)	Weighted-average exercise price (in dollars)	Number of options (shares in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	23	\$ 12.50	88	\$ 12.50
Options exercised	(23)	12.50	(45)	12.50
Options outstanding at June 30	-	-	43	12.50
Options exercisable at June 30	-	-	43	12.50

(b) Employee restricted shares

	2023	2022
	Number (shares in thousands)	Number (shares in thousands)
At January 1	670	785
Forfeited shares (Note)	(27)	(115)
At June 30	643	670

Note: For the six-month period ended June 30, 2023, certain employees resigned during the vesting period, thus, the granted employee restricted shares of 27,000 shares shall be returned because they did not meet the vesting conditions specified in the issuance

terms, of which 8,000 invalid shares had been redeemed and retired for the capital reduction as approved by the Board of Directors on April 24, 2023, and the registration for the capital reduction was completed. The registration for the capital reduction for the remaining 19,000 shares was not completed yet up to August 9, 2023.

- C. The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2023 and 2022 were \$42.54 and \$35.91 (in dollars), respectively.
- D. The expiry date and exercise price of stock options outstanding at the balance sheet date are as follows:

Issue date approved	Expiry date	June 30, 2023		December 31, 2022		June 30, 2022	
		Number of shares (in thousands)	Exercise price (in dollars)	Number of shares (in thousands)	Exercise price (in dollars)	Number of shares (in thousands)	Exercise price (in dollars)
2015/03/30	2023/03/29	-	\$ -	23	\$ 12.50	43	\$ 12.50

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015/03/30	\$ 12.01	\$ 12.50	38.86%	5 years	-	1.09%	\$4.09
Restricted stocks to employees	2021/07/09	35.75	-	51.40%	4.5 years	-	0.24%	36.94

- F. The compensation costs recognised for the above employee restricted shares for the three-month periods and six-month periods ended June 30, 2023 and 2022 were \$1,047, \$1,036, \$2,307 and \$2,278, respectively.

(13) Share capital

As of June 30, 2023, the Company's authorised capital was \$3,000,000, consisting of 300 million shares of ordinary stock (including 11 million shares reserved for employee stock options), and the paid-in capital was \$1,630,938, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2023	2022
At January 1	163,097,825	163,147,825
Employee stock options exercised	23,000	45,000
Capital reduction through retirement of employee restricted shares (Note 1)	(8,000)	(60,000)
Forfeited employee restricted shares pending for retirement due to resignation of employees (Note 1)	(19,000)	(55,000)
At June 30	<u>163,093,825</u>	<u>163,077,825</u>

Note 1: For the six-month period ended June 30, 2023, certain employees resigned during the vesting period, thus, the granted employee restricted shares of 27,000 shares shall be returned because they did not meet the vesting conditions specified in the issuance terms, of which 8,000 invalid shares had been redeemed and retired for the capital reduction as approved by the Board of Directors on April 24, 2023, and the registration for the capital reduction was completed. The registration for the capital reduction for the remaining 19,000 shares was not completed yet up to August 9, 2023.

Note 2: In order to increase the Company's working capital, the shareholders during their meeting on June 9, 2020 resolved to raise additional cash through private placement. The maximum number of shares to be issued through the private placement is 70 million shares. As of March 11, 2021, the Board of Directors resolved to implement the second-time cash capital increase through private placement for a total of 3,448 thousand shares of ordinary shares at a subscription price of \$29 (in dollars), and the effective date for the capital increase was set on March 19, 2021. The amount of capital raised through the private placement was \$99,992 which had been registered. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued, have met the requirement of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(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) Deficit yet to be compensated

- A. The current year's earnings net of tax, if any, shall first be used to offset accumulated deficit (including undistributed earnings adjustment) and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorised capital, the Company shall not be subject to this requirement. The Company may then appropriate or reserve a certain amount as special reserve according to the demand or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.
- B. The Company's dividend policies were as follows:
In order to balance strengthening the financial structure and the interest of investors, the Company adopts a dividend equalising policy. The earnings distributed should not be less than 50% of distributable retained earnings and cash dividends should not be less than 10% of earnings distributed. If dividend per share is less than \$3 (in dollars), the Company could distribute all the dividends in stock.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. As of June 30, 2023 and 2022, the Company had an accumulated deficit. Therefore, there is no surplus available for distribution.

