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<http://mops.twse.com.tw>



2023 Annual Report

Printed on April 15, 2024

(This English version Annual report is a translation of the Chinese version and is for reference purposes only. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.)

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V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None.

VI. Company Website: <http://www.medigenvac.com>

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Chapter 1. Letter to Shareholders

I. 2023 Business Report

(I) Implementation results of the 2023 business plan and profitability analysis

MVC is a biopharmaceutical company specializing in the vaccine industry. Currently, its main products include Enterovirus 71 vaccine (EV71), Quadrivalent influenza (QIV) vaccine, and COVID-19 vaccine, and its R&D product lines include dengue vaccine and second-generation enterovirus vaccine.

MVC received a New Drug Application (NDA) from the Food and Drug Administration (FDA) for its Enterovirus 71 vaccine in April 2023. This product is currently the only Enterovirus 71 vaccine in Taiwan to obtain drug approval based on real vaccine protection data, and has achieved excellent data of 100% vaccine protection (96.8% protection by statistical regression analysis) in a multinational, multi-centre Phase III clinical trial; In addition, MVC is the only domestic manufacturer with BSL-2 specification cell culture vaccine production capacity and can complete the vertically integrated production of Enterovirus 71 vaccine at the Zhubei plant. MVC has already reached 90% of the domestic market share of Enterovirus vaccines in 2023 and will continue to strive to increase the penetration rate of domestic vaccines, as well as invest in the international market layout.

GC Biopharma, a major international vaccine company, collaborated with us on a quadrivalent influenza vaccine, which was certified and included in the procurement of a government-funded influenza vaccine in 2023; after winning the bid, we completed delivery of the contract in September/October of the same year, contributing to the prevention and treatment of influenza epidemics in Taiwan.

(II) Analysis of budget performance, financial position and profitability

MVC's operating income for 2023 was NT\$389,624 thousand, and operating expenses were NT\$1,444,051 thousand. After adding non-operating income, the net loss for the period was NT\$1,159,835 thousand.

Item		2023	2022
Income & Expenditure	Interest Income(in thousand)	83,282	7,605
	Interest Expenditure(in thousand)	37,571	26,888
Profitability & Analysis	Return on assets (%)	(16.81)	(22.98)
	Return on equity (%)	(26.14)	(30.39)
	Profit ratio (%)	(297.68)	(403.95)
	Earnings per share (NT\$)	(3.53)	(4.56)

(III) Research and Development

MVC EV71 vaccine multi-country multi-center phase III clinical trial was conducted simultaneously in Taiwan and Vietnam. This vaccine verification is applicable to young infants and young children aged 2 months to 6 months who are most in demand for vaccines, .MVC is the first development project in the world to obtain clinical trial data for infants aged 2-6 months. The Phase III trial showed 100% vaccine efficacy (96.8% by statistical Poisson regression analysis) and protection against regionally prevalent genotypes. The Phase III clinical trial data were reviewed and published in The Lancet Tickle. The Lancet invited experts to

write a special article highlighting the importance of the MVC enterovirus vaccine for prevention in infants and young children between 2 and 6 months of age, as well as the durability of the EV71 vaccine in the third dose of supplemental immunization. This product has passed the new drug inspection and registration of the Food and Drug Administration (FDA) of the Ministry of Health and Welfare (MOHFW) of Taiwan in April 2023 and has also been submitted to the DAV (Vietnam) and the NPRA (Malaysia) for new drug inspection and registration in May and December 2023 respectively, and the inspection is currently in progress.

We received approval from the Ministry of Health and Welfare for the manufacture and Supply for domestic emergencies of the COVID-19 vaccine in July 2021. The development was selected as a WHO Solidarity Trial Vaccine (STV), and the WHO led and funded the Phase III clinical trial. It was also selected for inclusion in the WHO C-TAP/MPP Vaccine Licensing, an international collaboration between WHO and the United Nations Health Organization's MPP (Medicine Patent Pool).

II. 2024 Business plan

- (I) The EV71 vaccine is currently the first development project in the world that has obtained multi-country and multi-center data validation and covers the effectiveness of the vaccine for high-risk infants aged 2 months to 6 months. The vaccine is also offers protection against other popular genotypes and will use this as a niche in the future to actively deploy the unmet vaccine market, and actively deploy both self-funded and public-funded markets. MVC is actively promoting the launch of the vaccine in Taiwan and will expand its market share in the Philippines, Vietnam, Thailand, Malaysia, and Singapore as soon as the drug certificates for each country are obtained.

