

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

Address: 4F., No. 30, Keya Rd., Daya Dist., Taichung City, Taiwan, R.O.C.
Telephone: 886-4-2325-2888

Notice to readers:

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER TRANSLATED FROM CHINESE

The entities that are required to be included in the combined financial statements of EVER SUPREME BIO TECHNOLOGY CO., LTD. as of and for the year ended 31 December 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVER SUPREME BIO TECHNOLOGY CO., LTD. and subsidiaries do not prepare a separate set of combined financial statements.

Hereby certified.

EVER SUPREME BIO TECHNOLOGY CO., LTD.

Liu, Chu-Chi
Chairman

15 March 2024

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To EVER SUPREME BIO TECHNOLOGY CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of EVER SUPREME BIO TECHNOLOGY CO., LTD and its subsidiaries (the “Group”) as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

EVER SUPREME BIO TECHNOLOGY CO., LTD. and its subsidiaries recognized operating revenue of \$758,391 thousand in 2023. The Group's principal source of revenue is from providing cell therapy products required by the Special Regulations for Cell Therapy and Gene Therapy Products, selling genetic testing products, providing cell storage services, and commissioned research. The Group recognizes revenue from transactions involving different product types with various transaction models and transaction terms with different sales targets, requiring judgements when determining performance obligation satisfaction and the timing of revenue recognition timing, we therefore considered this a key audit matter.

Our audit procedures include but are not limited to evaluating the appropriateness of the accounting policy related to revenue recognition, performing simple testing to understand the transaction model and testing effectiveness of the internal control established by management with respect to revenue recognition, including reconducting reviews of transaction terms to identify performance obligation and confirm whether revenue was recognized at the timing when control was transferred; selecting samples to perform test of details, reviewing the related certificates to confirm that revenue was recognized at the correct timing; performing cutoff tests for periods before and after the balance sheet date by reviewing related revenue documents of selected samples to verify that revenue was recognized in appropriate periods. We also considered the appropriateness of operating revenue disclosure in Notes 4 and 6 of consolidated financial statements

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of EVER SUPREME BIO TECHNOLOGY CO., LTD. as of and for the years ended 31 December 2023 and 2022.

Tu, Chin Yuan

Huang, Zi Ping

Ernst & Young, Taiwan

15 March 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EVER SUPREME BIO TECHNOLOGY CO., LTD AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 As of 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

Account	Notes	As of 31 December 2023		As of 31 December 2022	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4 & 6(1)	\$336,440	16	\$353,572	18
Financial assets measured at amortized cost, current	4 & 6(3)	998,600	49	915,993	47
Notes receivable - related parties, net	4, 6(4), (12) & 7	7	-	1,253	-
Accounts receivable, net	4, 6(4) & (12)	53,434	3	36,492	2
Accounts receivable - related parties, net	4, 6(4), (12) & 7	47,188	2	47,195	2
Other receivables	7	464	-	879	-
Inventories	4 & 6(5)	69,086	3	88,303	5
Prepayments		7,917	-	6,285	-
Other current assets	7	7,731	-	5,457	-
Total current assets		1,520,867	73	1,455,429	74
Non-current assets					
Financial assets at fair value through profit or loss, non current	4 & 6(2)	471,312	23	376,370	19
Property, plant and equipment	4, 6(6) & 7	59,195	3	72,508	4
Right-of-use assets	4, 6(13) & 7	5,616	-	17,329	1
Intangible assets	4 & 6(7)	10,653	1	11,947	1
Deferred tax assets	4 & 6(16)	1,710	-	30,320	1
Other non-current assets		6,567	-	9,717	-
Total non-current assets		555,053	27	518,191	26
Total assets		\$2,075,920	100	\$1,973,620	100
Current liabilities					
Contract liabilities, current	4, 6(11) & 7	\$121,648	6	\$89,892	5
Notes and accounts payable, net	7	23,334	1	29,077	1
Other payables	7	34,188	2	28,927	1
Current tax liabilities	4 & 6(16)	46,760	2	10,469	1
Lease liabilities, current	4, 6(13) & 7	5,395	-	4,502	-
Other current liabilities	7	315	-	873	-
Total current liabilities		231,640	11	163,740	8
Non-current liabilities					
Deferred tax liabilities	4 & 6(16)	-	-	3,592	-
Lease liabilities, non-current	4, 6(13) & 7	503	-	13,361	1
Other non-current liabilities		816	-	757	-
Total non-current liabilities		1,319	-	17,710	1
Total liabilities		232,959	11	181,450	9
Equity					
Capital	6(9)				
Common Stock		733,387	35	681,403	35
Advance Receipts for Common Stock		-	-	40	-
Total capital		733,387	35	681,443	35
Additional paid-in capital	6(9)	785,907	38	872,222	44
Retained Earnings	6(9)	323,667	16	238,505	12
Total equity		1,842,961	89	1,792,170	91
Total liabilities and equity		\$2,075,920	100	\$1,973,620	100

(The accompanying notes are an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EVER SUPREME BIO TECHNOLOGY CO., LTD AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the years Ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December			
		2023		2022	
		Amount	%	Amount	%
Operating revenues	4, 6(11) & 7	\$758,391	100	\$627,512	100
Operating costs	6(14) & 7	(273,637)	(36)	(212,955)	(34)
Gross profit		484,754	64	414,557	66
Operating expenses	6(14) & 7				
Sales and marketing		(15,374)	(2)	(12,069)	(2)
General and administrative		(32,536)	(5)	(28,002)	(5)
Research and development		(99,112)	(13)	(90,691)	(14)
Total operating expenses		(147,022)	(20)	(130,762)	(21)
Operating income		337,732	44	283,795	45
Non-operating income and expenses	6(15) & 7				
Interest income		14,178	2	9,875	2
Other income		7,523	1	7,353	1
Other gains and losses		263,782	35	(36,410)	(6)
Financial costs	7	(201)	-	(510)	-
Total non-operating income and expenses		285,282	38	(19,692)	(3)
Income from continuing operations before income tax		623,014	82	264,103	42
Income tax expense	4, 5 & 6(16)	(83,617)	(11)	(63,389)	(10)
Net income		539,397	71	200,714	32
Total comprehensive income		\$539,397	71	\$200,714	32
Earnings per share (NTD)	4 & 6(17)				
Basic earnings per share		\$7.24		\$2.68	
Diluted earnings per share		\$7.22		\$2.66	