(16) Other equity items

	2023		
	Currency translation	Unearned employee compensation	Total
At January 1	\$ 2,970	(\$ 16,500)	(\$ 13,530)
Currency translation differences	(44)	-	(44)
Compensation costs of employee restricted shares	-	2,307	2,307
Adjustment on forfeited employee restricted shares due to resignation of employees	-	998	998
At June 30	<u>\$ 2,926</u>	<u>(\$ 13,195)</u>	<u>(\$ 10,269)</u>

	2022		
	Currency translation	Unearned employee compensation	Total
At January 1	\$ 2,948	(\$ 25,776)	(\$ 22,828)
Currency translation differences	33	-	33
Compensation costs of employee restricted shares	-	2,278	2,278
Adjustment on forfeited employee restricted shares due to resignation of employees	-	4,248	4,248
At June 30	<u>\$ 2,981</u>	<u>(\$ 19,250)</u>	<u>(\$ 16,269)</u>

(17) Operating revenue

	For the three-month periods ended June 30,	
	2023	2022
Sales revenue	\$ 13,778	\$ 4,285
Service revenue and others	428	622
	<u>\$ 14,206</u>	<u>\$ 4,907</u>
	For the six-month periods ended June 30,	
	2023	2022
Sales revenue	\$ 18,223	\$ 6,641
Service revenue and others	3,959	1,064
	<u>\$ 22,182</u>	<u>\$ 7,705</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following types:

For the three-month period ended June 30, 2023					
	Europe	America	Asia	Taiwan	Total
Revenue from external customer contracts	\$ -	\$ -	\$ 10,630	\$ 3,576	\$ 14,206
Timing of revenue recognised					
At a point in time	\$ -	\$ -	\$ 10,302	\$ 3,476	\$ 13,778
Over time	-	-	328	100	428
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,630</u>	<u>\$ 3,576</u>	<u>\$ 14,206</u>
For the three-month period ended June 30, 2022					
	Europe	America	Asia	Taiwan	Total
Revenue from external customer contracts	\$ -	\$ -	\$ -	\$ 4,907	\$ 4,907
Timing of revenue recognised					
At a point in time	\$ -	\$ -	\$ -	\$ 4,285	\$ 4,285
Over time	-	-	-	622	622
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,907</u>	<u>\$ 4,907</u>

For the six-month period ended June 30, 2023	Europe	America	Asia	Taiwan	Total
Revenue from external customer contracts	\$ -	\$ 460	\$ 14,050	\$ 7,672	\$ 22,182
Timing of revenue recognised					
At a point in time	\$ -	\$ 460	\$ 12,845	\$ 7,461	\$ 20,766
Over time	-	-	1,205	211	1,416
	\$ -	\$ 460	\$ 14,050	\$ 7,672	\$ 22,182
For the six-month period ended June 30, 2022	Europe	America	Asia	Taiwan	Total
Revenue from external customer contracts	\$ 213	\$ -	\$ -	\$ 7,492	\$ 7,705
Timing of revenue recognised					
At a point in time	\$ 213	\$ -	\$ -	\$ 6,428	\$ 6,641
Over time	-	-	-	1,064	1,064
	\$ 213	\$ -	\$ -	\$ 7,492	\$ 7,705

- (a) The Company entered into a licencing agreement with Shanghai Pharmaceutical Group Co., Ltd. (“Shanghai Pharma”) on November 6, 2019 for the exclusive development and sales rights for LT3001, a novel drug for the treatment of acute ischemic stroke in China. Shanghai Pharma was granted the right to develop, manufacture, register, market and promote LT3001 in China as well as conduct clinical trials of LT3001 in China. Shanghai Pharma is responsible for the associated costs with subsequent development, commercialization and marketing of LT3001 in China. The Company will receive the upfront payments and milestone payment for up to RMB 260 million and the royalty payment from the sales of LT3001. Revenue recognised by the Group for the three-month periods and six-month periods ended June 30, 2023 and 2022 were \$10,302, \$0, \$10,302 and \$0, respectively. Revenue recognised from the effective date of the contract to June 30, 2023 amounted to \$86,200.
- (b) The Company entered into a licencing agreement with Jemincare Group Co., Ltd. (“Jemincare”) on December 2, 2019 for the exclusive development and sales rights for LT1001, an extended-release analgesic injection. Jemincare was granted the right to develop, manufacture, register, sell and promote LT1001 in China, Hong Kong and Macau. The Company will receive the upfront payments and milestone payment for up to RMB 130 million and the royalty payment from the sales of LT1001. No revenue was recognised by the Group for the three-month and six-month periods ended June 30, 2023 and 2022. Revenue recognised from the effective date of the contract to June 30, 2023 amounted to \$75,233.