In terms of production, MVC's EV71 vaccine production capacity is ready, and the PIC/S GMP biologics plant at the MVC Zhubei plant has experience in implementing PIC/S GMP for cell culture vaccines from antigen production to sterile filling and release, and all six systems (quality system, facility, and equipment system, raw/materials system, production system, packaging and labeling system, and laboratory quality control system) have been validated. MVC is fully prepared in two major areas, including antigen production and formulation filling, and aims to continue to expand its annual production capacity to one million doses.

- (II) MVC acts as an agent for South Korea's GC Pharma quadrivalent influenza vaccine (QIV) and applies for an import drug license. Based on commercial strategic considerations, MVC adopts its own brand strategy. Vaccine home-made rate, and effectively control product quality, profit and delivery time. MVC quadrivalent influenza vaccine has begun to participate in the domestic supply.
- (III) The subsequent development of the COVID-19 vaccine. Currently, there are still mutations of the mutated strains around the world, but there is still no consensus among the global regulatory authorities and international organizations on the development and review of the mutated strains of the vaccine. MVC must continue to engage with international organizations and confirm the direction and strategy for the development of the mutant vaccine.

III. Future Development Strategies

(I) EV71 vaccine Overseas Markets Layout:

Enterovirus 71 has a high market demand in Asia, especially in Southeast Asia, where no Enterovirus 71 vaccine has yet been marketed in ASEAN countries.

MVC has already initiated the registration of Vietnam and Malaysia for drug licenses and will continue to apply for drug licenses in other countries to gradually develop international sales.

(II) Expansion of Enterovirus Vaccine Product Line:

Based on the excellent R&D data of the enterovirus EV71 vaccine, we have already started the development of Coxsackievirus enterovirus vaccine and D68 enterovirus vaccine. The new enterovirus vaccine manufacturing platforms include a cell culture whole virus deactivation platform and Virus-Like Particles (VLP) vaccine platform technology. .

(III) Quadrivalent Influenza Vaccine:

Taiwan's quadrivalent influenza vaccine is mainly for the publicly-funded vaccine market, with the annual public influenza vaccine procurement amounting to 6.6 million doses. MVC cooperates with GC Pharma in Korea, and GC Pharma produces the vaccine stock solution, and then MVC is filled and packaged, released at the Jubei plant. MVC aims to invest in the annual supply of quadrivalent influenza vaccine in Taiwan with its private brand, which will bring stable revenue.

(IV) COVID-19 Vaccine:

WHO lifted the three-year global health emergency for COVID-19 in May 2023, but COVID-19 variant infections continue to pose a threat to public health. Currently, there is no consensus on the vaccine development strategy for each country due to the rapid mutation of the mutated strains. MVC will continue to liaise with international organizations to confirm the direction and strategy for the development of a vaccine against the mutated strain.

(V) Other R&D product lines:

In addition to the main products currently in the preparatory stage for launch, MVC has also continued to enrich the product line layout. MVC has also been liaising with major international R&D organizations and institutions to continuously evaluate.

IV. Effect of external competition, the legal environment, and the overall business environment

The government policies, authorities, capital markets, and investors are positive and optimistic about the development of the biotechnology industry in Taiwan. With relatively abundant resources, MVC will continue to make use of external resources and favorable regulatory conditions to fulfill its social responsibilities and maximize the interests of its shareholders.