(The accompanying notes are an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EVER SUPREME BIO TECHNOLOGY CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years Ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Description	Notes.	Capital		Additional Paid-in capital	Retained Earnings		Treasury Stock	Total Equity
		Common Stock	Advance Receipts for Common Stock		Legal Reserve	Unappropriated Earnings		
Balance as of 1 January 2022		\$618,180	\$ -	\$1,210,866	\$ -	\$68,740	\$ -	\$1,897,786
Distribution of 2021 retained earnings:								
Legal reserve		-	-	-	6,874	(6,874)	-	-
Cash dividends distributed from common stock		-	-	-	-	(30,949)	-	(30,949)
Stock dividends distributed from additional paid-in capital	6(9)	61,898	-	(61,898)	-	-	-	-
Cash dividends distributed from additional paid-in capital		-	-	(278,541)	-	-	-	(278,541)
Net income in 2022		-	-	-	-	200,714	-	200,714
Total comprehensive income		-	-	-	-	200,714	-	200,714
Share-based payment transactions	6(10)	1,325	40	1,795	-	-	-	3,160
Balance as of 31 December 2022	6(9)	<u>\$681,403</u>	<u>\$40</u>	<u>\$872,222</u>	<u>\$6,874</u>	<u>\$231,631</u>	<u>\$ -</u>	<u>\$1,792,170</u>
Balance as of 1 January 2023		\$681,403	\$40	\$872,222	\$6,874	\$231,631	\$ -	\$1,792,170
Distribution of 2022 retained earnings:								
Legal reserve		-	-	-	20,071	(20,071)	-	-
Cash dividends distributed from common stock		-	-	-	-	(136,289)	-	(136,289)
Stock dividends distributed from additional paid-in capital	6(9)	68,144	-	(68,144)	-	-	-	-
Other changes in capital surplus	6(9)	-	-	102	-	-	-	102
Net income in 2023		-	-	-	-	539,397	-	539,397
Total comprehensive income		-	-	-	-	539,397	-	539,397
Purchase of treasury shares	6(9)	-	-	-	-	-	(356,354)	(356,354)
Retirement of treasury shares	6(9)	(18,600)	-	(19,808)	-	(317,946)	356,354	-
Share-based payment transactions	6(10)	2,440	(40)	1,535	-	-	-	3,935
Balance as of 31 December 2023	6(9)	<u>\$733,387</u>	<u>\$ -</u>	<u>\$785,907</u>	<u>\$26,945</u>	<u>\$296,722</u>	<u>\$ -</u>	<u>\$1,842,961</u>

(The accompanying notes are an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EVER SUPREME BIO TECHNOLOGY CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the years Ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	Notes.	For the years ended 31 December	
		2023	2022
Cash flows from operating activities:			
Net income before income tax		\$623,014	\$264,103
Adjustments to reconcile net income before income tax to net cash provided by operating activities:			
Depreciation		30,970	33,834
Amortization		1,337	1,714
Net (gain) loss of financial assets at fair value through profit or loss		(241,857)	22,704
Interest expense		201	510
Interest income		(14,178)	(9,875)
Dividend income		(3,000)	-
Share-based payments		-	793
Loss on disposal of property, plant and equipment		-	1
Gain on lease modification		(169)	(12)
Changes in operating assets and liabilities:			
Decrease (increase) in notes receivable - related parties		1,246	(175)
Increase in accounts receivable		(16,942)	(29,328)
Decrease (increase) in accounts receivable - related parties		7	(21,774)
Decrease in other receivables		611	28,889
Decrease (increase) in inventories		19,217	(31,531)
Increase in prepayments		(1,632)	(4,172)
(Increase) decrease in other current assets		(4,919)	316
Increase in contract liabilities		31,756	77,676
(Decrease) increase in accounts payable		(5,743)	14,082
Increase (decrease) in other payables		5,261	(1,362)
Decrease in other current liabilities		(558)	(5,222)
Cash generated from operations		424,622	341,171
Interest received		13,982	9,711
Dividend received		3,000	-
Interest paid		(201)	(510)
Income tax paid		(19,663)	(31,171)
Net cash provided by operating activities		421,740	319,201
Cash flows from investing activities:			
Acquisition of financial assets at fair value through profit or loss		(34,094)	(88,200)
Disposal of financial assets at fair value through profit or loss		181,009	22,400
Acquisition of financial assets measured at amortized cost		(82,607)	(213,393)
Acquisition of property, plant and equipment		(5,816)	(3,186)
Acquisition of intangible assets		(15)	(2,409)
Decrease (increase) in other non-current assets		3,122	(2,519)
Net cash provided by (used in) investing activities		61,599	(287,307)
Cash flows from financing activities:			
Cash payments for the principal portion of lease liability		(11,924)	(11,105)
Increase (decrease) in other non-current liabilities		59	(1,198)
Cash dividends paid		(136,289)	(309,490)
Exercise of employee stock option		3,935	2,367
Payments to acquire treasury shares		(356,354)	-
Claim for disgorgement		102	-
Net cash used in provided by financing activities		(500,471)	(319,426)
Net decrease in cash and cash equivalents		(17,132)	(287,532)
Cash and cash equivalents at beginning of period		353,572	641,104
Cash and cash equivalents at end of period	6(1)	\$336,440	\$353,572

(The accompanying notes are an integral part of the consolidated financial statements)

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years Ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, unless Otherwise Stated)

1. History and organization

Ever Supreme Bio Technology Co., Ltd. (“the Company”) was incorporated in 2016. The Company’s main business is to research, develop, and manufacture new drugs related to human mesenchymal stem cells and immune cells. The Company completed the supplemental public offering process with the approval of the competent authority on 28 September 2018, and was approved to be listed on the Emerging Stock Market on 26 October 2018. The Company was listed for trading on the Taipei Exchange (TPEx) on 8 January 2021. The registered address and main operating location of the Company are at 4F, No. 30, Keya Rd, Daya Dist, Taichung City.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended 31 December 2023 and 2022 were authorized for issue in accordance with a resolution of the board of directors’ meeting on 15 March 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January, 2023. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, but not yet adopted by the Group as of the end of the reporting period are listed below.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

A. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

B. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

C. Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

D. Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The above-mentioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January, 2024. The remaining standards and interpretations have no material impact on the Group.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January, 2023 (from the original effective date of 1 January, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January, 2023.

C. Lack of Exchangeability – Amendments to IAS 21

These amendments specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not, and the additional disclosures when a currency lacks exchangeability. The amendments apply to annual reporting periods beginning on or after 1 January, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs)

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NT\$) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group’s voting rights and potential voting rights

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest
- (c) recognizes the fair value of the consideration received
- (d) recognizes the fair value of any investment retained
- (e) recognizes any surplus or deficit in profit or loss
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Main business	As of	
			31 December 2023	31 December 2022
The Company	SunSage Medical International Co., Ltd.	Biotechnology services	100%	100%
SunSage Medical International Co., Ltd.	TSAI & MURAD BIOTECHNOLOGY INC.	Retail Over-the-counter drugs class B and Retail Sale of Cosmetics	100%	100%

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Current and Non-current Distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Group holds the asset primarily for the purpose of trading.
- C. The Group expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

- A. The Group expects to settle the liability in its normal operating cycle.
- B. The Group holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents shall refer to cash, time deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, including time deposits with original maturities of three months or less.

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost or fair value through other comprehensive income considering both factors below:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial Liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – At actual purchase cost, using weighted average method
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment were required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment.” When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Machinery and equipment	2~10 years
Lab equipment	2~5 years
Office equipment	2~5 years
Other equipment	2~5 years
Leasehold improvement	The shorter of lease terms or economic useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(11) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- C. amounts expected to be payable by the lessee under residual value guarantees
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method. The Group reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability
- B. any lease payments made at or before the commencement date, less any lease incentives received
- C. any initial direct costs incurred by the lessee
- 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

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use asset by applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. Its intention to complete and its ability to use or sell the asset
- C. How the asset will generate future economic benefits
- D. The availability of resources to complete the asset
- E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A summary of the policies applied to the Group's intangible assets is as follows:

	Technology License	Computer software
Useful Lives	10~20 years	2~5 years
Amortization method used	Amortized on a straight- line basis	Amortized on a straight- line basis
Internally generated or acquired	Acquired	Acquired

(13) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(14) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

If the obligation is incurred over a period of time, then the recognition of the payable liability will be gradually recognized.

(15) Treasury Stock

The Group recognizes the acquisition of treasury shares of the parent company at acquisition cost and as a contra-equity account. The price difference of treasury shares transactions is recognized under equity.