B. Contract liabilities

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

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Contract liabilities:				
LT1001 distribution agreement	\$ 7,079	\$ 6,882	\$ 4,443	\$ 4,680

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

		For the three-month periods ended June 30,	
		2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the period			
- LT1001 distribution agreement	\$	-	\$ -
		For the six-month periods ended June 30,	
		2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the period			
- LT1001 distribution agreement	\$	-	\$ 237

(18) Interest income

		For the three-month periods ended June 30,	
		2023	2022
Interest income from bank deposits	\$	1,269	\$ 207
Interest income from financial assets measured at amortised cost		2,025	812
	\$	3,294	\$ 1,019
		For the six-month periods ended June 30,	
		2023	2022
Interest income from bank deposits	\$	1,270	\$ 208
Interest income from financial assets measured at amortised cost		3,955	1,560
	\$	5,225	\$ 1,768

(19) Other income

		For the three-month periods ended June 30,	
		2023	2022
Rent income	\$	240	\$ 297
Dividend income		8,000	-
Other income - other		387	612
	\$	8,627	\$ 909

	For the six-month periods ended June 30,	
	2023	2022
Rent income	\$ 480	\$ 593
Dividend income	8,000	-
Other income - other	1,155	1,163
	<u>\$ 9,635</u>	<u>\$ 1,756</u>

(20) Other gains and losses

	For the three-month periods ended June 30,	
	2023	2022
Net currency exchange gain	\$ 1,901	\$ 3,642
Losses on financial assets at fair value through profit or loss	(56,345)	(99,553)
Gains arising from lease modifications	-	48
Other losses	-	(300)
	<u>(\$ 54,444)</u>	<u>(\$ 96,163)</u>

	For the six-month periods ended June 30,	
	2023	2022
Net currency exchange gain	\$ 1,025	\$ 8,003
Gains (losses) on financial assets at fair value through profit or loss	158,161	(230,457)
Gains arising from lease modifications	-	48
Other losses	-	(300)
	<u>\$ 159,186</u>	<u>(\$ 222,706)</u>

(21) Costs and expenses by nature

	For the three-month periods ended June 30,	
	2023	2022
Employee benefit expenses	\$ 14,730	\$ 13,672
Depreciation	1,366	1,311
Amortisation	4,190	4,160

	For the six-month periods ended June 30,	
	2023	2022
Employee benefit expenses	\$ 32,666	\$ 30,726
Depreciation	2,712	2,832
Amortisation	8,360	8,321

(22) Employee benefit expense

	For the three-month periods ended June 30,	
	2023	2022
Wages and salaries	\$ 11,320	\$ 10,425
Compensation costs of employee restricted shares	1,047	1,036
Labour and health insurance fees	974	940
Pension costs	558	504
Directors' remuneration	425	445
Other personnel expenses	406	322
	<u>\$ 14,730</u>	<u>\$ 13,672</u>
	For the six-month periods ended June 30,	
	2023	2022
Wages and salaries	\$ 25,177	\$ 23,486
Compensation costs of employee restricted shares	2,307	2,278
Labour and health insurance fees	2,158	2,009
Pension costs	1,147	1,034
Directors' remuneration	750	835
Other personnel expenses	1,127	1,084
	<u>\$ 32,666</u>	<u>\$ 30,726</u>

- A. In accordance with the Articles of Incorporation of the Company, when there are earnings for distribution in a given financial year, the Company shall reserve 2% to 6% as the employees' compensation and no more than 2% as directors' and supervisors' remuneration. If the Company has accumulated deficit, the earnings shall first be used to cover accumulated deficit, if any, then be appropriated based on the abovementioned ratios.
- B. For the six-month periods ended June 30, 2023 and 2022, the Company had an accumulated deficit, and thus did not accrue employees' compensation and directors' and supervisors' remuneration.
- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

For the six-month period ended June 30, 2023, the Company has no current income tax expense and deferred income tax.