Chairman: Ming-Cheng Chang



Chapter 2. Company Profile

I. Date of Incorporation: October 22, 2012

II. Company History

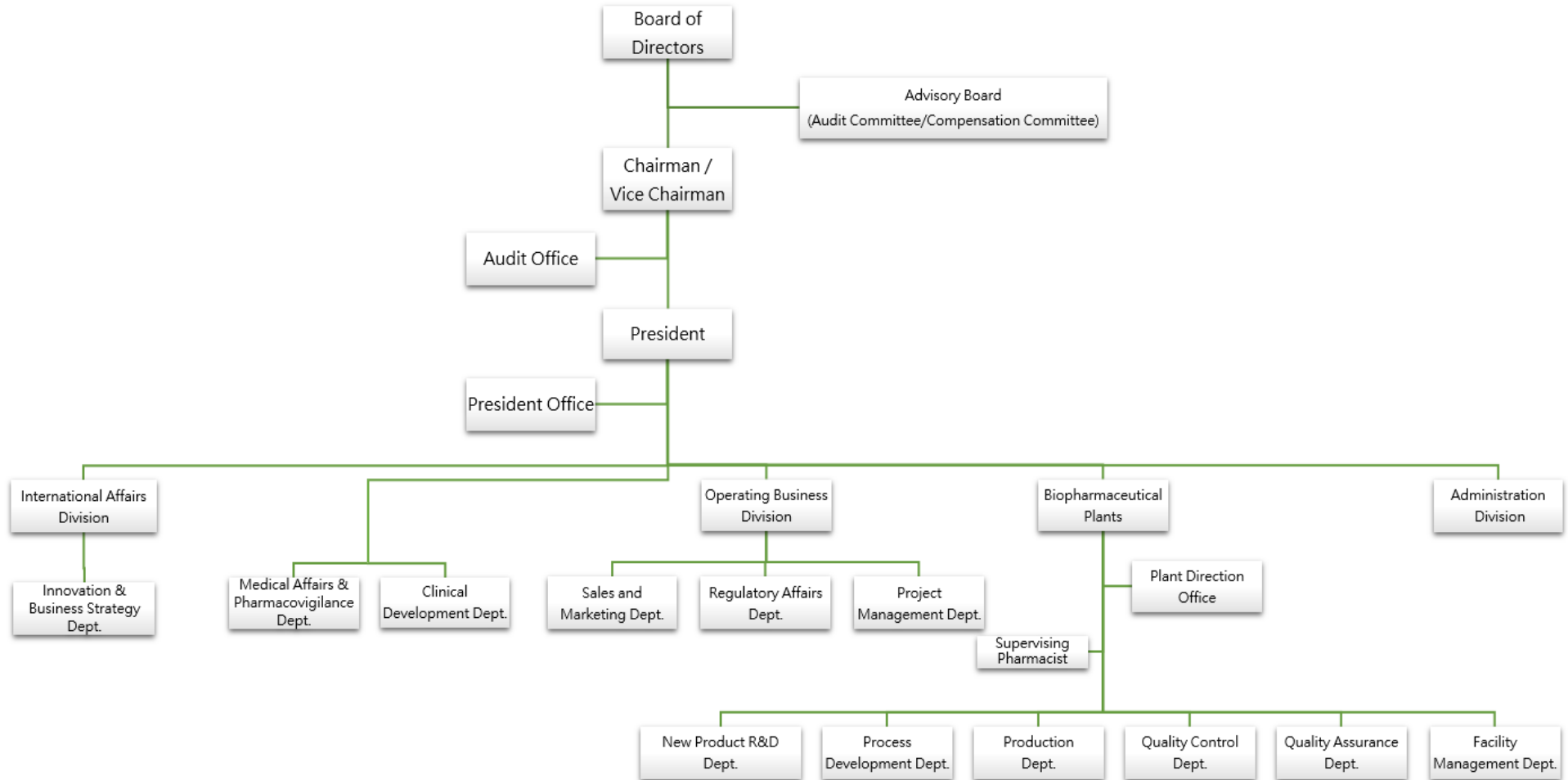
Year/Month	Milestones
2017 July	Cash capital increase and execution of employee share options, amounting to NT\$ 142,650 thousand, with paid-in capital of NT\$ 1,367,650 thousand.
2017 September	The scope of MVC's market rights to develop, manufacture, sell and sublicense of dengue vaccine license with US NIH has extended 6 South Asian countries, 10 Southeast Asian Countries, and 6 middle east countries totaling 26 countries including Taiwan, S. Korea, Australia, and Papua New Guinea.
2018 April	Issuance of new shares through cash capital increase before IPO for NT\$ 182,820 thousand, with paid-in capital totaling NT\$ 1,553,095 thousand. MVC was officially listed on TPEX.
2018 November	MVC's EV71 vaccine process "from the main virus and master cell bank to the manufacturing stage of vaccine bulk" passed PIC/the S GMP qualification of the Ministry of Health and Welfare, Taiwan.
2019 February	Another MVC product - sterile preparation passed the PIC/S GMP qualification of the Ministry of Health and Welfare, Taiwan. Thereby, MVC obtained qualification for the complete process of EV71 vaccine bulk manufacturing, sterile preparation of solution for injection filling, packaging, and laboratory procedures.
2019 March	MVC entered a strategic alliance agreement with Medigen Biotech Corp. and Taiwan Bio Therapeutics Co., Ltd. MVC's EV71 vaccine was approved to conduct a phase III clinical study by the Ministry of Health (Vietnam).
2019 May	MVC applied for a new drug application (NDA) for the quadrivalent influenza vaccine to Taiwan Food and Drug Administration. MVC applied its "EV71 vaccine phase III clinical study development plan" at the A+ Industrial Innovative R&D Program, the Ministry of Economic Affairs (Fast Track), and the plan was approved and was granted with subsidy.
2019 December	MVC completed the enrollment of subjects for the multinational, multicenter phase III clinical study of the EV71 vaccine.
2020 February	Cash capital increase of NT\$ 300,000 thousand, with paid-in capital of NT\$ 1,860,258 thousand. MVC entered a cooperative development contract with the US NIH to cooperate in the development of the COVID-19 vaccine.
2020 April	MVC's "RT-PCR test kits for COVID-19" are compliant with the CE Certification standards. MVC has completed the self-declaration and application procedure, obtained CE Certification for in vitro diagnostic device (IVD), and the application for manufacture of the medical devices was approved by the Taiwan Food and Drug Administration in April.
2020 May	MVC signed a global commercial license agreement with US NIH for the

