

**FORESEE PHARMACEUTICALS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REVIEW REPORT
THEREON
SEPTEMBER 30, 2024 AND 2023**

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

To the Board of Directors and Shareholders of Foresee Pharmaceuticals Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Foresee Pharmaceuticals Co., Ltd. and subsidiaries (the "Group") as at September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of material 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 September 30, 2024 and 2023, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Tsai, Pei-Hua

Yen, Yu-Fang

For and on behalf of PricewaterhouseCoopers, Taiwan

November 13, 2024

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

FORESEE PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2024, DECEMBER 31, 2023 AND SEPTEMBER 30, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	September 30, 2024		December 31, 2023		September 30, 2023	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 714,809	49	\$ 1,009,679	54	\$ 1,288,354	61
1136	Financial assets at amortised cost	6(1)(3) and 8						
	- current		125,000	8	342,500	18	292,500	14
1170	Accounts receivable, net	6(4)	52,789	4	65,912	4	61,308	3
1200	Other receivables		2,870	-	1,394	-	2,443	-
1220	Current income tax assets		8,168	1	7,698	-	6,295	-
130X	Inventories	6(5)	143,949	10	126,799	7	140,055	7
1410	Prepayments	6(2)	58,392	4	36,649	2	42,357	2
11XX	Total current assets		<u>1,105,977</u>	<u>76</u>	<u>1,590,631</u>	<u>85</u>	<u>1,833,312</u>	<u>87</u>
Non-current assets								
1600	Property, plant and equipment	6(6) and 8	218,296	15	107,816	6	110,957	5
1755	Right-of-use assets	6(7)	14,483	1	27,198	2	30,292	2
1780	Intangible assets	6(8)	116,239	8	126,813	7	130,349	6
1840	Deferred income tax assets		1,262	-	1,225	-	1,287	-
1915	Prepayments for business facilities		5,182	-	4,003	-	4,218	-
1920	Guarantee deposits paid		1,555	-	3,758	-	2,665	-
15XX	Total non-current assets		<u>357,017</u>	<u>24</u>	<u>270,813</u>	<u>15</u>	<u>279,768</u>	<u>13</u>
1XXX	Total assets		<u>\$ 1,462,994</u>	<u>100</u>	<u>\$ 1,861,444</u>	<u>100</u>	<u>\$ 2,113,080</u>	<u>100</u>
Liabilities and Equity								
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 250,000	17	\$ 200,000	11	\$ 100,000	5
2130	Contract liabilities - current	6(17)	158,580	11	105,480	6	-	-
2170	Accounts payable		40,498	3	12,133	-	24,772	1
2200	Other payables	6(10)	110,683	7	112,006	6	95,148	4
2220	Other payables - related parties	7	1,229	-	15,419	1	30,903	1
2230	Current income tax liabilities		9,098	1	10,417	-	18,133	1
2280	Lease liabilities - current		12,958	1	15,142	1	15,155	1
2320	Long-term liabilities - current	6(11)						
	portion		5,000	-	-	-	-	-
2399	Other current liabilities		357	-	237	-	212	-
21XX	Total current liabilities		<u>588,403</u>	<u>40</u>	<u>470,834</u>	<u>25</u>	<u>284,323</u>	<u>13</u>
Non-current liabilities								
2527	Contract liabilities - non-current	6(17)	72,620	5	131,666	7	237,146	11
2540	Long-term liabilities - non-current	6(11)						
	portion		94,166	7	-	-	-	-
2570	Deferred income tax liabilities		1,358	-	1,317	-	1,384	-
2580	Lease liabilities - non-current		2,349	-	13,115	1	15,492	1
25XX	Total non-current liabilities		<u>170,493</u>	<u>12</u>	<u>146,098</u>	<u>8</u>	<u>254,022</u>	<u>12</u>
2XXX	Total liabilities		<u>758,896</u>	<u>52</u>	<u>616,932</u>	<u>33</u>	<u>538,345</u>	<u>25</u>
Equity								
Share capital								
3110	Common shares	6(14)	1,367,786	94	1,358,173	73	1,357,771	64
Capital surplus								
3200	Capital surplus	6(15)	4,713,999	322	4,617,396	248	4,603,423	219
Accumulated deficit								
3350	Deficit yet to be compensated	6(16)	(5,321,730)	(364)	(4,729,567)	(254)	(4,391,007)	(208)
Other equity								
3400	Other equity interest		(55,957)	(4)	(1,490)	-	4,548	-
31XX	Equity attributable to							
	shareholders of the parent		<u>704,098</u>	<u>48</u>	<u>1,244,512</u>	<u>67</u>	<u>1,574,735</u>	<u>75</u>
3XXX	Total equity		<u>704,098</u>	<u>48</u>	<u>1,244,512</u>	<u>67</u>	<u>1,574,735</u>	<u>75</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		<u>\$ 1,462,994</u>	<u>100</u>	<u>\$ 1,861,444</u>	<u>100</u>	<u>\$ 2,113,080</u>	<u>100</u>

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

FORESEE PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE DATA)

Items	Notes	For the three-month periods ended				For the nine-month periods ended				
		September 30,		September 30,		September 30,		September 30,		
		2024	2023	2024	2023	2024	2023	2024	2023	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17)	\$ 80,103	100	\$ 60,723	100	\$ 278,142	100	\$ 126,616	100
5000	Operating costs	6(5)(8)(22)								
		(23)	(46,486)	(58)	(17,728)	(29)	(160,099)	(58)	(48,756)	(39)
5900	Net operating margin		<u>33,617</u>	<u>42</u>	<u>42,995</u>	<u>71</u>	<u>118,043</u>	<u>42</u>	<u>77,860</u>	<u>61</u>
	Operating expenses	6(6)(7)(8)								
		(11)(12)(13))								
		(22)(23) and								
		7								
6100	Selling expenses		(5,287)	(7)	(6,089)	(10)	(15,585)	(6)	(17,468)	(14)
6200	General and administrative expenses		(33,965)	(43)	(35,490)	(58)	(96,124)	(34)	(99,871)	(79)
6300	Research and development expenses		(287,065)	(358)	(243,192)	(401)	(598,032)	(215)	(649,739)	(513)
6000	Total operating expenses		(326,317)	(408)	(284,771)	(469)	(709,741)	(255)	(767,078)	(606)
6900	Operating loss		(292,700)	(366)	(241,776)	(398)	(591,698)	(213)	(689,218)	(545)
	Non-operating income and expenses									
7100	Interest income	6(3)(18)	6,775	8	9,238	15	23,893	9	13,639	11
7010	Other income	6(19)	840	1	-	-	840	-	13	-
7020	Other gains and losses	6(20)	(7,391)	(9)	17,620	29	16,536	6	19,337	15
7050	Finance costs	6(11)(21)								
		and 9	(1,850)	(2)	(920)	(2)	(4,672)	(2)	(1,676)	(1)
7000	Total non-operating income and expenses		(1,626)	(2)	25,938	42	36,597	13	31,313	25
7900	Loss before income tax		(294,326)	(368)	(215,838)	(356)	(555,101)	(200)	(657,905)	(520)
7950	Income tax expense	6(24)	(13,957)	(17)	(20,718)	(34)	(37,062)	(13)	(39,837)	(31)
8200	Loss for the period		<u>(\$ 308,283)</u>	<u>(385)</u>	<u>(\$ 236,556)</u>	<u>(390)</u>	<u>(\$ 592,163)</u>	<u>(213)</u>	<u>(\$ 697,742)</u>	<u>(551)</u>
	Other comprehensive income and loss									
	Components of other comprehensive (loss) income that will be reclassified to profit									
8361	Financial statements translation differences of foreign operations		(\$ 5,500)	(7)	\$ 4,289	7	\$ 4,668	2	\$ 6,085	5
8300	Other comprehensive income and loss for the period		<u>(\$ 5,500)</u>	<u>(7)</u>	<u>\$ 4,289</u>	<u>7</u>	<u>\$ 4,668</u>	<u>2</u>	<u>\$ 6,085</u>	<u>5</u>
8500	Total comprehensive income and loss for the period		<u>(\$ 313,783)</u>	<u>(392)</u>	<u>(\$ 232,267)</u>	<u>(383)</u>	<u>(\$ 587,495)</u>	<u>(211)</u>	<u>(\$ 691,657)</u>	<u>(546)</u>
	Loss attributable to:									
8610	Shareholders of the parent		<u>(\$ 308,283)</u>	<u>(385)</u>	<u>(\$ 236,556)</u>	<u>(390)</u>	<u>(\$ 592,163)</u>	<u>(213)</u>	<u>(\$ 697,742)</u>	<u>(551)</u>
	Comprehensive loss attributable to:									
8710	Shareholders of the parent		<u>(\$ 313,783)</u>	<u>(392)</u>	<u>(\$ 232,267)</u>	<u>(383)</u>	<u>(\$ 587,495)</u>	<u>(211)</u>	<u>(\$ 691,657)</u>	<u>(546)</u>
	Basic loss per share	6(25)								
9750	Loss per share		<u>(\$ 2.25)</u>	<u>(1.74)</u>	<u>(\$ 1.74)</u>	<u>(4.35)</u>	<u>(5.61)</u>			
	Diluted loss per share	6(25)								
9850	Loss per share		<u>(\$ 2.25)</u>	<u>(1.74)</u>	<u>(\$ 1.74)</u>	<u>(4.35)</u>	<u>(5.61)</u>			