(16) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Sale of goods

The Group identifies the performance obligations in customer contracts, allocates the transaction price to each performance obligation, and recognizes revenue when each performance obligation is satisfied. The timing of revenue recognition is at a point in time. The Group manufactures and sells the goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer obtains the right and carrying value of the goods). The main products of the Group are cell-based preparations and health supplements. Revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sales of goods is about 50 to 60 days. The trade receivables are recognized when the performance obligations of the customer contract are satisfied, as the Group has an unconditional right to an amount of consideration since that point in time, and only the passage of time is required for the Group to collect the consideration from the customer.

Rendering of services

The Group mainly provides the storage of human biological cells and commissioned research revenue. The pricing of such services is determined by separate negotiations or agreements, and the storage service is provided based on the contract period. As the Group provides storage services during the contract period, which is a performance obligation that is gradually satisfied over time, revenue is recognized on a straight-line basis based on the passage of time.

For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently. Accordingly, these amounts are recognized as contract liabilities. The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arose.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(18) Post-employment benefits

All employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution and recognize expenses for the current period of no less than 6% of the monthly wages of the employees subject to the plan.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its employees was measured at the fair value of the equity instruments on the grant date. The fair value of the equity instruments is determined by using an appropriate pricing model.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled payment transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled payment transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(20) Income Tax

Income tax expense (profit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

A. Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluating forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

B. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for details.

C. Share-based payment transactions

The Group measures the cost of equity-settled payment transactions with employees based on the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected useful life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group's/company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Bank deposits	\$336,370	\$353,502
Cash on hand	70	70
Total	\$336,440	\$353,572

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Financial asset measured at fair value through profit or loss

	As of 31 December	
	2023	2022
Financial assets designated at fair value through profit or loss – non-current:		
Stocks	<u>\$471,312</u>	<u>\$376,370</u>
Current	\$ -	\$ -
Non-current	<u>471,312</u>	<u>376,370</u>
Total	<u>\$471,312</u>	<u>\$376,370</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets measured at amortized cost, current

	As of 31 December	
	2023	2022
Bank deposits - time deposits	<u>\$998,600</u>	<u>\$915,993</u>

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 12 for more details on credit risk. Aforementioned financial assets measured at amortized cost- current were not pledged.

(4) Notes receivable and accounts receivables, net

	As of 31 December	
	2023	2022
Accounts receivable	<u>\$53,434</u>	<u>\$36,492</u>
Less: allowance for doubtful debts	-	-
Subtotal	<u>53,434</u>	<u>36,492</u>
Notes receivable from related parties	7	1,253
Accounts receivable from related parties	47,188	47,195
Less: allowance for doubtful debts	-	-
Subtotal	<u>47,195</u>	<u>48,448</u>
Total	<u><u>\$100,629</u></u>	<u><u>\$84,940</u></u>

Notes receivable and accounts receivable were not pledged.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accounts receivables are generally on 50-60 day terms. The total carrying amount as of 31 December 2023 and 2022 were NT\$100,629 thousand and NT\$84,940 thousand, respectively. Please refer to Note 6(12) for more details on loss allowance of accounts receivable for the years ended 2023 and 2022 and Note 12 for more details on credit risk management.

(5) Inventories

	As of 31 December	
	2023	2022
Raw materials	\$23,421	\$24,425
Supplies	5,661	4,687
Work in progress	26,180	35,842
Finished goods	10,204	19,084
Commodity inventory	3,620	4,265
Total	\$69,086	\$88,303

The cost of inventories recognized in expenses amounted to NT\$273,637 thousand for the year ended 31 December 2023, including the reversal of the write-down of inventories of NT\$1,813 thousand. The inventory recovery gain was generated due to the elimination of the factors that caused the inventory write-down in the past.

The cost of inventories recognized in expenses amounted to NT\$212,955 thousand for the year ended 31 December 2022, including the loss from valuation of inventories in the amount of NT\$7,883 thousand.

Inventories were not pledged.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Property, plant and equipment

	Machinery and equipment	Lab equipment	Office equipment	Other equipment	Leasehold improvement	Total
Cost:						
As of 1 January 2023	\$75,293	\$3,363	\$6,634	\$96	\$65,233	\$150,619
Additions	5,558	-	258	-	-	5,816
Disposals	-	-	-	-	-	-
As of 31 December 2023	<u>\$80,851</u>	<u>\$3,363</u>	<u>\$6,892</u>	<u>\$96</u>	<u>\$65,233</u>	<u>\$156,435</u>
Depreciation and impairment:						
As of 1 January 2023	\$46,509	\$3,199	\$5,632	\$96	\$22,675	\$78,111
Depreciation	11,629	164	693	-	6,643	19,129
Disposals	-	-	-	-	-	-
As of 31 December 2023	<u>\$58,138</u>	<u>\$3,363</u>	<u>\$6,325</u>	<u>\$96</u>	<u>\$29,318</u>	<u>\$97,240</u>
	Machinery and equipment	Lab equipment	Office equipment	Other equipment	Leasehold improvement	Total
Cost:						
As of 1 January 2022	\$73,139					
Additions	1,241	\$3,363	\$6,045	\$96	\$63,900	\$146,543
Disposals	-	-	612	-	1,333	3,186
Reclassification	913	-	(23)	-	-	(23)
As of 31 December 2022	<u>\$75,293</u>	<u>\$3,363</u>	<u>\$6,634</u>	<u>\$96</u>	<u>\$65,233</u>	<u>\$150,619</u>
Depreciation and impairment:						
As of 1 January 2022	\$32,641					
Depreciation	13,868	\$2,552	\$4,275	\$79	\$16,004	\$55,551
Disposals	-	647	1,379	17	6,671	22,582
As of 31 December 2022	<u>\$46,509</u>	<u>-</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(22)</u>
Net carrying amount:						
As of 31 December 2023	<u>\$22,713</u>	<u>\$ -</u>	<u>\$567</u>	<u>\$ -</u>	<u>\$35,915</u>	<u>\$59,195</u>
As of 31 December 2022	<u>\$28,784</u>	<u>\$164</u>	<u>\$1,002</u>	<u>\$ -</u>	<u>\$42,558</u>	<u>\$72,508</u>

The abovementioned property, plant and equipment were not pledged.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Intangible assets

	Computer software	Technology License	Total
<u>Cost:</u>			
As of 1 January 2023	\$4,159	\$13,600	\$17,759
Additions	15	-	15
As of 31 December 2023	<u>\$4,174</u>	<u>\$13,600</u>	<u>\$17,774</u>

**Amortization and
impairment:**

	Computer software	Technology License	Total
<u>Cost:</u>			
As of 1 January 2023	\$2,986	\$2,826	\$5,812
Amortization	511	798	1,309
As of 31 December 2023	<u>\$3,497</u>	<u>\$3,624</u>	<u>\$7,121</u>
<u>Net carrying amount:</u>			
As of 31 December 2023	<u>\$677</u>	<u>\$9,976</u>	<u>\$10,653</u>
As of 01 January 2023	<u>\$1,173</u>	<u>\$10,774</u>	<u>\$11,947</u>

	Computer software	Technology License	Total
<u>Cost:</u>			
As of 1 January 2022	\$3,250	\$12,100	\$15,350
Additions	909	1,500	2,409
As of 31 December 2022	<u>\$4,159</u>	<u>\$13,600</u>	<u>\$17,759</u>

**Amortization and
impairment:**

	Computer software	Technology License	Total
<u>Cost:</u>			
As of 1 January 2022	\$2,170	\$2,038	\$4,208
Amortization	816	788	1,604
As of 31 December 2022	<u>\$2,986</u>	<u>\$2,826</u>	<u>\$5,812</u>
<u>Net carrying amount:</u>			
As of 31 December 2022	<u>\$1,173</u>	<u>\$10,774</u>	<u>\$11,947</u>
As of 1 January 2022	<u>\$1,080</u>	<u>\$10,062</u>	<u>\$11,142</u>

Intangible asset amortization expenses are summarized as follows:

	For the years ended 31 December	
	2023	2022
Operating expenses	\$1,309	\$1,604

Intangible assets were not pledged. Please refer to Note 9(1~17) Commitments and contingencies for more details on technology license.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Post-employment benefits

Defined contribution plan

The Group adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT\$3,234 thousand and NT\$3,214 thousand, respectively.