Year/Month	Milestones
	COVID-19 vaccine.
2020 August	MVC was approved with conditions to carry out phase II clinical study for the COVID-19 vaccine by TFDA.
2020 November	Cash capital increase of NT\$ 240,000 thousand, with paid-in capital of NT\$ 2,110,988 thousand.
2020 December	MVC sold its cell processing center to Taiwan Bio Therapeutics Co., Ltd.
	MVC was approved with conditions to carry out phase II clinical study for the COVID-19 vaccine by TFDA.
2021 Jun	MVC EV71 vaccine multi-national multi-center Phase III clinical trial was unblinded at the end of the period.
2021 July	MVC has obtained the approval for the manufacture of the COVID-19 vaccine project by TFDA.
2021 October	MVC has applied to TFDA for the New Drug Review (NDA) of EV71 vaccine.
	MVC's COVID-19 vaccine was selected as the WHO solidarity trial vaccine, and the third phase of the global clinical trial was launched.
2021 December	MVC obtained the third-injection mixed trial of COVID-19 vaccine subsidized by the Coalition for Epidemic Prevention and Innovation (CEPI).
2022 January	MVC applied to TFDA for MVC quadrivalent influenza vaccine drug approval (NDA).
2022 February	MVC obtained the emergency use authorization (EUA) approved by Paraguay for the MVC COVID-19 vaccine, the interim analysis of the Phase III clinical trial was unblinded, and the data reached the superiority standard.
2022 July	Cash capital increase of NT\$ 70,000 thousand, with paid-in capital of NT\$ 2,204,786 thousand.
2022 August	New share issue through capitalization of earnings increase of NT\$ 1,067,195 thousand, with paid-in capital of NT\$ 3,271,981 thousand.
2022 December	The manufacturing facility of MVC Quadrivalent influenza Vaccine obtained PIC/S GMP certificate from the Ministry of Health and Welfare.
2023 March	MVC received the NDA approval letter of MVC quadrivalent influenza vaccine from Taiwan Food and Drug Administration.
2023 April	MVC received the BLA approval letter of MVC EV71 Vaccine (Envacgen) from Taiwan Food and Drug Administration
2023 May	MVC file the New Drug Application of MVC EV71 Vaccine (Envacgen) to Drug Administration of Vietnam.
2023 December	MVC file the New Drug Application of MVC EV71 Vaccine (Envacgen) to National Pharmaceutical Regulatory Agency of Malaysia.
2024 May	MVC Zhubei facility obtained the GMP certificate from the Therapeutic Goods Administration (TGA).