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

FORESEE PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent									
		Capital Reserves						Other Equity Interest			Total equity
		Common shares	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Employee stock options	Capital Surplus, restricted stocks	Others	Deficit yet to be compensated	Financial statements translation differences of foreign operations	Unearned employee compensation	
For the nine-month period ended September 30, 2023											
Balance at January 1, 2023		\$ 1,181,699	\$ 3,301,318	\$ 21,984	\$ 93,948	\$ -	\$ 6,432	(\$ 3,693,265)	(\$ 1,537)	\$ -	\$ 910,579
Loss for the period		-	-	-	-	-	-	(697,742)	-	-	(697,742)
Other comprehensive income for the period		-	-	-	-	-	-	-	6,085	-	6,085
Total comprehensive (loss) income for the period		-	-	-	-	-	-	(697,742)	6,085	-	(691,657)
Issuance of common shares for cash	6(14)	175,000	1,134,219	-	-	-	-	-	-	-	1,309,219
Compensation costs of issuance of common shares for cash	6(13)(23)	-	-	-	5,841	-	-	-	-	-	5,841
Compensation cost of employee stock options	6(13)(23)	-	-	-	33,405	-	-	-	-	-	33,405
Employee stock options exercised	6(13)(14)	1,072	14,671	-	(8,395)	-	-	-	-	-	7,348
Balance at September 30, 2023		\$ 1,357,771	\$ 4,450,208	\$ 21,984	\$ 124,799	\$ -	\$ 6,432	(\$ 4,391,007)	\$ 4,548	\$ -	\$ 1,574,735
For the nine-month period ended September 30, 2024											
Balance at January 1, 2024		\$ 1,358,173	\$ 4,453,783	\$ 21,984	\$ 135,197	\$ -	\$ 6,432	(\$ 4,729,567)	(\$ 1,490)	\$ -	\$ 1,244,512
Loss for the period		-	-	-	-	-	-	(592,163)	-	-	(592,163)
Other comprehensive income for the period		-	-	-	-	-	-	-	4,668	-	4,668
Total comprehensive (loss) income for the period		-	-	-	-	-	-	(592,163)	4,668	-	(587,495)
Compensation cost of employee stock options	6(13)(23)	-	-	-	27,153	-	-	-	-	-	27,153
Employee stock options exercised	6(13)(14)	1,713	13,665	-	(3,070)	-	-	-	-	-	12,308
Employee stock options expired		-	-	-	(8,316)	-	8,316	-	-	-	-
Issuance of employee restricted shares	6(13)(14)	7,900	-	-	-	58,855	-	-	-	(66,755)	-
Compensation cost of employee restricted stocks	6(13)(23)	-	-	-	-	-	-	-	-	7,620	7,620
Balance at September 30, 2024		\$ 1,367,786	\$ 4,467,448	\$ 21,984	\$ 150,964	\$ 58,855	\$ 14,748	(\$ 5,321,730)	\$ 3,178	(\$ 59,135)	\$ 704,098

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

FORESEE PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the nine-month periods ended	
		September 30,	
		2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before income tax		(\$ 555,101)	(\$ 657,905)
Reconciling items			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(22)	49,319	43,056
Amortisation	6(8)(22)	10,574	10,606
Interest expense	6(21)	4,672	1,676
Interest income	6(18)	(23,893)	(13,639)
Compensation cost of share-based payment	6(13)(23)	34,773	39,246
Loss on disposal of property, plant and equipment	6(20)	30	202
Gains arising from lease modifications		(228)	-
Unrealised foreign exchange loss		89	179
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Accounts receivable, net		13,123	(45,038)
Other receivables		(2,318)	(1,012)
Inventories		17,150	36,353
Prepayments		(21,743)	(13,002)
Changes in liabilities relating to operating activities			
Contract liabilities		(5,946)	(1,008)
Accounts payable		28,365	1,919
Other payables		1,457	26,415
Other payables - related parties		(14,190)	6,714
Other current liabilities		120	27
Cash outflow generated from operations		(498,047)	(565,211)
Receipt of interest		24,735	12,523
Payment of interest		(4,567)	(1,606)
Payment of income tax		(39,726)	(29,146)
Net cash flows used in operating activities		(517,605)	(583,440)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost - current		(75,000)	(199,000)
Proceeds from disposal of financial assets at amortised cost - current		292,500	-
Acquisition of property, plant and equipment	6(26)	(148,060)	(26,461)
Proceeds from disposal of property, plant and equipment		211	229
Increase in prepayments for equipment		(3,260)	(2,938)
Increase in guarantee deposits		-	(83)
Decrease in guarantee deposits		1,107	148
Net cash flows from (used in) investing activities		67,498	(228,105)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	550,000	100,000
Decrease in short-term borrowings	6(27)	(500,000)	-
Repayment of long-term borrowings	6(27)	99,166	-
Issuance of common shares for cash	6(14)	-	1,309,219
Repayment of lease liabilities	6(27)	(11,548)	(11,467)
Employee stock options exercised		12,308	7,348
Net cash flows from financing activities		149,926	1,405,100
Effects due to changes in exchange rate		5,311	5,294
Net (decrease) increase in cash and cash equivalents		(294,870)	598,849
Cash and cash equivalents at beginning of period		1,009,679	689,505
Cash and cash equivalents at end of period		\$ 714,809	\$ 1,288,354

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

FORESEE PHARMACEUTICALS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Foresee Pharmaceuticals Co., Ltd. (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 February 8, 2013. The main activity of the Company and its subsidiaries (the “Group”) is applying for stabilised injectable formulation (SIF) platform technology in order to produce the products for anticancer and treatment of chronic diseases.

The Company obtained 100% shares of Foresee Pharmaceuticals USA, Inc. due to the organisation restructuring under common control of the Group which the Company originally belonged to in March 2015.

(2) Starting from June 29, 2018, the Company’s stocks were listed on the Taiwan Over-The-Counter Securities Exchange.

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 November 13, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 18, 'Presentation and disclosure in financial statements'

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

apply to the primary financial statements and notes.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

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. These consolidated financial statements have been prepared under the historical cost convention.
- 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 shareholders 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.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		
			September 30, 2024	December 31, 2023	September 30, 2023
The Company	Foresee Pharmaceuticals USA, Inc.	Research and development of pharmaceuticals	100	100	100
The Company	Foresee Pharmaceuticals Canada, Inc.	Business development	100	100	100
The Company	Foresee Pharmaceuticals Australia Pty Ltd.	Research and development of pharmaceuticals	100	100	100

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic 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 loss'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still 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) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

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

(7) Financial assets at 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 and notes receivable

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

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

(9) Impairment of financial assets

For financial assets at amortised cost and 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, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Buildings and structures	25 years
Machinery and equipment	3~5 years
Computer and telecommunication equipment	3 years
Office equipment	5 years
Leasehold improvements	3 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;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition

required by the terms and conditions of the lease.

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 remeasure the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(14) Intangible assets

- A. Patents rights are stated at cost and amortised on a straight-line basis over its estimated useful life of 10 to 15 years.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.
- C. Internally generated intangible assets - research and development expenditures
- (a) Research expenditures are recognised as an expense as incurred.
- (b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:
- i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;
 - ii. An entity intends to complete the intangible asset and use or sell it;
 - iii. An entity has the ability to use or sell the intangible asset;
 - iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;
 - v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
 - vi. The expenditure attributable to the intangible asset during its development can be reliably measured.
- (c) Upon being available for use, internally generated intangible assets are amortised on a straight-line basis over their estimated useful life of 10 to 20 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

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

(18) Derecognition of financial liabilities

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

(19) 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. Pension - Defined contribution plan

For defined contribution plan, 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.

(20) 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-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at the end of the

financial reporting period. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

- B. Restricted stocks:
 - (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 have 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 grant date of share-based payment arrangements is the date that the Group and the employees have common consensus on the terms and conditions of the agreements.

(21) 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. 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.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(23) Revenue recognition

The Group derives revenue from commissioned service, licensing of intellectual property and sales revenue.