- B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

C. The subsidiary, Cytoengine, was established in January, 2022. As of August 9, 2023, the income tax has not yet been assessed and approved by the Tax Authority.

(24) Loss per share

<u>For the three-month period ended June 30, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>150,952</u>)	<u>162,451</u>	(\$ <u>0.92</u>)
<u>For the three-month period ended June 30, 2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>195,100</u>)	<u>162,408</u>	(\$ <u>1.20</u>)
<u>For the six-month period ended June 30, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>5,617</u>)	<u>162,443</u>	(\$ <u>0.03</u>)
<u>For the six-month period ended June 30, 2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>379,645</u>)	<u>162,393</u>	(\$ <u>2.34</u>)

Note: Due to the loss for the three-month and six-month periods ended June 30, 2023 and 2022, the assumed conversion of dilutive potential ordinary shares will generate anti-dilutive effect, thus, the calculation of diluted loss per share did not include the dilutive potential ordinary shares.

(25) Changes in liabilities from financing activities

	2023		2022	
	Lease liabilities	Liabilities from financing activities-gross	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 4,690	\$ 4,690	\$ 11,486	\$ 11,486
Changes in cash flow from financing activities	(2,154)	(2,154)	(2,514)	(2,514)
Changes in other non-cash items (Note)	-	-	(2,149)	(2,149)
At June 30	<u>\$ 2,536</u>	<u>\$ 2,536</u>	<u>\$ 6,823</u>	<u>\$ 6,823</u>

Note: Pertains to the renewal of the lease at expiration.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Center Laboratories, Inc.	Entity with significant influence to the Group
BioEngine Technology Development Inc.	Other related party
Youluck International Inc.	Other related party
TOT Biopharm International Co., Ltd.	Other related party
Mycenax Biotech Inc.	Other related party
BioGend Therapeutics Co., Ltd.	Other related party
Glac Biotech Co., Ltd.	The chairman of the Group and the chairman of the company are the same person

(2) Significant related party transactions

A. Operating revenue

	For the three-month periods ended June 30,	
	2023	2022
Sales of services:		
Mycenax Biotech Inc.	\$ -	\$ 32
Center Laboratories, Inc.	90	290
Other related party	10	300
	<u>\$ 100</u>	<u>\$ 622</u>

	For the six-month periods ended June 30,	
	2023	2022
Sales of services:		
Mycenax Biotech Inc.	\$ 21	\$ 84
Center Laboratories, Inc.	180	680
Other related party	10	300
	<u>\$ 211</u>	<u>\$ 1,064</u>

It refers to research and development consulting services, project management and entrusted research and development services to related parties. The terms of transaction were based on mutual agreement.

B. Accounts receivable and other receivables

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable			
Mycenax Biotech Inc.	\$ -	\$ 11	\$ 11
Center Laboratories, Inc.	32	32	168
	<u>32</u>	<u>43</u>	<u>179</u>
Other receivables			
TOT Biopharm International Co., Ltd.	-	63	-
BioGend Therapeutics Co., Ltd.	-	64	32
	<u>-</u>	<u>127</u>	<u>32</u>
	<u>\$ 32</u>	<u>\$ 170</u>	<u>\$ 211</u>

It refers to research and development consulting services, project management and entrusted research and development services to related parties. The terms of transaction were based on mutual agreement

C. Other payables

	June 30, 2023	December 31, 2022	June 30, 2022
Mycenax Biotech Inc.	\$ 5,792	\$ 4,931	\$ -
Center Laboratories, Inc.	67	419	-
Bioengine Technology Development Inc.	-	291	-
	<u>\$ 5,859</u>	<u>\$ 5,641</u>	<u>\$ -</u>

It refers to office rent, business development consulting fee, information system usage service fee and commissioned research project, for the resulting payables, the terms of transaction were based on mutual agreement.