Chapter 3. Corporate Governance Report

I. Organization

(I) Organization Chart:



(II) Department Functions

Departments	Functions
Project Management Department	<ol style="list-style-type: none">1. Planning, integrating, assessing risks, and implementing project developments, controlling project progress and budget.2. Managing intellectual property rights and contracts.
Regulatory Affairs Department	<ol style="list-style-type: none">1. Applying for domestic and overseas drug licenses.2. Providing information on laws and regulations regarding pharmaceutical affairs.3. Applying for drug licenses.
Medical Affairs Pharmacovigilance Department	<ol style="list-style-type: none">1. Monitoring and reporting post-marketing drug safety, and conducting relevant risk management.2. Evaluating the feasibility of clinical trials and relevant research strategies.3. Planning and supporting medical or public health exchange activities between MVC and external institutions, academic institutions, or medical organizations.
Clinical Development Department	<ol style="list-style-type: none">1. Designing and executing various clinical trial phases based on the drugs.2. Evaluating commissioned trial institutions.3. Monitoring clinical trial progress and controlling the budget.4. Establishing guidelines regarding the execution of clinical studies.5. Ensuring the quality of clinical trials and the compliance with International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) and FDAs of various countries.
Sales and Marketing Department	<ol style="list-style-type: none">1. Planning and carrying out relevant government procurement and market expansions.2. Proposing product marketing strategies and sales plans.3. Analyzing and predicting product market trends.4. Communicating and maintaining a good relationship with dealers.
Innovation & Business Strategy Department	<ol style="list-style-type: none">1. Planning short-, medium-, and long-term strategies and directions based on MVC's goals.2. Developing domestic and overseas cooperation targets, and evaluating relevant technologies and markets.3. Managing cooperation projections, coordinating among departments, ensuring project progress, and controlling budgets.4. Contacting with international institutions, and promoting international cooperation.5. Seeking opportunities for technology transfer and strategic alliance.
Production Department	<ol style="list-style-type: none">1. Implementing trial mass production in line with R&D plans.2. Designing manufacturing process, and supporting manufacturing facilities.3. Scheduling upstream, downstream, and filling procedures.4. Conducting regular maintenance and repair of equipment.

Departments	Functions
Facility Management Department	<ol style="list-style-type: none"> 1. Managing and controlling raw materials and inventories 2. Conducting maintenance and management of factory facilities and equipment 3. Planning, supervising, and executing industrial safety, health, and environmental protection work.
Quality Assurance Department	<ol style="list-style-type: none"> 1. Auditing and evaluating the raw materials manufacturers, material manufacturers, suppliers. 2. Planning, executing, and reviewing the internal GMP self-inspection. 3. Supervising changes in control operations, and evaluating stability and product quality annually.
Quality Control Department	<ol style="list-style-type: none"> 1. Formulating check specifications and standards for raw materials, work in process, and finished goods. 2. Reviewing and revising the tests and sampling methods of specification inspection, and relevant operating procedures of quality control standards. 3. Handling technical problems of quality control inspection items, and designing and executing stability tests.
Process Development Department	<ol style="list-style-type: none"> 1. Maintaining the equipment functionality and environmental cleanliness of the manufacturing zone. 2. Optimizing processes and scheduling relevant tests. 3. Supporting process development projects and other R&D work.
New Product R&D Department	<ol style="list-style-type: none"> 1. Conducting R&D of new products and subsequent applications. 2. Conducting relevant product R&D 3. Planning R&D work plans with external R&D units, and accelerating development progress.
Administration Division	<ol style="list-style-type: none"> 1. Planning short-and medium-term capital utilization and scheduling plans. 2. Planning and carrying out accounting policies and accounting matters. 3. Executing and controlling budgets, and preparing and analyzing financial statements. 4. Formulating and carrying out human resource management policies. 5. Establishing and maintaining MVC's Internet system, and providing information services. 6. Conducting assets inventory 7. Handling administrative and share affairs
Audit Office	<ol style="list-style-type: none"> 1. Evaluating and supervising the implementation and performance results of internal management regulations. 2. Planning and executing audit tasks. 3. Carrying out audit tasks on projects.