A. Revenue from providing commissioned services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total estimated costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. The Group's 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.

B. The Group entered into a licensing of intellectual property contract with a customer to grant a license of patents to the customer. If the license can be distinct from other promised goods or services in the contract, the Group recognises the revenue from licensing when the license is transferred to a customer either at a point in time or over time based on the nature of the license granted. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when the license is transferred to a customer at a point in time.

C. Sales revenue

(a) The Group manufactures and sells new depot injection. Sales are recognised when control of the products has transferred, being when the products are delivered to the authorised agent, the authorised agent has full discretion over the channel and price to sell the products, and

there is no unfulfilled obligation that could affect the authorised agent's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the authorised agent, and either the authorised agent has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The sales usually are made with a credit term of 60 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.

(24) Government grants

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

(25) 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 utilized 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 September 30, 2024, the carrying amount of intangible assets was \$116,239.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Petty cash	\$ 30	\$ 30	\$ 30
Checking accounts	217,655	110,767	98,003
Demand deposits	128,099	83,639	77,378
Time deposits	369,025	815,243	1,112,943
	<u>\$ 714,809</u>	<u>\$ 1,009,679</u>	<u>\$ 1,288,354</u>

- A. The Group transacts with the financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at the balance sheet date is the carrying amount of all cash and cash equivalents.
- B. On September 30, 2024, December 31, 2023 and September 30, 2023, time deposits amounting to \$0, \$93,500 and \$93,500, respectively were pledged to others as collateral and were classified as financial assets at amortised cost. Refer to Notes 6(3) and 8.
- C. On September 30, 2024, December 31, 2023 and September 30, 2023, time deposits amounting to \$125,000, \$99,000 and \$49,000, respectively were pledged to others as collateral for short-term bank borrowings and were classified as financial assets at amortised cost - current. Refer to Notes 6(3) and 8.

(2) Prepayments

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Net input VAT	\$ 9,568	\$ 13,090	\$ 12,205
Prepaid experiment expenses	43,350	9,917	14,866
Prepaid service expenses	3,079	9,476	12,108
Others	2,395	4,166	3,178
	<u>\$ 58,392</u>	<u>\$ 36,649</u>	<u>\$ 42,357</u>

(3) Financial assets at amortised cost

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Current items:			
Time deposits with maturity over 3 months	\$ -	\$ 150,000	\$ 150,000
Pledged time deposits	125,000	192,500	142,500
	<u>\$ 125,000</u>	<u>\$ 342,500</u>	<u>\$ 292,500</u>

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

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Interest income	\$ <u>274</u>	\$ <u>558</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Interest income	\$ <u>1,123</u>	\$ <u>1,513</u>

B. As at September 30, 2024, December 31, 2023 and September 30, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$125,000, \$342,500 and \$292,500, respectively.

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

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

(4) Accounts receivable

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts receivable	\$ <u>52,789</u>	\$ <u>65,912</u>	\$ <u>61,308</u>

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Not past due	\$ 47,250	\$ 65,912	\$ 61,308
30 days	3,323	-	-
31-60 days	2,216	-	-
	<u>\$ 52,789</u>	<u>\$ 65,912</u>	<u>\$ 61,308</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2024, December 31, 2023, September 30, 2023 and January 1, 2023, the balances of receivables from contracts with customers amounted to \$52,789, \$65,912, \$61,308 and \$16,270, respectively.

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

D. As at September 30, 2024, December 31, 2023 and September 30, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$52,789, \$65,912 and \$61,308, respectively.

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

(5) Inventories

<u>September 30, 2024</u>			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 29,727	\$ -	\$ 29,727
Work in progress	100,584	-	100,584
Finished goods	219	-	219
Inventory in transit	13,419	-	13,419
	<u>\$ 143,949</u>	<u>\$ -</u>	<u>\$ 143,949</u>
<u>December 31, 2023</u>			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 75,905	\$ -	\$ 75,905
Work in progress	50,660	-	50,660
Finished goods	234	-	234
	<u>\$ 126,799</u>	<u>\$ -</u>	<u>\$ 126,799</u>
<u>September 30, 2023</u>			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 89,776	\$ -	\$ 89,776
Work in progress	50,279	-	50,279
	<u>\$ 140,055</u>	<u>\$ -</u>	<u>\$ 140,055</u>

A. The abovementioned inventories were not pledged to others.

B. The cost of inventories recognised as expense for the period:

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Cost of goods sold	<u>\$ 32,820</u>	<u>\$ 12,203</u>
<u>For the nine-month periods ended September 30,</u>		
	<u>2024</u>	<u>2023</u>
Cost of goods sold	<u>\$ 141,565</u>	<u>\$ 37,562</u>

(6) Property, plant and equipment

	2024							
	Land	Buildings and structures	Machinery and equipment	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1								
Cost	\$ -	\$ -	\$ 154,260	\$ 50,934	\$ 4,253	\$ 30,444	\$ 4,904	\$ 244,795
Accumulated depreciation and impairment	-	-	(93,245)	(26,393)	(2,591)	(14,750)	-	(136,979)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,015</u>	<u>\$ 24,541</u>	<u>\$ 1,662</u>	<u>\$ 15,694</u>	<u>\$ 4,904</u>	<u>\$ 107,816</u>
At January 1	\$ -	\$ -	\$ 61,015	\$ 24,541	\$ 1,662	\$ 15,694	\$ 4,904	\$ 107,816
Additions	123,068	9,959	11,903	-	121	-	124	145,175
Reclassifications (Note)	-	-	7,996	-	-	-	(4,903)	3,093
Disposals	-	-	-	(235)	(6)	-	-	(241)
Depreciation	-	(100)	(22,567)	(8,662)	(321)	(5,884)	-	(37,534)
Net exchange differences	-	-	(15)	-	2	-	-	(13)
At September 30	<u>\$ 123,068</u>	<u>\$ 9,859</u>	<u>\$ 58,332</u>	<u>\$ 15,644</u>	<u>\$ 1,458</u>	<u>\$ 9,810</u>	<u>\$ 125</u>	<u>\$ 218,296</u>
At September 30								
Cost	123,068	9,959	\$ 171,473	\$ 50,475	\$ 4,040	\$ 30,444	\$ 125	\$ 389,584
Accumulated depreciation and impairment	-	(100)	(113,141)	(34,831)	(2,582)	(20,634)	-	(171,288)
	<u>\$ 123,068</u>	<u>\$ 9,859</u>	<u>\$ 58,332</u>	<u>\$ 15,644</u>	<u>\$ 1,458</u>	<u>\$ 9,810</u>	<u>\$ 125</u>	<u>\$ 218,296</u>

Note: Reclassifications refers to prepayments for business facilities and guarantee deposits paid reclassified into property, plant and equipment.

2023

	Machinery and equipment	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 129,407	\$ 38,385	\$ 3,787	\$ 7,708	\$ 20,385	\$ 199,672
Accumulated depreciation and impairment	(69,957)	(17,828)	(3,045)	(7,687)	-	(98,517)
	<u>\$ 59,450</u>	<u>\$ 20,557</u>	<u>\$ 742</u>	<u>\$ 21</u>	<u>\$ 20,385</u>	<u>\$ 101,155</u>
At January 1	\$ 59,450	\$ 20,557	\$ 742	\$ 21	\$ 20,385	\$ 101,155
Additions	14,094	11,593	421	8,094	453	34,655
Reclassifications (Note)	10,726	-	1,055	15,442	(20,384)	6,839
Disposals	(189)	(79)	(142)	(21)	-	(431)
Depreciation	(19,157)	(5,976)	(311)	(5,881)	-	(31,325)
Net exchange differences	58	-	6	-	-	64
At September 30	<u>\$ 64,982</u>	<u>\$ 26,095</u>	<u>\$ 1,771</u>	<u>\$ 17,655</u>	<u>\$ 454</u>	<u>\$ 110,957</u>
At September 30						
Cost	\$ 151,702	\$ 49,660	\$ 4,279	\$ 30,443	\$ 454	\$ 236,538
Accumulated depreciation and impairment	(86,720)	(23,565)	(2,508)	(12,788)	-	(125,581)
	<u>\$ 64,982</u>	<u>\$ 26,095</u>	<u>\$ 1,771</u>	<u>\$ 17,655</u>	<u>\$ 454</u>	<u>\$ 110,957</u>

Note: It refers to prepayments for business facilities and other prepaid expenses (shown as “prepayments”) reclassified into property, plant and equipment.