D. Lease transactions - lessee

(a) The Group leases offices and system equipment from related parties. The lease terms are all 3 to 4 years. Rental is charged based on quotations of nearby location and the payment term is monthly payment.

(b) Lease liabilities

(i) Outstanding balance:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Center Laboratories, Inc.	<u>\$ 2,507</u>	<u>\$ 4,634</u>	<u>\$ 6,739</u>

(ii) Interest expense

	<u>For the three-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Center Laboratories, Inc.	\$ 14	\$ 35
Mycenax Biotech Inc.	-	4
	<u>\$ 14</u>	<u>\$ 39</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Center Laboratories, Inc.	\$ 34	\$ 76
Mycenax Biotech Inc.	-	17
	<u>\$ 34</u>	<u>\$ 93</u>

E. Operating expenses

Others (including service fee and other operating expenses)

	<u>For the three-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Center Laboratories, Inc.	\$ 82	\$ 72
Mycenax Biotech Inc.	14,121	337
BioEngine Technology Development Inc.	2,121	802
	<u>\$ 16,324</u>	<u>\$ 1,211</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Center Laboratories, Inc.	\$ 292	\$ 199
Mycenax Biotech Inc.	18,736	2,657
BioEngine Technology Development Inc.	2,854	1,430
	<u>\$ 21,882</u>	<u>\$ 4,286</u>

The above refers to IT and commissioned research and development services rendered by the related parties. The terms of the transaction were based on mutual agreement.

F. Other income

	For the three-month periods ended June 30,	
	2023	2022
TOT Biopharm International Co., Ltd.	\$ 2	\$ 92
BioEngine Technology Development Inc.	-	87
	<u>\$ 2</u>	<u>\$ 179</u>
	For the six-month periods ended June 30,	
	2023	2022
Center Laboratories, Inc.	\$ 208	\$ 254
Mycenax Biotech Inc.	208	192
TOT Biopharm International Co., Ltd.	3	220
BioEngine Technology Development Inc.	-	87
	<u>\$ 419</u>	<u>\$ 753</u>

It refers to income for providing market information services, apportionment of antibody technology evaluation plan, advance expenses and office rent with related parties.

(3) Key management compensation

	For the three-month periods ended June 30,	
	2023	2022
Salaries and other short-term employee benefits	\$ 3,664	\$ 4,565
Post-employment benefits	130	130
Share-based payments	924	410
	<u>\$ 4,718</u>	<u>\$ 5,105</u>
	For the six-month periods ended June 30,	
	2023	2022
Salaries and other short-term employee benefits	\$ 7,511	\$ 9,036
Post-employment benefits	259	259
Share-based payments	1,847	1,026
	<u>\$ 9,617</u>	<u>\$ 10,321</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Refer to Note 6(8) D for the related information.

B. As of September 2002, the Group entered into a collaboration agreement with Professors Peng and Zhao of Capital Medical University to develop a “thrombolytic drug with therapeutic

activities.” The agreement provides that if the relevant proprietary technology is licenced to a third party, 5% of the licence income must be paid as royalty; also, once the product is successfully marketed, 1% of the net sales must be paid to the Professors each year during the patent term.

C. For mutual interests, the Group has paid termination payment to early terminate the collaborative development agreement and drug manufacturing contract with the original contracted manufacturer of Sebacoyl Dinalbuphine Ester (hereafter referred to as SDE) in 2017. The rights and actual contributions to the drug containing SDE will be verified jointly, based on which the Group will pay royalty not exceeding 2% of the global sale of the drug containing SDE.

D. As of June 30, 2023, December 31, 2022 and June 30, 2022, the total price of significant commission research and experiment contract that the Company has signed but not completed were \$960,024, \$1,077,318 and \$1,076,089, of which \$476,964, \$679,552 and \$751,049 have yet to be paid, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

Based on the character of the industry, future development, changes in external environment and other factors, the Group plans its capital for future use, research and development expenses, dividend expenses and other demands, to ensure continuous operations, feedback to shareholders, benefit of other shareholders and maintain and optimise capital structure to enhance the value of investors in the future.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debts.

The Group reviews liabilities to assets ratio periodically to monitor the cash flow.

During 2023, the Group’s strategy, which was the same with 2022, was to maintain debt ratio in the reasonable range.