II. Directors, Supervisors and Management Team

(I) Information on the Directors and Supervisors

April 15, 2024

Position	Name	Gender Age	Nationality/Place of registration	Date first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major Education and work Experience	Other positions concurrently held at the Company and other companies	Executives, Directors or Supervisors who are spouses or within the second degree of kinship			Remark (Note1)
							Shares	%	Shares	%	Shares	%	Shares	%			Position	Name	Relationship	
Chairman	Medigen Biotech Corp.	Male 61-70	R.O.C.	2012.12.12	2021.8.17	3	45,511,640	33.21	61,743,844	18.79	-	-	-	-	-	-	-	-	-	None
	Rep.: Ming-Cheng, Chang (Note2)						-	-	-	-	-	-	-	Master of Business Administration, The University of Michigan BS in Mechanical Engineering, National Taiwan University Deloitte Touche Tohmatsu Limited Partner & Reputation and Risk Leader, Deloitte & Touche Taiwan Chairman, Auditing Standards Committee of Taiwan	Independent Director, Ocean Alexander Independent Director, United Alloy-Tech. Company	None	None	None		
Director	Medigen Biotech Corp.	Male 71-80	R.O.C.	2012.12.12	2021.8.17	3	45,511,640	33.21	61,743,844	18.79	-	-	-	-	-	-	-	-	-	None
	Rep.: Ken-Hu, Chang						-	-	10,456	0.003	-	-	-	-	Graduated from School of Medicine, China Medical University Graduated from the Executive Leadership Research Class of School of Professional Education and Continuing Studies of National Taiwan University Director of Division of Hematology & Oncology and Director of Division of Clinical Pathology, Taipei City Hospital Zhongxing Branch Director of Division of Hematology & Oncology and Director of Cancer Center Tungs' Taichung MetroHarbor Hospital Attending Physician of Division of Hematology & Oncology and Vice Director of Cancer Center, Shaung Ho Hospital, Ministry of Health and Welfare	Attending Physician, Division of Hematology & Oncology, En Chu Kong Hospital	None	None	None	
Vice Chairman	Schweitzer Biotech Co., Ltd.	Male 71-80	R.O.C.	2012.12.12	2021.8.17	3	5,940,000	4.33	10,949,756	3.33	-	-	-	-	-	-	-	-	-	None
	Rep.: Tsan-Jian, Chen						-	-	518,982	0.16	-	-	-	-	Department of Psychology, National Taiwan University President, SBC Virbac Inc.	Overseas Director of Temple University and Distinguished Visiting Professor of Biotechnology Innovation National Yang Ming University Industry-University Lecture Chairman, MVC Capital Corporation	None	None	None	
Director	Wei-Jen, Chen	Male 61-70	R.O.C.	2020.6.30	2021.8.17	3	6,075	0.003	10,191	0.003	-	-	-	-	Ph.D. in Management, Chang Jung Christian University Chairman, Taiwan Pharmaceutical Manufacturer's Association Director, Chinese National Federation of Industries	Chairman, Syngen Biotech Co., Ltd. President, Jiangsu Standard Biotech Pharmaceutical Co., Ltd. Director, We can Medicines Co., Ltd. Honorary President, Taiwan Pharmaceutical Manufacturer's Association Chairman, Taiwan Functional Food Industry Association Chairman, Taiwan Biotechnology Industry Alliance	None	None	None	None
Independent Director	Ming-Yi, Wu (Note3)	Male 51-60	R.O.C.	2023.6.29	2023.6.29	1	-	-	-	-	-	-	-	M.S. in Accounting, National Chung Hsing University Manager of Bajia Enterprise Co. Supervisor of Deloitte Touche Tohmatsu Limited.	Managing Partner of Reanda M Y Wu & Co., CPAs. Member of the Tax Regulations and Tax Affairs Committee of the National Federation of CPA Associations of the R.O.C.	None	None	None	None	
Independent Director	Chia-Hsiu, Lin	Male 61-70	R.O.C.	2015.9.30	2021.8.17	3	-	-	-	-	-	-	-	Master, Institute of Plant Biology, National Taiwan University. President, Production Business Department, Virbac (Taiwan) Co., Ltd. Independent Director, Standard Chem & Pharm Co., Ltd. Chairman and President, Gaosheng Pharmaceutical Co., Ltd. Chief Operating Officer, Lytone Enterprise, Inc.	None	None	None	None	None	
Independent Director	Yao-Chi, Li	Male 71-80	R.O.C.	2018.6.5	2021.8.17	3	-	-	-	-	-	-	-	Postdoctoral Researcher, Yale School of Medicine. Ph.D. in Genetics, North Carolina State University.	Director, Fortune Anti-aging Nutraceuticals, Co. Ltd.	None	None	None	None	

Position	Name	Gender Age	Nationality/Place of registration	Date first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major Education and work Experience	Other positions concurrently held at the Company and other companies	Executives, Directors or Supervisors who are spouses or within the second degree of kinship			Remark (Note1)
							Shares	%	Shares	%	Shares	%	Shares	%			Position	Name	Relationship	
														Bachelor, Institute of Plant Biology, National Taiwan University. Chair, Department of Life Science, National TsingHua University. Chair, Institute of Biotechnology, National TsingHua University. Dean, College of Biotechnology and Bioresources, Da-Yeh University.	Technology Consultant, Green Strong International Co., Ltd. Technology Consultant, Yunnan Alphy Biotech Co., Ltd.					