A. Information relating to collaterals for the property, plant and equipment is provided in Note 8.

B. No borrowing costs were capitalised as part of property, plant and equipment.

(7) Leasing arrangements - lessee

- A. The Group leases various assets including buildings and business vehicles, etc. Rental contracts are typically made for periods of 1 to 3 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 Group's short-term leases with terms of less than 12 months and low-value assets pertain to the lease of business printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 14,261	\$ 26,795	\$ 29,829
Other equipment	222	403	463
	<u>\$ 14,483</u>	<u>\$ 27,198</u>	<u>\$ 30,292</u>

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 3,052	\$ 3,891
Other equipment	60	60
	<u>\$ 3,112</u>	<u>\$ 3,951</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 11,604	\$ 11,550
Other equipment	181	181
	<u>\$ 11,785</u>	<u>\$ 11,731</u>

- D. For the nine-month periods ended September 30, 2024 and 2023, there were no additions to right-of-use assets.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 112	\$ 210
Expense on short-term lease contracts	444	947
Expense on leases of low-value assets	31	14
Gains arising from lease modifications	72	-

	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 429	\$ 688
Expense on short-term lease contracts	1,890	3,035
Expense on leases of low-value assets	114	77
Gains arising from lease modifications	279	-

F. For the nine-month periods ended September 30, 2024 and 2023, the Group's total cash outflow for leases were \$13,981 and \$15,267, respectively.

(8) Intangible assets

	<u>2024</u>			
	<u>Patent rights</u>	<u>Computer software</u>	<u>Internally generated intangible assets</u>	<u>Total</u>
At January 1				
Cost	\$ 48,872	\$ 6,619	\$ 166,007	\$ 221,498
Accumulated amortisation	(37,349)	(6,517)	(50,819)	(94,685)
	<u>\$ 11,523</u>	<u>\$ 102</u>	<u>\$ 115,188</u>	<u>\$ 126,813</u>
At January 1	\$ 11,523	\$ 102	\$ 115,188	\$ 126,813
Amortisation	(3,171)	(102)	(7,301)	(10,574)
At September 30	<u>\$ 8,352</u>	<u>\$ -</u>	<u>\$ 107,887</u>	<u>\$ 116,239</u>
At September 30				
Cost	\$ 48,872	\$ 6,619	\$ 166,007	\$ 221,498
Accumulated amortisation	(40,520)	(6,619)	(58,120)	(105,259)
	<u>\$ 8,352</u>	<u>\$ -</u>	<u>\$ 107,887</u>	<u>\$ 116,239</u>

2023				
	Patent rights	Computer software	Internally generated intangible assets	Total
At January 1				
Cost	\$ 48,872	\$ 6,619	\$ 166,007	\$ 221,498
Accumulated amortisation	(33,120)	(6,338)	(41,085)	(80,543)
	<u>\$ 15,752</u>	<u>\$ 281</u>	<u>\$ 124,922</u>	<u>\$ 140,955</u>
At January 1	\$ 15,752	\$ 281	\$ 124,922	\$ 140,955
Amortisation	(3,172)	(133)	(7,301)	(10,606)
At September 30	<u>\$ 12,580</u>	<u>\$ 148</u>	<u>\$ 117,621</u>	<u>\$ 130,349</u>
At September 30				
Cost	\$ 48,872	\$ 6,619	\$ 166,007	\$ 221,498
Accumulated amortisation	(36,292)	(6,471)	(48,386)	(91,149)
	<u>\$ 12,580</u>	<u>\$ 148</u>	<u>\$ 117,621</u>	<u>\$ 130,349</u>

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

	For the three-month periods ended September 30,	
	2024	2023
Operating costs	\$ 2,434	\$ 2,434
General and administrative expenses	24	45
Research and development expenses	1,057	1,057
	<u>\$ 3,515</u>	<u>\$ 3,536</u>
	For the nine-month periods ended September 30,	
	2024	2023
Operating costs	\$ 7,301	\$ 7,301
General and administrative expenses	102	133
Research and development expenses	3,171	3,172
	<u>\$ 10,574</u>	<u>\$ 10,606</u>

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

(9) Short-term borrowings

Type of borrowings	September 30, 2024	Interest rate	Collateral
Bank borrowings			
Secured borrowings	<u>\$ 250,000</u>	2.485%~2.707%	Time deposits
Type of borrowings	December 31, 2023	Interest rate	Collateral
Bank borrowings			
Secured borrowings	<u>\$ 200,000</u>	2.36%~2.54%	Time deposits

Type of borrowings	September 30, 2023	Interest rate	Collateral
Bank borrowings			
Secured borrowings	\$ <u>100,000</u>	2.54%	Time deposits

Interest expense recognised in profit or loss amounted to \$1,323, \$710, \$3,828 and \$988 for the three-month and nine-month periods ended September 30, 2024 and 2023, respectively.

(10) Other payables

	September 30, 2024	December 31, 2023	September 30, 2023
Research and experiment expense payable	\$ 67,636	\$ 66,396	\$ 44,780
Services payable	2,089	5,715	3,409
Wages and salaries payable	35,524	33,176	31,949
Payable on equipment	105	2,990	11,516
Interest payable	274	169	70
Others	5,055	3,560	3,424
	<u>\$ 110,683</u>	<u>\$ 112,006</u>	<u>\$ 95,148</u>

(11) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate	Collateral	September 30, 2024
Secured borrowings (Note)	2024.07.16~ 2044.07.15	2%	Land, Buildings and structures	\$ 99,166
Less: Current portion				(5,000)
				<u>\$ 94,166</u>

A. As of December 31, 2023 and September 30, 2023, the Group's balance of the long-term borrowings both amounted to \$0.

B. The Group's interest expense recognised in profit or loss amounted to \$415, \$0, \$415 and \$0 for the three-month and nine-month periods ended September 30, 2024 and 2023, respectively.

C. Information relating to collaterals for the long-term borrowings is provided in Note 8.

Note: (a) The Company entered into a long-term borrowing agreement for 20 years with a financial institution. The principal shall be repaid in equal monthly installments starting from August 2024.

(b) The interest rate is the index interest rate plus 0.28% from the borrowing day.

(12) 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.

- B. The overseas subsidiary has a defined contribution pension plan. Contributions are based on a certain percentage of the employees' monthly salaries and wages. Other than the contribution, the Company's subsidiary has no further obligations.
- C. The pension costs under the defined contribution pension plan of the Group for the three-month and nine-month periods ended September 30, 2024 and 2023 were \$1,732, \$647, \$4,982 and \$3,057, respectively.

(13) Share-based payment

- A. As of September 30, 2024, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in shares)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2017/02/22	200,000	8 years	Note 1
Employee stock options	2017/08/01	1,484,000	8 years	Note 1
Employee stock options	2018/06/26	516,000	8 years	Note 1
Employee stock options	2018/11/13	828,000	8 years	Note 1
Employee stock options	2019/10/03	897,000	8 years	Note 1
Employee stock options	2019/12/12	200,000	8 years	Note 1
Employee stock options	2020/03/09	200,000	8 years	Note 1
Employee stock options	2020/09/30	1,600,000	8 years	Note 1
Employee stock options	2021/03/09	200,000	8 years	Note 1
Employee stock options	2021/05/03	40,000	8 years	Note 1
Employee stock options	2021/05/19	100,000	8 years	Note 1
Employee stock options	2021/05/24	75,000	8 years	Note 1
Employee stock options	2021/09/30	965,000	8 years	Note 1
Employee stock options	2021/11/29	40,000	8 years	Note 1
Employee stock options	2021/12/20	40,000	8 years	Note 1
Employee stock options	2022/02/07	240,000	8 years	Note 1
Employee stock options	2022/09/30	1,760,000	8 years	Note 1
Employee stock options	2023/03/31	190,000	8 years	Note 1
Cash capital increase reserved for employee pre-emption	2023/06/09	505,999	Not applicable	Immediately vested
Employee stock options	2023/09/28	566,000	8 years	Note 1
Restricted stocks to employees	2024/07/01	790,000	4 years	Note 2

Note 1: Stock options are vested based on the following timetable:

Accumulated ratio of exercisable stock options, 40% vested after 2 years, 65% vested after 3 years and 100% vested after 4 years.

Note 2: For the employees who are currently working in the Company since the allocation of restricted stocks, they could acquire shares in several times when the Company achieved the operating target performance.

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

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

(a) Employee stock options

	2024		2023	
	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	7,164	\$ 81.4	6,855	\$ 81.1
Options granted	-	84.5	756	90.0
Options exercised	(171)	72.7	(107)	67.0
Options forfeited	(800)	81.3	(300)	102.3
Options outstanding at September 30	<u>6,193</u>	81.3	<u>7,204</u>	81.4
Options exercisable at September 30	<u>4,140</u>	73.9	<u>3,303</u>	71.5

(b) Restricted stocks

	2024
	Options (shares in thousands)
At January 1	-
Options granted	790
Options forfeited (Note)	(30)
At September 30	<u>760</u>

Note: The Board of Directors during its meeting on June 4, 2024 adopted a resolution to issue employee restricted ordinary shares of 790 thousand shares for no consideration with the effective date set on July 1, 2024. The subscription price is \$0 per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. In addition to these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. For the three-month period ended September 30, 2024, certain employees resigned during the vesting period, thus, the granted employee restricted shares of 30 thousand shares shall be returned because they did not meet the vesting conditions specified in the issuance terms. Of the total shares to be returned, the 30 thousand shares had been redeemed and retired for the capital reduction as approved by the Board of Directors on November 13, 2024. The effective date for the capital reduction was set on November 13, 2024, but the registration for the capital reduction was not completed.