(9) Equity

A. Common stock

As of 1 January 2022 the Company's authorized capital was NT\$880,000 thousand, divided into 61,818 thousand shares with par value of \$10 each and the paid-in capital were \$618,180.

From 1 January to 31 March 2022, 80 thousand shares of employee share options were converted to common shares. The Company's board of directors resolved to set 7 March 2022 as the capital increase date for the issuance of new shares. The registration process was completed and approved by the competent authority on 14 March 2022.

On 21 April 2022, the appropriations of earnings for the year ended 2021 and issuance of new shares from capital surplus were resolved at the shareholders' meeting. The Company allocated NT\$61,898 thousand from capital surplus to issue 6,190 thousand common shares at a par value of NT\$10 per share. The record date for the allocation of the new shares was 27 May 2022. The registration process was completed and approved by the competent authority on 1 June 2022.

From 1 July to 30 September 2022, 53 thousand shares of employee share options were converted to common shares. The Company's board of directors resolved to set 7 November 2022 as the capital increase date for the issuance of new shares. The registration process was completed and approved by the competent authority on 10 November 2022.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company has issued 4 thousand ordinary shares due to the conversion of employee stock options from 1 October to 31 December 2022. As of 31 December 2022, the change in registered capital was not yet completed, therefore, advance share capital of NT\$40 thousand was recorded.

From 1 January to 31 March 2023, 4 thousand shares of employee share options were converted to common shares. The Company's board of directors resolved to set 6 February 2023 as the capital increase date for the issuance of new shares. The registration process was completed and approved by the competent authority on 9 February 2023.

On 4 May 2023, the appropriations of earnings for the year ended 2022 and issuance of new shares from capital surplus were resolved by the shareholders' meeting. The Company allocated NT\$68,144 thousand from capital surplus to issue 6,814 thousand common shares at a par value of NT\$10 per share. The registration process was completed and approved by the competent authority on 6 June 2023.

For the year ended 31 December 2023, the Company issued 240 thousand ordinary shares due to the conversion of employee stock options. The Company's board of directors resolved to set 7 August 2023 as the capital increase date for the issuance of new shares. The registration process was completed and approved by the competent authority on 11 August 2023.

On 6 November 2023, the Company's board of directors approved a capital reduction with that same day as the record date, and proceeded to cancel 1,860 thousand treasury shares. On 9 November 2023, the competent authorities approved the completion of the change in registration.

As of 31 December 2023, the Company's authorized capital was NT\$880,000 thousand, the paid-in capital were NT\$733,387 thousand, which divided into 73,339 thousand shares, with par value of NT\$10 each. Each share has one voting right and a right to receive dividends.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Capital surplus

	As of 31 December	
	2023	2022
Additional paid-in capital	\$781,015	\$863,436
Employee stock option	4,444	8,440
Claim for disgorgement	448	346
Total	<u>\$785,907</u>	<u>\$872,222</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in the form of cash or dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury Stock

The Company, as resolved by the board of directors on 15 August 2023, planned to repurchase 2,000 thousand of its own shares. The repurchase period was from 16 August to 15 October 2023, with a price range between NT\$236 and NT\$166 per share. The actual amount of shares repurchased was 1,860 thousand and the repurchase period was from 16 August to 13 October 2023. The average repurchase price per share was NT\$191.59.

The reason for not completing this round of repurchase is to ensure a balanced market mechanism as well as preserving the rights and interests of all shareholders. The Company has chosen to repurchase in batches depending on the fluctuation in share prices and trading volumes, which thus resulted in not being able to finalize the repurchase process. Moreover, as the original deadline, 15 October 2023, fell on a holiday, the completion of the repurchase was announced in advance on 13 October 2023.

The Company, as resolved at the board meeting held on 6 November 2023, has decided to cancel all 1,860 thousand treasury shares repurchased.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Securities Exchange Act, the proportion of the company's repurchase of its outstanding shares may not exceed 10% of the total number of issued shares of the Company. The total amount of shares repurchased cannot exceed the balance of retained earnings, plus the premium on issued shares and the realized capital reserve.

The treasury shares held by the Company, according to the Securities Exchange Act, may not be pledged, nor do they have rights such as dividend distribution or voting rights.

D. Distribution of retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Income tax obligation
- (b) Offsetting accumulated deficits, if any
- (c) Legal reserve at 10% of net income after tax
- (d) Special reserve in compliance with the Company Act or Securities and Exchange Act
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Details of the 2023 and 2022 earnings distributions and dividends per share as approved and resolved by the board of directors' meeting on 15 March 2024, and the shareholders' meeting on 4 May 2023, respectively, are as follows:

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Appropriation of earnings		Dividend per share (in dollars)	
	2023	2022	2023	2022
Legal Reserve	\$29,672	\$20,071		
Cash dividends—common stock	256,686	136,289	\$3.5	\$2
Total	<u>\$286,358</u>	<u>\$156,360</u>		

In addition to the cash dividends of NT\$3.5 per share distributed from undistributed earnings in 2023, the Company's board of directors proposed to distribute cash dividends of NT\$183,347 thousand from capital reserve, at NT\$2.5 per share. Additionally, the board proposed to issue new shares by transferring NT\$73,339 thousand from capital reserve, at NT\$1 per share.

In addition to distributing cash dividend of NT\$2 per share from undistributed profits in 2022, the Company's annual general meeting of shareholders also resolved to issue new shares by capitalizing NT\$68,144 thousand from the capital reserve, with a distribution of NT\$1 new share per existing share.

Please refer to Note 6(14) for details on employees' compensation and remuneration to directors and supervisors.

(10) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their compensations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees

On 28 September 2018, the Group was authorized by the Securities and Futures Bureau of the FSC to issue employee share options with a total number of 1,400 thousand units. Each unit entitles an optionee to subscribe for one share of the Group's common shares. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Group.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The fair value of the share options is estimated at the grant date using Black-Scholes option valuation model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each option granted is 6 years. There are no cash settlement alternatives. The Group did not have practices of cash-settled share-based payment transaction.