The Group’s debt ratios are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Total liabilities	\$ 193,662	\$ 215,719	\$ 210,731
Total assets	\$ 1,857,634	\$ 1,885,688	\$ 1,952,547
Debt ratio	10.43%	11.44%	10.79%

(2) Financial instruments

A. Financial instruments by category

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 622,877	\$ 464,716	\$ 462,755
Financial assets at amortised cost			
Cash	331,798	516,848	698,460
Financial assets at amortised cost	668,012	667,668	566,876
Accounts receivable	18,035	13,998	4,728
Other receivables	2,249	2,248	619
Refundable deposits (shown as other non-current assets)	323	323	323
	<u>\$ 1,643,294</u>	<u>\$ 1,665,801</u>	<u>\$ 1,733,761</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Accounts payable	\$ 30	\$ 992	\$ 30
Other payables	30,284	49,686	46,161
Other current liabilities	2,603	2,339	2,144
	<u>\$ 32,917</u>	<u>\$ 53,017</u>	<u>\$ 48,335</u>
Lease liabilities	<u>\$ 2,536</u>	<u>\$ 4,690</u>	<u>\$ 6,823</u>

B. Financial risk management policies

(A) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk.

(B) Risk management is carried out by a general management department under approved policies. General management department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange 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

Foreign exchange risk

- 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 and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

- b. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.
- c. The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- d. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 2023			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,858	31.140	\$ 88,998
RMB:NTD	430	4.282	1,841
<u>Non-monetary items</u>			
RMB:NTD	327	4.282	1,400
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	32	31.140	996
December 31, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,512	30.710	\$ 107,854
RMB:NTD	434	4.408	1,913
<u>Non-monetary items</u>			
RMB:NTD	336	4.408	1,483
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	315	30.710	9,674
EUR:NTD	4	32.720	131
RMB:NTD	2	4.408	9

June 30, 2022				
(Foreign currency: functional currency)	Foreign currency amount		Exchange rate	Book value (NTD)
	(in thousands)			
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	3,651	29.720	\$ 108,508
RMB:NTD		549	4.439	2,437
<u>Non-monetary items</u>				
RMB:NTD		346	4.439	1,536
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		875	29.720	26,005

- e. Refer to the following table for the details of total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group:

For the three-month period ended June 30, 2023				
Exchange gain (loss)				
(Foreign currency: functional currency)	Foreign currency amount		Exchange rate	Book value
	(in thousands)			
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	30.563	\$ 2,353
RMB:NTD		-	4.393	(20)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		-	30.563	(430)
EUR:NTD		-	33.028	(3)
JPY:NTD		-	0.227	-
RMB:NTD		-	4.393	1

For the three-month period ended June 30, 2022				
Exchange gain (loss)				
Foreign currency amount				
(in thousands)				
Exchange rate				
Book value				
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	\$	-	28.616	\$ 4,231
RMB:NTD		-	4.418	(55)
EUR:NTD		-	-	(2)
Financial liabilities				
Monetary items				
USD:NTD		-	28.616	(494)
RMB:NTD		-	4.418	(26)
EUR:NTD		-	37.305	(12)
For the six-month period ended June 30, 2023				
Exchange gain (loss)				
Foreign currency amount				
(in thousands)				
Exchange rate				
Book value				
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	\$	-	30.563	\$ 1,308
RMB:NTD		-	4.393	(17)
Financial liabilities				
Monetary items				
USD:NTD		-	30.563	(230)
EUR:NTD		-	33.028	(36)
JPY:NTD		-	0.227	(1)
RMB:NTD		-	4.393	1

For the six-month period ended June 30, 2022				
Exchange gain (loss)				
Foreign currency				
amount				
(in thousands)				
		Exchange rate		Book value
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	28.616	\$ 8,618
RMB:NTD		-	4.418	198
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		-	28.616	(744)
RMB:NTD		-	4.418	(52)
GBP:NTD		-	37.305	(13)
EUR:NTD		-	31.407	(4)

- f. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the six-month period ended June 30, 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%	\$	890	\$ -
RMB:NTD	1%		18	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%		10	-

For the six-month period ended June 30, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	1,085	\$ -
RMB:NTD	1%		24	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%		260	-

Price risk

- The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss.
- The Group mainly invests in equity instruments comprised of shares issued by the domestic companies. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the six-month periods ended June 30, 2023 and 2022 by \$6,229 and \$4,628, respectively.