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2024 and 2023 was \$86.7 and \$113.94 (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	September 30, 2024		December 31, 2023		September 30, 2023	
		Number of shares (Shares in thousands)	Exercise price (in dollars)	Number of shares (Shares in thousands)	Exercise price (in dollars)	Number of shares (Shares in thousands)	Exercise price (in dollars)
2016.07.22	2024.07.21	-	\$ -	630	\$ 77.9	630	\$ 77.9
2017.02.22	2025.02.21	200	64.5	200	64.5	200	64.5
2017.08.01	2025.07.31	284	61.4	284	61.4	284	61.4
2018.06.26	2026.06.25	192	61.6	192	61.6	192	61.6
2018.11.13	2026.11.12	395	54.9	425	54.9	431	54.9
2019.10.03	2027.10.02	352	59.4	373	59.4	383	54.9
2019.12.12	2027.12.11	190	58.4	190	58.4	190	58.4
2020.09.30	2028.09.29	1,058	84.2	1,099	84.2	1,112	84.2
2021.03.09	2029.03.08	200	104.0	200	104.0	200	104.0
2021.05.03	2029.05.02	40	89.6	40	89.6	40	89.6
2021.05.19	2029.05.18	100	85.3	100	85.3	100	85.3
2021.05.24	2029.05.23	75	90.7	75	90.7	75	90.7
2021.09.30	2029.09.29	836	75.6	860	75.6	871	75.6
2021.12.20	2029.12.19	40	123.6	40	123.6	40	123.6
2022.02.07	2030.02.06	-	112.8	40	112.8	40	112.8
2022.09.30	2030.09.29	1,613	81.2	1,660	81.2	1,660	81.2
2023.03.31	2031.03.30	115	118.7	190	118.7	190	118.7
2023.09.28	2031.09.27	503	80.3	566	80.3	566	80.3

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:

Agreement type	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends rate	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2016/07/22	\$ 56.59	\$ 77.9	34.37%	5~6 years	0%	0.53%	\$10.1000
Employee stock options	2017/02/22	43.01	64.5	29.96%	5~6 years	0%	~0.58%	~11.8000
Employee stock options	2017/08/01	42.48	61.4	38.16%	5~6 years	0%	0.72%	4.8000
Employee stock options	2017/08/01	42.48	61.4	38.16%	5~6 years	0%	~0.80%	~5.9000
Employee stock options	2018/06/26	44.79	61.6	34.66%	5~6 years	0%	0.76%	8.6000
Employee stock options	2018/06/26	44.79	61.6	34.66%	5~6 years	0%	~0.80%	~10.1000
Employee stock options	2018/11/13	58.30	54.9	0.726%~0.758%	5~6 years	0%	0.65%	8.2000
Employee stock options	2018/11/13	58.30	54.9	0.726%~0.758%	5~6 years	0%	~0.72%	~9.7000
Employee stock options	2019/10/03	61.60	59.4	25.74%	5~6 years	0%	0.60%	27.4000
Employee stock options	2019/10/03	61.60	59.4	25.74%	5~6 years	0%	~0.62%	~16.1000
Employee stock options	2019/12/12	60.50	58.4	39.00%	5~6 years	0%	0.58%	20.9834
Employee stock options	2019/12/12	60.50	58.4	39.00%	5~6 years	0%	~0.61%	~22.9125
Employee stock options	2020/09/30	87.10	84.2	45.31%	5~6 years	0%	0.29%	34.1428
Employee stock options	2020/09/30	87.10	84.2	45.31%	5~6 years	0%	~0.33%	~37.1737
Employee stock options	2021/03/09	106.0	104.0	45.31%~45.94%	5~6 years	0%	0.36%	41.6644
Employee stock options	2021/03/09	106.0	104.0	45.31%~45.94%	5~6 years	0%	~0.40%	~45.9221
Employee stock options	2021/05/03	91.3	89.6	45.88%	5~6 years	0%	0.29%	35.9330
Employee stock options	2021/05/03	91.3	89.6	45.88%	5~6 years	0%	~0.33%	~39.5389

Agreement type	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends rate	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2021/05/19	87.0	85.3	46.11%	5~6 years	0%	0.30%	34.4895 ~37.8028
Employee stock options	2021/05/24	92.5	90.7	46.18%	5~6 years	0%	0.33%	36.7889 ~40.2682
Employee stock options	2021/09/30	77.1	75.6	46.25%	5~6 years	0%	0.34%	31.2316 ~33.4342
Employee stock options	2021/12/20	126.0	123.6	47.08%	5~6 years	0%	0.47%	52.1545 ~55.4536
Employee stock options	2022/02/07	115.0	112.8	45.98% ~48.08%	5~6 years	0%	0.62%	48.1025 ~50.3923
Employee stock options	2022/09/30	82.8	81.2	46.42% ~49.25%	5~6 years	0%	1.51%	36.4424 ~37.7988
Employee stock options	2023/03/31	121.0	118.7	47.04% ~50.09%	5~6 years	0%	1.14%	53.3561 ~55.0502
Cash capital increase reserved for employee preemption	2023/06/09	86.5	75.0	34.09%	0.03 years	0%	1.09%	11.5444
Employee stock options	2023/09/28	80.3	80.3	45.92% ~48.96%	5~6 years	0%	1.17%	34.4438 ~36.1514
Restricted stocks to employees	2024/07/01	84.5	-	0.00%	4 years	0%	0.00%	Note

Note: The par value of employee restricted stocks issued by the Group was \$10 (in dollars) per share with the issuance price of NT\$0 (in dollars) per share (without consideration), and the fair value of employee restricted stocks was measured at the closing price on the grant date.

F. For the three-month and nine-month periods ended September 30, 2024 and 2023, the Group recognized compensation cost arising from the abovementioned employee stock options and employee restricted stocks amounting to \$15,045, \$12,411, \$34,773 and \$39,246, respectively.

(14) Share capital

A. As of September 30, 2024, the Company's authorised capital was \$3,000,000, consisting of 300 million shares of ordinary stock (including 24 million shares reserved for employee stock options issued by the Company), with a par value of \$10 (in dollars) per share, and the outstanding common shares amounted to \$1,367,786 (136,778,618 shares). All proceeds from shares issued have been collected.

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

	<u>2024</u>	<u>2023</u>
	Number of shares (shares)	Number of shares (shares)
At January 1	135,817,285	118,169,915
Issuance of common shares for cash	-	17,500,000
Employee stock options exercised (Note)	171,333	107,227
Issuance of common shares for cash	<u>790,000</u>	<u>-</u>
At September 30	<u>136,778,618</u>	<u>135,777,142</u>

Note: There were 33,400 shares of stock options exercised by employees during the three-month period ended September 30, 2024. In accordance with the regulations, the registration of stock options exercised can be done after the new shares are issued. As of September 30, 2024, 33,400 shares of exercised stock options have not yet been registered.

- B. The Company completed the payment of the ordinary shares raised through the private placement with a par value of NT\$10 (in dollars) per share on July 28, 2020. There were 1,200,000 shares issued at a subscription price of NT\$75 (in dollars) per share and totalling \$90,000. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and met 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.
- C. The Board of Directors during its meeting on February 21, 2023 adopted a resolution to raise additional cash through issuance of 17,500,000 shares with a premium value of \$75 and a par value of \$10 (in dollars). The total amount of shares is \$1,312,500, with the effective date set on June 27, 2023. The registration had been completed.
- D. The Board of Directors during its meeting on June 4, 2024 adopted a resolution to issue employee restricted ordinary shares with the effective date set on July 1, 2024. The subscription price is \$0 (in dollars) per share (without consideration). The employee restricted ordinary shares issued are subject to their vesting conditions being met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- E. The Board of Directors during its meeting on July 30, 2024 adopted a resolution to raise additional cash through issuance of 18,000,000 shares with a premium value of \$76 and a par value of \$10 (in dollars), with the effective date set on November 13, 2024.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. 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. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Accumulated deficit

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve 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 for the 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 dividend policy of the Company should be consistent with the current and future development of the Company, the investment environment, needs for funding and competition domestic and abroad, and the protection of shareholders. The Company may distribute bonuses to shareholders from the remaining profit of the relevant financial year. The bonus to shareholders may be distributed in cash or stock dividends and the dividends (including cash or in the form of shares) shall be no less than 10% of the after tax earnings. The cash dividends shall comprise no less than 10% of the aggregate of the cash and stock dividends declared in such year.
- 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. The Company had an accumulated deficit as of September 30, 2024 and 2023 and thus had no distributable earnings.