As of 31 December 2023, the relevant details of the aforementioned share-based payment plans were as follows:

Grant date	Total number of share options granted (in thousands)	Exercise price of share options (in dollars)
29 August 2018	1,400	18

The following table lists the inputs to the model used for the aforementioned plan:

	Share-based payment plan
Dividend yield (%)	- %
Expected volatility (%)	32.24%
Risk-free interest rate (%)	0.68%
Expected option life (Years)	4.38
Weighted average share price (\$)	32.62
Option pricing model	Black-Scholes option valuation model

The expected useful life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the useful life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the share-based payment plan for the years ended 2023 and 2022:

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2023		2022	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (in dollars)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (in dollars)
Outstanding at beginning of period	503	\$18	640	\$18
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(240)	18	(137)	18
Expired	-	-	-	-
Outstanding at end of period	<u>263</u>	18	<u>503</u>	18
Exercisable at end of period	263	18	503	18
Weighted average fair value of share options (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

The information on the outstanding share options as of 31 December 2023 is as follows:

	Range of exercise price (in dollars)	Weighted average remaining contractual life (Years)
As of 31 December 2023 share options outstanding at the end of the period	\$18	0.663

B. The expense recognized for employee services received for the years ended 31 December 2023 and 2022, is shown in the following table:

	For the years ended	
	31 December	
	2023	2022
Total expense arising from equity-settled share-based payment transactions	\$ -	\$793

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Operating revenue

	For the years ended	
	31 December	
	2023	2022
Sale of goods	\$522,785	\$477,948
Storage service	161,320	90,040
Commissioned research	74,286	59,524
Total	\$758,391	\$627,512

A. Disaggregation of revenue

	For the years ended	
	31 December	
	2023	2022
Timing of revenue recognition:		
At a point in time	\$597,071	\$537,472
Over time	161,320	90,040
Total	\$758,391	\$627,512

B. Contract liabilities, current

	As of		
	31 December	31 December	1 January
	2023	2022	2022
Sale of goods	\$36,353	\$29,486	\$6,273
Storage service	85,295	60,406	5,943
Total	\$121,648	\$89,892	\$12,216

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2023 and 2022 are as follows:

	For the years ended	
	31 December	
	2023	2022
The opening balance transferred to revenue	\$73,812	\$12,216
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	45,394	60,406

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Transaction price allocated to unsatisfied performance obligations

As of 31 December 2023, the Group had unfulfilled performance obligations (including partially unfulfilled ones) totaling NT\$85,295 thousand based on the allocated transaction price. The Company expected to recognize revenue over the next 1 to 2 years depending on the degree of fulfilment of these obligations.

D. Assets recognized from costs to fulfil a contract

None.

(12) Expected credit losses

There were no expected credit losses as of 31 December 2023 and 2022.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of 31 December 2023 and 2022 was as follows:

Receivables from customers, which have not shown any significant difference in loss patterns according to historical experience, are therefore measured for impairment loss using a provision matrix without differentiating groups, details are as follows:

As of 31 December 2023

	Overdue					Total	
	Not yet						
	due	<=90 days	91-180 days	181-365 days	>=365 days		
Gross carrying amount	\$100,629	\$ -	\$ -	\$ -	\$ -	\$100,629	
Loss rate	0%	0%	20%	50%	100%		
Lifetime expected credit losses	-	-	-	-	-	-	
Per book	<u>\$100,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$100,629</u>	

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 December 2022

	Overdue					
	Not yet	<=90 days	91-180 days	181-365 days	>=365 days	Total
Gross carrying amount	\$84,790	\$150	\$ -	\$ -	\$ -	\$84,940
Loss rate	0%	0%	20%	50%	100%	
Lifetime expected credit losses	-	-	-	-	-	-
Per book	<u>\$84,790</u>	<u>\$150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$84,940</u>

(13) Leases

A. The Group as a lessee

The Group mainly leases buildings. The lease terms range from 2 to 3 years. The Group's leases' effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of 31 December	
	2023	2022
Buildings	<u>\$5,616</u>	<u>\$17,329</u>

For the years ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounted to \$128 thousand and \$2,364 thousand, respectively.

(ii) Lease liabilities

	As of 31 December	
	2023	2022
Current	\$5,395	\$4,502
Non-current	503	13,361
Total	<u>\$5,898</u>	<u>\$17,863</u>

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 6(15)(d) for the interest on lease liabilities recognized for the years ended 31 December 2023 and 2022 and refer to Note 12(5) Liquidity risk management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Buildings	<u>\$11,841</u>	<u>\$11,252</u>

C. Income and costs relating to leasing activity

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$321</u>	<u>\$392</u>

D. Cash outflow related to lessee and lease activity

For the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounted to NT\$12,446 thousand and NT\$12,007 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

Nature	Function	For the years ended 31 December					
		2023			2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense							
Salaries		\$28,584	\$41,585	\$70,169	\$16,600	\$48,576	\$65,176
Labor and health insurance		3,746	2,936	6,682	3,674	2,770	6,444
Pension		1,778	1,456	3,234	1,787	1,427	3,214
Director's remuneration		-	1,494	1,494	-	1,194	1,194
Other employee benefits expense		1,593	1,464	3,057	1,599	1,307	2,906
Depreciation		13,762	17,208	30,970	16,624	17,210	33,834
Amortization		-	1,337	1,337	-	1,714	1,714

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Articles of Incorporation, 1%~5% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors. However, the accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company estimated the amounts of the employees' compensation and directors' remuneration based on the profit of current year and recognized as salary expenses. If the board of directors resolves to distribute employees' compensation through stock, the number of stocks is calculated based on the closing price one day prior to the date of the meeting. The difference between the estimation and the resolution will be recognized as profit or loss of the subsequent year.

Based on the profit as of 31 December 2023, the Company estimated the employees' compensation and remuneration to directors for the year ended of 31 December 2023 to be 1% and 0% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2023 amounted to NT\$4,440 thousand and NT\$0, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2022 amounted to NT\$3,864 thousand and NT\$0, respectively. The aforementioned amounts were recognized as employee benefits expense.

A resolution was passed at the board meeting held on 15 March 2024 to distribute NT\$4,440 thousand and NT\$0 as the employee compensation and remuneration to directors of 2023, respectively. There were no material differences between the estimated amount and the actual resolution of the employee compensation and remuneration to directors for the year ended 31 December 2023.

There was no material differences between the estimated amount and the actual distribution of the employee's compensation and remuneration to directors for the year ended 31 December, 2022.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Non-operating income and expenses

A. Interest income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	\$14,178	\$9,875

B. Other income

	For the years ended 31 December	
	2023	2022
Others	\$7,523	\$7,353

C. Other gains and losses

	For the years ended 31 December	
	2023	2022
Gains (losses) on financial assets at fair value through profit or loss (Note)	\$241,857	\$(5,697)
Gain (losses) on foreign currencies exchanged	21,756	(30,724)
Gain on lease modification	169	12
(Losses) on disposal of property, plant and equipment	-	(1)
Total	<u>\$263,782</u>	<u>\$(36,410)</u>

Note:

Balances were arising from financial assets measured at fair value through profit or loss, including valuation adjustment and gain (loss) on disposal.

D. Financial costs

	For the years ended 31 December	
	2023	2022
Interest on lease liabilities	<u>\$201</u>	<u>\$510</u>

(16) Income Tax

The major components of income tax expense(income) for the years ended 31 December 2023 and 2022 are as follows:

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Income tax expense (income) recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense:		
Current income tax charge	\$58,599	\$16,015
Adjustments in respect of current income tax of prior periods	-	(273)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	2,955	(7,909)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	<u>22,063</u>	<u>55,556</u>
Income tax expense	<u><u>\$83,617</u></u>	<u><u>\$63,389</u></u>

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	<u><u>\$621,590</u></u>	<u><u>\$264,103</u></u>
Tax at the domestic rates applicable to profits in the country concerned	\$124,318	\$52,821
Tax effect of revenues exempt from taxation	(60,384)	3,625
Tax effect of expenses not deductible for tax purposes	7,494	19
Tax effect of deferred tax assets/liabilities	9,834	8,664
Adjustments in respect of current income tax of prior periods	-	(273)
Other adjustments according to tax law	322	(1,467)
Corporate income surtax on undistributed retained earnings	<u>2,033</u>	-
Total income tax expense recognized in profit or loss	<u><u>\$83,617</u></u>	<u><u>\$63,389</u></u>