Cash flow and fair value interest rate risk

The Group does not hold any floating rate instrument, thus the Group has no interest risk.

(B) Credit risk

- 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.
- The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit

limits is regularly monitored.

- c. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- d. 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.
- e. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (a) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (b) The disappearance of an active market for that financial asset because of financial difficulties;
 - (c) Default or delinquency in interest or principal repayments;
 - (d) Adverse changes in national or regional economic conditions that are expected to cause a default.
- f. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the modified approach using the loss rate methodology to estimate expected credit loss.
- g. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On June 30, 2023, December 31, 2022 and June 30, 2022, the Group has no written-off financial assets that are still under recourse procedures.
- h. The counterparties of the Group's accounts receivable all have good credit quality and are grouped into the same category. The Group used the forecastability to adjust historical and timely information to establish a loss rate for estimating the loss allowance for accounts receivable. On June 30, 2023, December 31, 2022 and March 30, 2022, the provision matrix is as follows:

	Not past due	Up to 30 days past due	91~180 days past due	181~365 days past due	Total
<u>At June 30, 2023</u>					
Expected loss rate	0%	0%	10%	50%	
Total book value	\$ 5,774	\$ 10,460	\$ 311	\$ 3,114	\$ 19,659
Loss allowance	-	-	30	1,594	1,624
	Not past due	Up to 30 days past due	91~180 days past due	181~365 days past due	Total
<u>At December 31, 2022</u>					
Expected loss rate	0%	0%	10%	50%	
Total book value	\$ 10,811	\$ 3,187	\$ -	\$ -	\$ 13,998
Loss allowance	-	-	-	-	-

	Not past due	Up to 30 days past due	91~180 days past due	181~365 days past due	Total
<u>At June 30, 2022</u>					
Expected loss rate	0%	0%	10%	50%	
Total book value	\$ 2,429	\$ 2,250	\$ -	\$ 49	\$ 4,728
Loss allowance	-	-	-	-	-

i. The movements of the loss allowance of notes and accounts receivable are as follows:

	2023	2022
At January 1	\$ -	\$ -
Provision for impairment	1,624	-
At June 30	<u>\$ 1,624</u>	<u>\$ -</u>

i. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	June 30, 2023			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 668,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,012</u>
	December 31, 2022			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 667,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,668</u>
	June 30, 2022			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 566,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,876</u>

The Group's financial assets at amortised cost are all time deposits in banks and there is no significant abnormality in credit risk rating.

(C) Liquidity risk

- a. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group's general management department. The Group's general management department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- b. Surplus cash are held by the operating entities over and above balance required for working capital management. The Group's general management department invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- c. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	\$ 30	\$ -	\$ -	\$ -
Other payables	30,284	-	-	-
Lease liabilities	2,536	-	-	-
Refund liabilities	151,130	-	-	-
Other current liabilities	2,603	-	-	-

Non-derivative financial liabilities:

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	\$ 992	\$ -	\$ -	\$ -
Other payables	49,686	-	-	-
Lease liabilities	4,377	360	-	-
Refund liabilities	151,130	-	-	-
Other current liabilities	2,339	-	-	-

June 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	\$ 30	\$ -	\$ -	\$ -
Other payables	46,161	-	-	-
Lease liabilities	4,377	2,549	-	-
Refund liabilities	151,130	-	-	-
Other current liabilities	2,144	-	-	-

- d. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and emerging stocks are 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. The fair value of the Group's investment in unlisted stocks is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash, financial assets at amortised cost - current, accounts receivable, other receivables, refundable deposits (shown as part of other non-current assets), accounts payable, lease liabilities and other payables, are reasonably approximate to the fair values.

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

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

	June 30, 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 622,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,877</u>
	December 31, 2022			
	<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	\$ 464,716	\$ -	\$ -	\$ 464,716

	June 30, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 394,880</u>	<u>\$ -</u>	<u>\$ 67,875</u>	<u>\$ 462,755</u>

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

- i. The Group uses listed stock's/emerging stock's closing prices as market quoted prices for the inputs of fair value.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the six-month periods ended June 30, 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 six-month periods ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
At January 1	\$ -	\$ 70,000
Valuation adjustment	-	(2,125)
At June 30	<u>\$ -</u>	<u>\$ 67,875</u>

F. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and periodical reviews.