(17) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Revenue from licensing intellectual property	\$ 30,356	\$ 44,374
Revenue from commissioned service	5,946	43
Sales revenue	<u>43,801</u>	<u>16,306</u>
	<u>\$ 80,103</u>	<u>\$ 60,723</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Revenue from licensing intellectual property	\$ 93,473	\$ 98,016
Revenue from commissioned service	5,946	1,008
Sales revenue	<u>178,723</u>	<u>27,592</u>
	<u>\$ 278,142</u>	<u>\$ 126,616</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the completion of services and the exclusive licensing for research and development of new drugs over time and at a point in time in the following major regions:

For the three-month period ended September 30, 2024

	<u>USA</u>	<u>China</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 74,404</u>	<u>\$ 5,699</u>	<u>\$ 80,103</u>
Timing of revenue recognition			
At a point in time	\$ 68,458	\$ 5,699	\$ 74,157
Over time	5,946	-	5,946
	<u>\$ 74,404</u>	<u>\$ 5,699</u>	<u>\$ 80,103</u>

For the three-month period ended September 30, 2023

	<u>USA</u>	<u>China</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 60,680</u>	<u>\$ 43</u>	<u>\$ 60,723</u>
Timing of revenue recognition			
At a point in time	\$ 60,680	\$ -	\$ 60,680
Over time	-	43	43
	<u>\$ 60,680</u>	<u>\$ 43</u>	<u>\$ 60,723</u>

For the nine-month period ended September 30, 2024

	<u>USA</u>	<u>China</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 271,914</u>	<u>\$ 6,228</u>	<u>\$ 278,142</u>
Timing of revenue recognition			
At a point in time	\$ 265,968	\$ 6,228	\$ 272,196
Over time	5,946	-	5,946
	<u>\$ 271,914</u>	<u>\$ 6,228</u>	<u>\$ 278,142</u>

For the nine-month period ended September 30, 2023

	<u>USA</u>	<u>China</u>	<u>Europe</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 125,524</u>	<u>\$ 1,008</u>	<u>\$ 84</u>	<u>\$ 126,616</u>
Timing of revenue recognition				
At a point in time	\$ 125,524	\$ -	\$ 84	\$ 125,608
Over time	<u>-</u>	<u>1,008</u>	<u>-</u>	<u>1,008</u>
	<u>\$ 125,524</u>	<u>\$ 1,008</u>	<u>\$ 84</u>	<u>\$ 126,616</u>

B. Contract liabilities

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>	<u>January 1, 2023</u>
- Exclusive licensing and commissioned service contract - current	\$ 158,580	\$ 105,480	\$ -	\$ 1,008
- Exclusive licensing and commissioned service contract - non-current	<u>72,620</u>	<u>131,666</u>	<u>237,146</u>	<u>237,146</u>
	<u>\$ 231,200</u>	<u>\$ 237,146</u>	<u>\$ 237,146</u>	<u>\$ 238,154</u>

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

	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Exclusive licensing and commissioned service contract	<u>\$ 5,946</u>	<u>\$ 1,008</u>

C. Details on revenue, mainly for intellectual property of drugs and commissioned service granted to the pharmaceutical company, are as follows:

- (a) On February 11, 2019, the Group entered into an exclusive license agreement for the commercialization in the territory of FP-001 program, which is the new depot injection of Leuprolide prostate cancer (“Camcevi”), with Accord Healthcare Ltd. (“Accord”), and the license agreement will cover the global market with the exception of the USA, China, Japan, Taiwan, Israel, Turkey and certain Middle East countries. Under the terms of this agreement, the Group will receive a combination of upfront payment, product development milestone and sales milestone payments totaling up to US\$86 million in addition to a significant share of the product revenue in the territory. Revenue recognised by the Group for the three-month and nine-month periods ended September 30, 2024 and 2023 amounted to \$0, \$0, \$0 and \$84, respectively. As of September 30, 2024, the cumulative revenue recognised since the contract

was signed amounted to \$150,926.

- (b) On November 17, 2020, the Group entered into an exclusive license agreement for the commercialization in the territory of Camcevi, with GeneScience Pharmaceuticals Co., Ltd. (“GeneScience”). GeneScience will be responsible for the product research, development, manufacture and sales of Camcevi in Mainland China market. Under the terms of this agreement, the Group will receive a combination of upfront payment by US\$8 million, and based on achievement of the milestones will receive product development and regulatory milestone, technology transfer milestone and sales milestone payments totaling up to US\$123.85 million in addition to a significant share of the revenue after Camcevi receive the marketing authorization. Revenue recognised by the Group for the three-month and nine-month periods ended September 30, 2024 and 2023 amounted to \$5,699, \$43, \$6,228 and \$1,008, respectively. As of September 30, 2024, cumulative revenue recognised since the contract was signed amounted to \$299,578.
- (c) On March 4, 2021, the Group entered into an exclusive license agreement with Intas Pharmaceuticals Ltd. (“Intas”) for the commercialization of Camcevi in the U.S market. Intas will be responsible for the sales and commercialization costs of Camcevi in the U.S market. Under the terms of the agreement, the Group received upfront payment of US\$10 million, and based on achievement of the milestones, the Group will receive product development milestone and sales milestone payments totaling up to US\$207 million in addition to a significant share of the revenue after the marketing authorization for Camcevi is received. Revenue recognised by the Group for the three-month and nine-month periods ended September 30, 2024 and 2023 amounted to \$74,404, \$60,680, \$271,914 and \$125,524, respectively. As of September 30, 2024, cumulative revenue recognised since the contract was signed amounted to \$855,848.

(18) Interest income

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Interest income from bank deposits	\$ 6,500	\$ 8,677
Interest income from financial assets measured at amortised cost	274	558
Other interest income	1	3
	<u>\$ 6,775</u>	<u>\$ 9,238</u>

	For the nine-month periods ended September 30,	
	2024	2023
Interest income from bank deposits	\$ 22,739	\$ 12,095
Interest income from financial assets measured at amortised cost	1,123	1,513
Other interest income	31	31
	<u>\$ 23,893</u>	<u>\$ 13,639</u>

(19) Other income

	For the three-month periods ended September 30,	
	2024	2023
Government grants revenue (Note)	\$ 30	\$ -
Others	810	-
	<u>\$ 840</u>	<u>\$ -</u>

	For the nine-month periods ended September 30,	
	2024	2023
Government grants revenue (Note)	\$ 30	\$ 13
Others	810	-
	<u>\$ 840</u>	<u>\$ 13</u>

Note: The government grants revenue in 2023 pertained to exhibition grants received by the Group from the Ministry of Economic Affairs due to the impact of Severe Pneumonia with Novel Pathogens (COVID-19). The government grants revenue in 2024 pertained to biotechnology exhibition grants received by the Group from the Taipei City Government.

(20) Other gains and losses

	For the three-month periods ended September 30,	
	2024	2023
Net currency exchange (losses) gains	(\$ 7,463)	\$ 17,620
Gains arising from lease modifications	72	-
	<u>(\$ 7,391)</u>	<u>\$ 17,620</u>

	For the nine-month periods ended September 30,	
	2024	2023
Loss on disposal of property, plant and equipment	(\$ 30)	(\$ 202)
Net currency exchange gains	16,287	19,539
Gains arising from lease modifications	279	-
	<u>\$ 16,536</u>	<u>\$ 19,337</u>

(21) Finance costs

	For the three-month periods ended September 30,	
	2024	2023
Interest expense:		
Lease liabilities	\$ 112	\$ 210
Interest on borrowings	1,738	710
	<u>\$ 1,850</u>	<u>\$ 920</u>

	For the nine-month periods ended September 30,	
	2024	2023
Interest expense:		
Lease liabilities	\$ 429	\$ 688
Interest on borrowings	4,243	988
	<u>\$ 4,672</u>	<u>\$ 1,676</u>

(22) Expenses by nature

	For the three-month periods ended September 30,	
	2024	2023
Employee benefit expense	\$ 92,777	\$ 78,321
Depreciation (Note)	15,855	15,052
Amortisation charges	3,515	3,535

	For the nine-month periods ended September 30,	
	2024	2023
Employee benefit expense	\$ 266,970	\$ 240,388
Depreciation (Note)	49,319	43,056
Amortisation charges	10,574	10,606

Note: Includes the depreciation charge on right-of-use assets.