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Deferred tax assets (liabilities) related to the following:

(a) For the year ended 31 December 2023

	<u>Balance as of 1 January</u>	<u>Recognized in profit or loss</u>	<u>Balance as of 31 December</u>
Temporary difference			
Employee benefits	\$40	\$(40)	\$ -
Revaluations of financial assets (liabilities) at fair value through profit or loss	(3,592)	3,592	-
Provision for allowance to reduce inventories to market value	2,072	(362)	1,710
Unrealized exchange losses	6,145	(6,145)	-
Unused taxable losses	22,063	(22,063)	-
Deferred income tax income		<u><u>\$(25,018)</u></u>	
Net deferred income tax assets	<u><u>\$26,728</u></u>		<u><u>\$1,710</u></u>
Reflected in balance sheet as follows:			
Deferred tax assets	<u><u>\$30,320</u></u>		<u><u>\$1,710</u></u>
Deferred tax liabilities	<u><u>\$(3,592)</u></u>		<u><u>\$ -</u></u>

(b) For the year ended 31 December 2022

	<u>Balance as of 1 January</u>	<u>Recognized in profit or loss</u>	<u>Balance as of 31 December</u>
Temporary difference			
Employee benefits	\$80	\$(40)	\$40
Revaluations of financial assets (liabilities) at fair value through profit or loss	(3,820)	228	(3,592)
Provision for allowance to reduce inventories to market value	496	1,576	2,072
Unrealized exchange losses	-	6,145	6,145
Unused taxable losses	77,619	(55,556)	22,063
Deferred income tax income		<u><u>\$(47,647)</u></u>	
Net deferred income tax assets	<u><u>\$74,375</u></u>		<u><u>\$26,728</u></u>
Reflected in balance sheet as follows:			
Deferred tax assets	<u><u>\$78,195</u></u>		<u><u>\$30,320</u></u>
Deferred tax liabilities	<u><u>\$(3,820)</u></u>		<u><u>\$(3,592)</u></u>

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. The assessment of income tax return

	The assessment of income tax return
The Company	Assessed and approved up to 2021
SunSage Medical International Co., Ltd.	Assessed and approved up to 2021
TSAI & MURAD BIOTECHNOLOGY INC.	Assessed and approved up to 2021

(17) Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the years attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended	
	31 December	
	2023	2022
(a) Basic earnings per share		
Net income attributable to ordinary shareholders of the parent	<u>\$539,397</u>	<u>\$200,714</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) (Note)	<u>74,470</u>	<u>74,906</u>
Basic earnings per share (NT\$)	<u><u>\$7.24</u></u>	<u><u>\$2.68</u></u>

(b) Diluted earnings per share

Net income attributable to ordinary shareholders of the parent after dilution	<u>\$539,397</u>	<u>\$200,714</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) (Note)	<u>74,470</u>	<u>74,906</u>
Effect of dilution:		

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended	
	31 December	
	2023	2022
Employee stock options (in thousands)	240	457
Employee compensation – stock (in thousands)	32	14
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>74,742</u>	<u>75,377</u>
Diluted earnings per share (NT\$)	<u>\$7.22</u>	<u>\$2.66</u>

Note: The aforementioned weighted average number of outstanding shares has been retrospectively adjusted up to the date of financial statement approval by the number of shares for the distribution of stock dividends by the Company.

(c) There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Nature of relationship of the related parties

Name of the related party	Nature of relationship of the related parties
China Medical University	Substantive related party
China Medical University Hospital	Substantive related party
Asia University	Substantive related party
Asia University Hospital	Substantive related party
Tainan Municipal An-Nan Hospital	Substantive related party
China Medical University Hsinchu Hospital	Substantive related party
China Medical University Beigang Hospital	Substantive related party
China Medical University Hospital, Taipei Branch	Substantive related party
New Far Eastern Obgyn Hospital	Substantive related party
Mamamia clinic	Substantive related party
Ever Fortune. AI CO., Ltd.	Substantive related party
VITAPHILE Co., Ltd.	Substantive related party

Note: VITAPHILE Co., Ltd. became a related party on 1 October 2023.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) Significant transactions with related parties

A. Sales

	For the years ended	
	31 December	
	2023	2022
China Medical University Hospital	\$437,439	\$322,112
Other	88,758	81,957
Total	\$526,197	\$404,069

B. Operating costs

	For the years ended	
	31 December	
	2023	2022
China Medical University Hospital	\$14,779	\$18,978
Other	-	3,899
Total	\$14,779	\$22,877

C. Operating expenses

	For the years ended	
	31 December	
	2023	2022
China Medical University Hospital	\$6,277	\$9,791
Other	287	1,478
Total	\$6,564	\$11,269

D. Purchases

	For the years ended	
	31 December	
	2023	2022
China Medical University Hospital	\$3,504	\$ -
Other	23	-
Total	\$3,527	\$ -

E. Notes receivable

	As of 31 December	
	2023	2022
New Far Eastern Obgyn Hospital	\$7	\$1,050
Other	-	203
Total	\$7	\$1,253

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

F. Accounts receivable

	As of 31 December	
	2023	2022
China Medical University Hospital	\$35,364	\$37,614
Other	11,824	9,581
Total	\$47,188	\$47,195

G. Contract liabilities

	As of 31 December	
	2023	2022
China Medical University Hospital	\$88,018	\$61,860
Asia University Hospital	33,487	27,086
Other	143	946
Total	\$121,648	\$89,892

H. Accounts payable

	As of 31 December	
	2023	2022
China Medical University Hospital	\$120	\$588

I. Other payables

	As of 31 December	
	2023	2022
China Medical University Hospital	\$1,955	\$2,800
China Medical University	-	1,177
Other	29	581
Total	\$1,984	\$4,558

J. Key management compensation

	For the years ended	
	31 December	
	2023	2022
Short-term employee benefits	\$5,400	\$6,766

8. Assets pledged as security

None.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. Significant Contingent Liabilities and Unrecognized Commitments