Finance segment cooperatively set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRSs. The related valuation results are reported to the management monthly. The management is responsible for managing and reviewing valuation processes.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted stocks \$	-	Discounted cash flow	Revenue growth rate	-	The higher the revenue growth rate, the higher the fair value
- Thevax Genetics Vaccine Co., Ltd.					
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted stocks \$	-	Discounted cash flow	Revenue growth rate	-	The higher the revenue growth rate, the higher the fair value
- Thevax Genetics Vaccine Co., Ltd.					
	Fair value at June 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted stocks \$	-	Discounted cash flow	Revenue growth rate	-	The higher the revenue growth rate, the higher the fair value
- Thevax Genetics Vaccine Co., Ltd.					
Unlisted stocks	67,875	Comparable to the listed counter company law	Price-Book ratio	1.95	The higher the multiplier, the higher the fair value
- Shine-On BioMedical Co., Ltd			Discount of Lack of Marketability	30.00%	The higher the discount of lack of marketability, the lower the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

			For the six-month period ended June 30, 2023	
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Discounted cash flow amount	± 1%	\$ -	\$ -
			For the six-month period ended June 30, 2022	
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price-Book ratio, discount of lack of marketability	± 1%	\$ 679	(\$ 679)

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): 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: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 3.

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

(4) Major shareholders information

Major shareholders information: Refer to table 4.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4(22) of the consolidated financial statements. The Group's segment profit (loss) is measured with the income (loss) after tax, which is used as a basis for the Group in evaluating the performance of the operating segments.

(3) Reconciliation for segment income (loss)

The segment assets, liabilities and income (loss) after tax provided to the chief operating decision-maker is measured in a manner consistent with that in the consolidated balance sheets and consolidated statement of comprehensive income and do not need to be reconciled.

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD
JUNE 30, 2023

Table 1 Expressed in thousands of NTD

					June 30, 2023				
Held Company name	Marketable securities		Relationship with the Company	Financial statement account	Shares/Units	Book value	Ownership (%)	Fair value	Note
	Type	Name							
Lumosa	Stock	Ever Fortune AI Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	4,000,000	\$ 420,000	4.06%	\$ 420,000	
Lumosa	Stock	Thevax Genetics Vaccine Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	10,000,000	-	9.72%	-	
Lumosa	Stock	Shine-On BioMedical Co., Ltd	-	Financial assets at fair value through profit or loss - non-current	2,855,813	202,877	5.73%	202,877	

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEs OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2023			Net profit (loss) of the investee for the six-month period ended June 30, 2023	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2023	Note
				Balance as at June 30, 2023	Balance as at June 30, 2022	Number of shares	Ownership (%)	Book value			
Lumosa	Lumosa Cayman	Cayman Islands	Investment	\$ 34,009	\$ 34,009	1,145,188	100	\$ 28,169	\$ 738	\$ 738	
Lumosa	Cytoengine Co., Ltd.	Taiwan	New Drugs Development	75,000	75,000	75,000	60	55,874 (7,326) (4,396)	

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six-month period ended June 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023	Net income of investee for the six-month period ended June 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six- month period ended June 30, 2023 (Note 2)	Book value of investments in Mainland China as of June 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2023	Note
Lumosa SH	Consultant, service and transfer of technology	\$ 4,459	b	\$ 4,459	\$ -	\$ -	\$ 4,459	(\$ 43)	100	(\$ 43)	\$ 1,400	\$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Lumosa	\$ 4,459	\$ 4,459	\$ 976,033

Note 1: Investment methods are classified into the following three categories:

- a. Directly invest in a company in Mainland China.
- b. Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- c. Others

Note 2: The financial statements were reviewed by independent auditors of the parent company in Taiwan.

LUMOSA THERAPEUTICS CO., LTD. AND SUBSIDIARIES
MAJOR SHAREHOLDERS INFORMATION
JUNE 30, 2023

Table 4

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Center Laboratories, Inc.	54,068,631	33.14