(23) Employee benefit expense

	For the three-month periods ended September 30,	
	2024	2023
Wages and salaries	\$ 72,194	\$ 61,965
Share-based payment	15,045	12,411
Labour and health insurance fees	1,198	1,552
Pension costs	1,732	647
Other personnel expenses	2,608	1,746
	<u>\$ 92,777</u>	<u>\$ 78,321</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Wages and salaries	\$ 216,893	\$ 188,225
Share-based payment	34,773	39,246
Labour and health insurance fees	3,713	5,188
Pension costs	4,982	3,057
Other personnel expenses	6,609	4,672
	<u>\$ 266,970</u>	<u>\$ 240,388</u>

- A. According to the Articles of Incorporation of the Company, when there are earnings for distribution in a given financial year, at least 1% up to 10% and not more than 2% of the pre-tax income before distribution of employees' compensation and directors' remuneration shall be distributed as employees' compensation and directors' remuneration, respectively. The employees' compensation may be distributed in cash or in the form of shares. The aforesaid employees include the employees of certain affiliates of the Company, who are qualified to receive such compensation. The distribution of the employees' compensation and directors' remuneration shall be approved by the Board of Directors and be reported during the shareholders' meeting. If the Company has incurred losses from previous years, the Company shall first offset such losses and then set aside compensation for employees and remuneration for directors pursuant to the preceding paragraph.
- B. Due to the loss incurred for the nine-month periods ended September 30, 2024 and 2023, the Company did not accrue employees' compensation and directors' remuneration. As the Company had an accumulated deficit as of December 31, 2023, the Company did not accrue and distribute employees' compensation and directors' remuneration.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

- A. Components of income tax expense:

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Current income tax expense	<u>\$ 13,957</u>	<u>\$ 20,718</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Current income tax expense	<u>\$ 37,062</u>	<u>\$ 39,837</u>

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

(25) Loss per share

<u>For the three-month period ended September 30, 2024</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 loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>308,283</u>)	<u>136,764</u>	(\$ <u>2.25</u>)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>308,283</u>)	<u>136,764</u>	(\$ <u>2.25</u>)
<u>For the three-month period ended September 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 loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>236,556</u>)	<u>135,777</u>	(\$ <u>1.74</u>)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>236,556</u>)	<u>135,777</u>	(\$ <u>1.74</u>)
<u>For the nine-month period ended September 30, 2024</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 loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>592,163</u>)	<u>136,196</u>	(\$ <u>4.35</u>)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>592,163</u>)	<u>136,196</u>	(\$ <u>4.35</u>)
<u>For the nine-month period ended September 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 loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>697,742</u>)	<u>124,405</u>	(\$ <u>5.61</u>)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>697,742</u>)	<u>124,405</u>	(\$ <u>5.61</u>)

Due to the loss incurred for the three-month and nine-month periods ended September 30, 2024 and 2023, the assumed conversion of dilutive potential ordinary shares will generate anti-dilutive effect, so the calculation of diluted loss per share did not include the effect of conversion of dilutive

potential ordinary shares.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	For the nine-month periods ended September 30,	
	2024	2023
Purchase of property, plant and equipment	\$ 145,175	\$ 34,655
Add: Opening balance of payable on equipment	2,990	3,322
Less: Ending balance of payable on equipment	(105)	(11,516)
Cash paid during the period	<u>\$ 148,060</u>	<u>\$ 26,461</u>

(27) Changes in liabilities from financing activities

	2024			
	Short-term borrowings	Long-term borrowings (Note)	Lease liabilities (Note)	Liabilities from financing activities-gross
At January 1	\$ 200,000	\$ -	\$ 28,257	\$ 228,257
Changes in cash flow from financing activities	50,000	99,166	(11,548)	137,618
Changes in other non-cash items	-	-	(1,907)	(1,907)
Impact of changes in foreign exchange rate	-	-	505	505
At September 30	<u>\$ 250,000</u>	<u>\$ 99,166</u>	<u>\$ 15,307</u>	<u>\$ 364,473</u>
	2023			
	Short-term borrowings	Lease liabilities (Note)		Liabilities from financing activities-gross
At January 1	\$ -	\$ 41,317		\$ 41,317
Changes in cash flow from financing activities		100,000	(11,467)	88,533
Changes in other non-cash items		-	(53)	(53)
Impact of changes in foreign exchange rate		-	850	850
At September 30	<u>\$ 100,000</u>	<u>\$ 30,647</u>		<u>\$ 130,647</u>

Note: Including current portion of liabilities.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company was originally controlled by Foresee Pharmaceuticals, Inc. who held 100% shares of the Company. Foresee Pharmaceuticals, Inc.'s shareholding ratio decreased to 36.68% after the organisation restructuring, and the share transfer and settlement was on July 16, 2015. However, Foresee Pharmaceuticals, Inc. still holds more than half of the members of the Board of Directors and has substantial control over the Company.

After the election of additional directors and supervisor in the extraordinary shareholders' meeting on March 31, 2016, Foresee Pharmaceuticals, Inc. did not hold more than half of the seats in the Board of Directors, but still has significant influence over the Company.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Ming-Ta Chien	Chairman
QPS, LLC	The Company shares the same chairman with the related party
QPS Austria GmbH	The Company shares the same chairman with the related party
QPS Netherland B.V.	The Company shares the same chairman with the related party
Quest Pharmaceutical Services, Taiwan	The Company shares the same chairman with the related party
QPS-Qualitix Clinical Research Co., Ltd.	The Company shares the same chairman with the related party

(3) Significant related party transactions

A. Research and experiment expenses

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
QPS, LLC	\$ 32,782	\$ 27,733
QPS, Netherlands B.V.	-	15,263
Quest Pharmaceutical Services, Taiwan	16,693	14,082
	<u>\$ 49,475</u>	<u>\$ 57,078</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
QPS, LLC	\$ 55,388	\$ 48,287
QPS, Netherlands B.V.	3,583	30,275
Quest Pharmaceutical Services, Taiwan	20,991	37,341
QPS-Qualitix Clinical Research Co., Ltd.	1,154	-
	<u>\$ 81,116</u>	<u>\$ 115,903</u>

The research and experiment expenses arise from clinical trial services provided by related parties. The transaction price is based on the mutual agreement.

B. Other payables

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
QPS, LLC	\$ 1,229	\$ 8,374	\$ 8,707
QPS Netherlands B.V.	-	-	7,776
Quest Pharmaceutical Services, Taiwan	-	7,045	14,420
	<u>\$ 1,229</u>	<u>\$ 15,419</u>	<u>\$ 30,903</u>

The payables arise from clinical trial services, research and experiment services provided by related party, without interest. The terms of transactions are based on the mutual agreement.

(4) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Salaries and other short-term employee benefits	\$ 43,090	\$ 38,549
Post-employment benefits	888	659
Share-based payments	12,622	6,411
	<u>\$ 56,600</u>	<u>\$ 45,619</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Salaries and other short-term employee benefits	\$ 132,458	\$ 115,996
Post-employment benefits	2,619	1,795
Share-based payments	23,349	21,077
	<u>\$ 158,426</u>	<u>\$ 138,868</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>	
Financial assets at amortised costs - current				
- Time deposits	\$ 125,000	\$ 192,500	\$ 142,500	Short-term borrowings credit guarantee and note
Property, plant and equipment				
- Land	\$ 123,068	\$ -	\$ -	Secured borrowings
- Buildings and structures	\$ 9,859	\$ -	\$ -	Secured borrowings

Note: The Group entered into an agreement with a France contract development and manufacturing organisation whereby the Group shall purchase an agreed minimum amount of contract products during the validity of the agreement starting from the date of commercial mass production of the contract products. In case the Group fails to meet the minimum purchase commitment, the pledged time deposits will be used to pay for the losses incurred on setting up production lines but not reaching the economic scale. The Company has met the minimum purchase commitment during the validity period of the contract. Therefore, the reason for the restriction on the pledged time deposits has been lifted, and the pledge was released on February 7, 2024.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. The total contract signed for clinical trial services and unrecognised expenses is \$488,289.

B. The Company entered into an exclusive license contract with Aviv Therapeutics, Inc. (“Aviv”). Aviv agreed to license the technology in relation to ALDH2 activator to the Company. Based on the contract, the Company shall additionally pay the maintenance fee of US\$100 thousand to Aviv if the progress of the licensed technology does not go into clinical trials by December 31, 2019. The Company is not liable for the additional maintenance fee as the progress of the licensed technology went to clinical trials before the agreed deadline. In addition, the maximum agreed milestone payment amounted to US\$2,150 thousand. The royalty is paid based on the percentage of the net sales revenue or sub-license revenue when the products are successfully sold in the market or the license is sub-licensed in the future.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 6(14)E.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide stable returns for shareholders after turning into profit in the future operations and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or raise additional cash through issued shares to reduce debts or substantiate operating capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated

balance sheet.