- (1) The Group has signed a licensing agreement with China Medical University for the evaluation of the application of dendritic cell tumor vaccine-based immunotherapy for patients with malignant glioblastoma and the prediction of the survival rate of patients with malignant glioblastoma after treatment. The Group will pay the licensing fees in stages according to the agreement, with a total payment of NT\$10,000 thousand. In the future, the Group will also pay a certain percentage of the derived benefits based on its sales performance. As of 31 December 2023, the Group has paid NT\$1,000 thousand for licensing fees.
- (2) The Group has signed a licensing agreement with China Medical University for dendritic cell tumor vaccines and their preparation methods. The Group will pay the licensing fees in stages according to the agreement, with a total payment of NT\$10,000 thousand. In the future, the Group will also pay a certain percentage of the derived benefits based on sales performance. As of 31 December 2023, the Group has paid NT\$1,000 thousand in licensing fees.
- (3) The Group has signed a licensing agreement with China Medical University for the use of IGF1R-expressing stem cells for the treatment of brain injury and the application of stem cells. The Group will pay the licensing fees in stages according to the agreement, with a total payment of NT\$10,000 thousand. In the future, the Group will also pay a certain percentage of the derived benefits based on its sales performance. As of 31 December 2023, the Group has paid NT\$800 thousand in licensing fees.
- (4) The Group has signed a licensing agreement with China Medical University for the use of IGF1R-expressing stem cells for the treatment of myocardial infarction and the application of stem cells. The Group will pay the licensing fees in stages according to the agreement, with a total payment of NT\$10,000 thousand. In the future, the Group will also pay a certain percentage of the derived benefits based on its sales performance. As of 31 December 2023, the Group has paid NT\$1,700 thousand in licensing fees.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (5) The Group has signed a licensing agreement with the Academia Sinica for the transplantation of human umbilical cord mesenchymal stem cells into the brains of mice suffering stroke, with the aim of repairing both structural and functional damage. The Group will pay the licensing fees in stages according to the agreement, with a total payment of NT\$8,500 thousand. In the future, the Group will also pay a certain percentage of the derived benefits based on its sales performance. As of 31 December 2023, the Group has paid NT\$2,000 thousand in licensing fees.
- (6) The Group has signed a licensing agreement with China Medical University for the therapeutic application of mesenchymal stem cells in multiple sclerosis treatment. The Group will pay the licensing fees in stages according to the agreement, with a total payment of \$10,000 thousand. In the future, the Group will also pay a certain percentage of the licensing fees based on its sales performance. As of 31 December 2023, the Group has paid NT\$700 thousand in licensing fees.
- (7) The Group has signed a licensing agreement with China Medical University for the use of HLA-G chimeric antigen receptors, nucleic acids, HLA-G chimeric antigen receptor expression plasmids, and HLA-G chimeric antigen receptor-expressing cells, as well as their use in the treatment of breast cancer. The total licensing fee is NT\$10,000 thousand. In the future, the Group will also pay the derived benefits in stages according to the terms of the agreement. As of 31 December 2023, the Group has paid NT\$2,300 thousand in licensing fees.
- (8) The Group has signed a licensing agreement with China Medical University for the composition and process of connecting immune-modulating antibodies to nano-fucoidan drugs. The total licensing fee is NT\$12,000 thousand. In the future, the Group will also pay the derived benefits in stages according to the terms of the agreement. As of 31 December 2023, the Group has paid NT\$300 thousand in licensing fees.
- (9) The Group has signed a licensing agreement with China Medical University for genetically engineered and modified mesenchymal stem cell therapy for cancer treatment. The total licensing fee is NT\$10,000 thousand. In the future, the Group will also pay the derived benefits in stages according to the terms of the agreement. As of 31 December 2023, the Group has paid NT\$300 thousand in licensing fees.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) The Group has signed a licensing agreement with China Medical University for the HLA-G Chimeric Antigen Receptor (CAR) Cell Therapy Platform (including pending patents). The total licensing fee is NT\$60,000 thousand. In the future, the Group will also pay the derived benefits in stages according to the terms of the agreement. As of 31 December 2023, the Group has paid NT\$2,000 thousand in licensing fees.

(11) The Group has signed a licensing agreement with China Medical University for the cellular therapy biochip and its manufacturing method. The total licensing fee is NT\$9,000 thousand. In the future, the Group will also pay the derived benefits in stages according to the terms of the agreement. As of 31 December 2023, the Group has paid NT\$1,000 thousand in licensing fees.

(12) The Group has entered into a commissioned research contract with QPS-QUALITIX CLINICAL RESEARCH CO., LTD., with a total contract price of NT\$52,437 thousand. As of 31 December 2023, the Group has paid NT\$32,518 thousand, recognized as services expense.

(13) The Group has signed a service contract with Clinipace, Inc. with a total contract price of NT\$11,150 thousand. As of 31 December 2023, the Group has paid NT\$7,989 thousand.

(14) The Group has signed a contract with China Medical University Hospital for commissioned clinical trials with a total contract price of approximately NT\$63,015 thousand. As of 31 December 2023, the Group has paid NT\$30,754 thousand.

(15) The Group has signed a contract with Chang Gung Memorial Hospital (Linkou Branch) for commissioned clinical trials with a total contract price of approximately NT\$18,382 thousand. As of 31 December 2023, the Group has paid NT\$10,264 thousand.

(16) The Group has signed a contract with Kaohsiung Chang Gung Memorial Hospital for commissioned clinical trials with a total contract price of approximately NT\$9,034 thousand. As of 31 December 2023, the Group has paid NT\$1,101 thousand.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) The Group has signed a contract with Tri-Service General Hospital of National Defense Medical Center for commissioned clinical trials with a total contract price of approximately NT\$5,604 thousand. As of 31 December 2023, the Group has paid NT\$300 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

The Company, by resolution of its board of directors on 19 January 2024, intends to grant UMSC01 patent technology to a newly established joint venture in the United States, ChironStem Biotechnology, Inc., which is jointly set up by the Company, Minerva Scientifics, Corp. and Axeon Research LLC. The joint venture will proceed with the application for clinical trials and the subsequent development of new drugs. The objective of the Company is to expand beyond the domestic cellular industry into the international market through this technology licensing.

12. Others

(1) Categories of financial instruments

<u>Financial Assets</u>	<u>As of 31 December</u>	
	<u>2023</u>	<u>2022</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$471,312	\$376,370
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	336,370	353,502
Financial assets measured at amortized cost	998,600	915,993
Notes receivable	7	1,253
Accounts receivable	100,622	83,687
Other receivables	464	879
Subtotal	1,436,063	1,355,314
Total	\$1,907,375	\$1,731,684

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

<u>Financial Liabilities</u>	<u>As of 31 December</u>	
	<u>2023</u>	<u>2022</u>
Financial liabilities at amortized cost:		
Accounts payable	\$23,334	\$29,077
Other payables	34,188	28,927
Lease liabilities	5,898	17,863
Total	\$63,420	\$75,867

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instrument).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency).

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables; therefore, natural hedge is received. As a result, they are not hedged by the Group.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens foreign currency USD by 1%, the profit for the years ended 31 December 2023 and 2022 decrease by NT\$0 and NT\$6,106 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments at variable interest rates which are classified as loans and receivables. Due to the fact that the Group has not engaged in any financing activities related to borrowing, there is no risk of fluctuation in future cash flows caused by changes in market interest rates that would affect the effective interest rate of borrowings.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors shall review and approve all decisions on equity investments.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial positions, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As at 31 December 2023 and 2022, receivables from top ten customers represented 98% and 89% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk of bank deposits, fixed income securities and other financial instruments is managed by the Group's treasury department in accordance with the Company's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	>= 5 years	Total
As of 31 December 2023					
Accounts payable	\$23,334	\$ -	\$ -	\$ -	\$23,334
Other payables	34,188	-	-	-	34,188
Lease liabilities	5,426	511	-	-	5,937
As of 31 December 2022					
Accounts payable	\$29,077	\$ -	\$ -	\$ -	\$29,077
Other payables	28,927	-	-	-	28,927
Lease liabilities	4,882	9,073	8,541	4,415	26,911

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2023	\$17,863	\$757	\$18,620
Cash flows	(11,924)	59	(11,865)
Non-cash changes	(41)	-	(41)
As of 31 December 2023	<u>\$5,898</u>	<u>\$816</u>	<u>\$6,714</u>

Reconciliation of liabilities for the year ended 31 December 2022:

	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2022	\$34,418	\$1,955	\$36,373
Cash flows	(11,105)	(1,198)	(12,303)
Non-cash changes	(5,450)	-	(5,450)
As of 31 December 2022	<u>\$17,863</u>	<u>\$757</u>	<u>\$18,620</u>

(7) The fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents and other current liabilities approximate their fair value due to their short maturities.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) is estimated using the market method valuation. Techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial instruments measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative instruments

As of 31 December 2023 and 2022, the Group did not hold any derivative instruments.