During 2024, the Group's strategy, which was the same with 2023 was to maintain the reasonable ratio.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 714,809	\$ 1,009,679	\$ 1,288,354
Financial assets at amortised cost	125,000	342,500	292,500
Accounts receivable	52,789	65,912	61,308
Other receivables	2,870	1,394	2,443
Guarantee deposits paid	1,555	3,758	2,665
	<u>\$ 897,023</u>	<u>\$ 1,423,243</u>	<u>\$ 1,647,270</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 250,000	\$ 200,000	\$ 100,000
Accounts payable	40,498	12,133	24,772
Other payables	110,683	112,006	95,148
Other payables - related parties	1,229	15,419	30,903
Long-term borrowings (including current portion)	99,166	-	-
Other current liabilities	357	237	-
	<u>\$ 501,933</u>	<u>\$ 339,795</u>	<u>\$ 250,823</u>
Lease liabilities	<u>\$ 15,307</u>	<u>\$ 28,257</u>	<u>\$ 30,647</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), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department ("Group treasury") under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

- ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiary's functional currency: USD and CAD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2024						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 11,233	31.650	\$ 355,526	2.78%	\$ 9,884	\$ -
AUD:NTD	26	21.930	579	2.89%	17	-
CAD:NTD	1	23.420	13	2.01%	-	-
<u>Non-Monetary items</u>						
USD:NTD	7,599	31.650	240,494	-	-	-
CAD:NTD	634	23.420	14,849	-	-	-
AUD:NTD	1,003	21.930	22,001	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,286	31.650	103,991	2.78%	2,891	-
EUR:NTD	683	35.380	24,166	3.49%	843	-
CHF:NTD	348	37.545	13,052	5.10%	666	-
SEK:NTD	115	3.140	361	12.97%	47	-

December 31, 2023

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 16,868	30.705	\$ 517,920	1%	\$ 5,179	\$ -
<u>Non-Monetary items</u>						
USD:NTD	3,950	30.705	121,293	-	-	-
CAD:NTD	543	23.200	12,596	-	-	-
AUD:NTD	912	20.980	19,139	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,655	30.705	50,828	1%	508	-
EUR:NTD	963	33.980	32,724	1%	327	-
CAD:NTD	61	23.200	1,408	1%	14	-
CHF:NTD	504	36.485	18,394	1%	184	-

September 30, 2023

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 17,184	32.27	\$ 554,518	1%	\$ 5,545	\$ -
EUR:NTD	45	33.91	1,525	1%	15	-
<u>Non-Monetary items</u>						
USD:NTD	3,622	32.27	116,895	-	-	-
CAD:NTD	513	23.90	12,271	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	2,242	32.27	72,340	1%	723	-
EUR:NTD	1,147	33.91	38,889	1%	389	-
AUD:NTD	5	20.55	96	1%	1	-
CAD:NTD	57	23.90	1,369	1%	14	-
CHF:NTD	105	35.06	3,696	1%	37	-

- iii. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three-month

and nine-month periods ended September 30, 2024 and 2023 amounted to (\$7,463), \$17,620, \$16,287 and \$19,539, respectively.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the nine-month periods ended September 30, 2024 and 2023, the Group's borrowings at variable rate were denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the nine-month periods ended September 30, 2024 and 2023 would have decreased/increased by \$1,773 and \$389, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only optimised credit rating are accepted. According to the Group's internal credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to

cause a default.

- vi. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the modified approach based on the loss rate methodology to estimate the expected credit loss.
- vii. 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. As at September 30, 2024, December 31, 2023 and September 30, 2023, the Group has no written-off financial assets that are still under recourse procedures.
- viii. 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. However, the expected credit impairment loss was assessed to be insignificant, and thus the Group did not recognise provision for loss allowance.
- ix. For investments in debt instruments at amortised cost, the credit rating levels are as follows:

	September 30, 2024			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost - current	\$ 125,000	\$ -	\$ -	\$ 125,000
	December 31, 2023			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost - current	\$ 342,500	\$ -	\$ -	\$ 342,500
	September 30, 2023			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost - current	\$ 292,500	\$ -	\$ -	\$ 292,500

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

(c) Liquidity risk

- i. Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational research and development needs.
- ii. Surplus cash held by the Group over and above balance required for working capital management are transferred to investing surplus cash in interest bearing current accounts, time deposits or beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Floating rate			
Expiring within one year	\$ -	\$ 50,000	\$ -

- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>September 30, 2024</u>	<u>Less than 1 year</u>	<u>Less than 1~2 year</u>	<u>Less than 2~5 year</u>	<u>Over 5 year</u>
Short-term borrowings	\$ 250,000	\$ -	\$ -	\$ -
Accounts payable	40,498	-	-	-
Other payables	110,683	-	-	-
Other payables - related parties	1,229	-	-	-
Lease liabilities	13,198	2,358	-	-
Long-term borrowings (including current portion)	6,937	6,837	19,917	85,235
Other current liabilities	357	-	-	-
<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Less than 1~2 year</u>	<u>Less than 2~5 year</u>	<u>Over 5 year</u>
Short-term borrowings	\$ 200,000	\$ -	\$ -	\$ -
Accounts payable	12,133	-	-	-
Other payables	112,006	-	-	-
Other payables - related parties	15,419	-	-	-
Lease liabilities	16,724	13,281	-	-
Other current liabilities	237	-	-	-

September 30, 2023	Less than 1 year	Less than 1~2 year	Less than 2~5 year	Over 5 year
Short-term borrowings	\$ 100,000	\$ -	\$ -	\$ -
Accounts payable	24,772	-	-	-
Other payables	95,148	-	-	-
Other payables - related parties	30,903	-	-	-
Lease liabilities	16,536	15,739	-	-
Other current liabilities	212	-	-	-

(3) Fair value information

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost - current, accounts receivable, accounts payable, other receivables (including related parties), guarantee deposits paid, financial asset at amortised cost - non-current, short-term borrowings, lease liabilities, other payables (including related parties) and Long-term borrowings (including current portion) are reasonably approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the 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: Refer to table 1.

(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

None.

(4) Major shareholders information

Major shareholders information: Refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry of new drug development. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The significant accounting policies and estimates of the operating segment and the accounting policies, estimates and assumptions described in Note 4 of the consolidated financial statements are the same. The chief operating decision-maker evaluates the performance of the operating segments based on income (loss) after tax.

(3) Reconciliation for segment income (loss)

The segment information of 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 sheet and consolidated statement of comprehensive income and do not need to be reconciled.

Foresee Pharmaceuticals Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2024

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceutitionals USA, Inc.	1	Service expenses	\$ 196,934	Mutual agreement	70.80%
0	Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceutitionals USA, Inc.	1	Other payables - related parties	61,367	Mutual agreement	4.15%
0	Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceutitionals USA, Inc.	1	Service revenue	20,365	Mutual agreement	7.32%
0	Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceutitionals USA, Inc.	1	Other receivables - related parties	4,166	Mutual agreement	0.28%
0	Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceutitionals USA, Inc.	1	Intangible assets	681,427	Mutual agreement	46.10%
0	Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceuticals Canada Inc.	1	Service expenses	8,603	Mutual agreement	3.09%

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Foresee Pharmaceuticals Co., Ltd. and Subsidiaries
Information on investees (excluding information on investments in Mainland China)
For the nine-month period ended September 30, 2024

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2024			Net profit (loss) of the investee for the nine-month period ended September 30, 2024	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2024	Footnote
				Balance as at September 30, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceuticals USA, Inc.	USA	Research and development of pharmaceuticals	\$ 963,718	\$ 32,830	811,923	100	\$ 240,494	(\$ 172,954)	(\$ 831,212)	Note 1
Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceuticals Canada, Inc.	Canada	Business development	4,776	4,776	1,500	100	14,849	34	34	Note 2
Foresee Pharmaceuticals Co., Ltd.	Foresee Pharmaceuticals Australia Pty Ltd	Australia	Research and development of pharmaceuticals	63,524	20,647	3,000,100	100	22,001	(40,532)	(40,532)	Note 3

Note 1: Initial investment amount was USD 30,192,301 (in dollars).

Note 2: Initial investment amount was CAD 200,000 (in dollars).

Note 3: Initial investment amount was ADU 3,000,100 (in dollars).

Foresee Pharmaceuticals Co., Ltd. and Subsidiaries

Major shareholders information

September 30, 2024

Table 3

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Foresee Pharmaceuticals, Inc.	23,710,357	17.33%
Zheng Jun Zhoug	8,190,000	5.98%