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial asset measured at fair value through profit or loss				
Stocks	\$471,312	\$ -	\$ -	\$471,312

As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial asset measured at fair value through profit or loss				
Stocks	\$334,131	\$ -	\$42,239	\$376,370

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2023 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2.

The detail movement of recurring fair value measurements in Level 3

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Assets	
	At fair value through profit or loss	
	Stocks	
	2023	2022
Beginning balances	\$42,239	\$107,779
Acquisition	34,094	88,200
Disposal/settlements	-	(22,400)
Reclassification	(71,373)	(141,400)
Amount recognized in profit or loss (presented in “other profit or loss”)	(4,960)	10,060
Ending balances	\$ -	\$42,239

Recognized as profit (loss) above, the gain from financial assets still held by the Group as of 31 December 2023 and 2022 was NT\$(4,960) thousand and NT\$10,060 thousand, respectively

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group’s finance department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies at each reporting date.

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December					
	2023			2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial Assets</u>						
Monetary item:						
USD	\$49	30.68	\$1,503	\$19,875	30.72	\$610,560

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The net exchange gain (loss) of monetary financial assets for the years ended 31 December 2023 and 2022 were NT\$21,756 thousand and NT\$(30,724) thousand, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) Information on significant transactions

- A. Financing provided to others for the year ended 31 December 2023: None
- B. Endorsement/Guarantee provided to others for the year ended 31 December 2023: None.
- C. Marketable securities held (not including subsidiaries, associates and joint ventures) as of 31 December 2023:

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial statement accounts	As of 31 December 2023			
					Share / Units	Per book	Percentage of ownership	Fair Value
Ever Supreme Bio Technology Co., Ltd.	Stocks	Ever Fortune. AI CO., Ltd.	Related party	Financial assets at fair value through profit or loss, non-current	1,500,000	\$144,750	1.52%	\$144,750
Ever Supreme Bio Technology Co., Ltd.	Stocks	ACEPODIA, INC.	Non-related party	Financial assets at fair value through profit or loss, non-current	2,245,604	77,226	0.4%	77,226
Ever Supreme Bio Technology Co., Ltd.	Stocks	Shine-On BioMedical Co., Ltd	Related party	Financial assets at fair value through profit or loss, non-current	3,600,000	249,336	7.23%	249,336
				Total		\$471,312		

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended 31 December 2023: None

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended 31 December 2023: None

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended 31 December 2023: None.

G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of the capital stock for the year ended 31 December 2023:

Company Name	Related party	Nature of Relationship	Transaction Details				Abnormal Transaction Terms Different From Regular Transactions		Notes/Accounts Receivable (Payable)	Remark
			Purchase /Sales	Amount	% to Total	Payment Term	Unit price	Payment Term	Ending Balance	
Ever Supreme Bio Technology Co., Ltd.	China Medical University Hospital	Substantive related party	Sales	\$365,515	59.37%	60 days	Similar to general terms and conditions	Similar to general terms and conditions	\$32,077	38.39%

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of 31 December 2023: None

I. Financial instruments and derivative transactions: None.

J. The business relationship, significant transactions and amounts between parent company and subsidiaries: None.

(2) Information on investees:

Investee company names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of the investee company and investment income (loss) recognized as of 31 December 2023 (excluding investees in Mainland China):

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Investee company	Location	Main businesses and products	Original Investment Amount		Balance at The End of Period			Net income (loss) of investee company	Investment income (loss) recognized
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Per book		
The Company	SunSage Medical International Co., Ltd.	Taiwan	Biotechnology services	\$100,000	\$100,000	10,000,000	100%	\$166,091	\$57,065	\$57,065
SunSage Medical International Co., Ltd.	TSAI & MURAD BIOTECHNOLOGY INC.	Taiwan	Retail Over-the-counter drugs class B and Retail Sale of Cosmetics	\$21,000	\$21,000	1,700,000	100%	\$87,374	\$59,193	Consolidated into the subsidiary

(3) Information on investments in Mainland China

None.

(4) Major Shareholder Information

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
AnnJi Pharmaceutical Co., Ltd		10,731,167	14.63%
Center Laboratories, Inc.		9,069,563	12.36%

14. Operating segment information

(1) For the purpose of operation, the Group operates in a single industry segment by different strategic segments, and they are classified into two segments as follows:

A. Cell Preparation Business Unit: Primarily engaged in the research, development, manufacture, and sales of various new drugs and cell preparations and investment related to biotechnology and medical industry businesses.

B. Other Operating Business Unit: Primarily engaged in the sales of other health products and related businesses.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those used in the consolidated financial statements. On the other hand, financial costs, financial income, and income taxes are managed on a group basis and are not allocated to operating segments.

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Information of the reportable segments' profit and loss are listed as follows:

(a) For the year ended 31 December 2023

	Cell Preparation Business	Other Operating Business	Adjustment and eliminations	Total
Revenue:				
External customers	\$615,713	\$142,678	\$ -	\$758,391
Inter-segment	-	910	(910)	-
Total revenue	<u>\$615,713</u>	<u>\$143,588</u>	<u>\$(910)</u>	<u>\$758,391</u>
Interest expense	\$201	\$ -	\$ -	\$201
Depreciation and amortization	\$32,272	\$35	\$ -	\$32,307
Investment profit (loss)	\$116,258	\$ -	\$(116,258)	\$ -
Segment profit	<u>\$665,280</u>	<u>\$73,992</u>	<u>\$(116,258)</u>	<u>\$623,014</u>

(b) For the year ended 31 December 2022

	Cell Preparation Business	Other Operating Business	Adjustment and eliminations	Total
Revenue:				
External customers	\$491,263	\$136,249	\$ -	\$627,512
Inter-segment	-	1,447	(1,447)	-
Total revenue	<u>\$491,263</u>	<u>\$137,696</u>	<u>\$(1,447)</u>	<u>\$627,512</u>
Interest expense	\$510	\$ -	\$ -	\$510
Depreciation and amortization	\$35,504	\$44	\$ -	\$35,548
Investment profit (loss)	\$117,681	\$ -	\$(117,681)	\$ -
Segment profit	<u>\$310,271</u>	<u>\$71,513</u>	<u>\$(117,681)</u>	<u>\$264,103</u>

The related information of operating segment assets and liabilities as of 31 December 2023 and 2022 are listed as follows:

EVER SUPREME BIO TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Segment Assets:

	Cell Preparation Business	Other Operating Business	Adjustment and eliminations	Total
31 December 2023	<u>\$2,216,877</u>	<u>\$112,520</u>	<u>\$(253,477)</u>	<u>\$2,075,920</u>
31 December 2022	<u>\$2,103,672</u>	<u>\$113,499</u>	<u>\$(243,551)</u>	<u>\$1,973,620</u>

Segment Liabilities:

	Cell Preparation Business	Other Operating Business	Adjustment and eliminations	Total
31 December 2023	<u>\$207,824</u>	<u>\$25,146</u>	<u>\$(11)</u>	<u>\$232,959</u>
31 December 2022	<u>\$148,029</u>	<u>\$33,851</u>	<u>\$(430)</u>	<u>\$181,450</u>

(2) Area-specific information

The Company classifies the revenue from continuing operating units from external customers based on the country where the customer is located and non-current assets by the region where the assets are located. The Company's main operational region is Taiwan.

(3) Information about major customers

The information on revenue from external customers that comprises more than 10% of total consolidated revenue is as follows:

Customer A	For the years ended 31 December	
	2023	2022
	<u>\$437,439</u>	<u>\$322,112</u>