Note1: MVC has no occurrence where the Chairman, President, or personnel with equivalent position (chief manager) are the same person, spouse, or relatives within one degree of kinship.

Note2: Mr. Ming-Cheng Chang was appointed as the representative of Medigen Biotech Corp. in March, 2023, and was elected as the chairman of MVC on that day, while Mr. Shih-Chung Chang stepped down as the chairman of MVC on the same day.

Note3: Mr. Ming-Yi Wu has been an independent director since 29 June, 2023.

Table 1: Major Shareholders of Institutional Shareholders

April 15, 2024

Name of institutional shareholders	Major shareholders of institutional shareholders
Medigen Biotech Corp.	Everspring Industry Co., Ltd. (10.16%) Tzu-Liang, Huang (4.56%), Daqing Construction Co., Ltd. (3.14%), A-Liang Zhuang-Huang (2.39%), WorldTrend Co., Ltd. (1.74%), Shi-Chung, Chang (1.29%), JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.08%),JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.05), Zhi-yu, Wu(0.93%), Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan)(0.86%).
Schweitzer Biotech Co., Ltd.	Hsu-Wen, Chen (49.97%), Hsu-Chung, Chen (34.71%), Mao-Lin, Wu (5.74%), Kuo-Hui, Chang (4.84%), Cheng-Ming, Lu (4.74%), Tsan-Jian, Chen (0.00001%).

Table 2: Major shareholders of the major shareholders in Table 1 that are institutional shareholders

April 15, 2024

Name of institutional shareholders	Major shareholders of institutional shareholders
Everspring Industry Co., Ltd.	Tzu-Ling, Chang (15.16%), Tzu-Liang, Huang (7.39%), Yung-Hua, Kao (6.28%), Chiu-Lan, Li (1.29%), Li-Ching Li (0.54%), Citibank in custody for Berkeley Capital Account SBL/PB Investment1(0.46%), J.P. Morgan Chase Bank Taipei Branch entrusted to manage the investment account of Japan Securities Finance Corporation.(0.33%), Unitech Investment Holdings Co. (0.33%), Yongqing, Shi (0.31%), Rong-long, Liu (0.31%) °
Daqing Construction Co., Ltd.	Qianqing Investment Co., Ltd. (29.41%), Gaoqing Investment Co., Ltd. (29.41%), Longqing Investment Co., Ltd. (29.41%), Hejing Investment (stock) Company (4.71%), Jiaqing Xingye (stock) Company (4.12%), First State Investment (stock) Company (2.94%).
WorldTrend Co., Ltd.	Everspring Industry Co., Ltd. (100%).
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	N/A
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	N/A
Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan)	N/A

Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors.

April 15, 2024

Name	Professional qualifications and experience	Independence situation	Number of other Public Companies in which the individual is concurrently serving as an Independent Director
<p>Medigen Biotech Corp. Rep.: Ming-Cheng, Chang Chairman</p>	<p>Major Education and work Experience: Master of Business Administration, The University of Michigan BS in Mechanical Engineering, National Taiwan University Deloitte Touche Tohmatsu Limited Partner & Reputation and Risk Leader, Deloitte & Touche Taiwan Chairman, Auditing Standards Committee of Taiwan Other positions concurrently held at MVC and other companies: Independent Director, Ocean Alexander Independent Director, United Alloy-Tech. Company</p>	<p>N/A</p>	<p>2</p>
<p>Medigen Biotech Corp. Rep.: Ken-Hu, Chang Director</p>	<p>Major Education and work Experience: Graduated from School of Medicine, China Medical University Completed Administrative Leadership Research Course, NTU School of Professional Education and Continuing Studies Director of Division of Hematology & Oncology and Director of Division of Clinical Pathology, Taipei City Hospital Zhongxing Branch Director of Division of Hematology & Oncology and Director of Cancer Center Tungs' Taichung MetroHarbor Hospital Attending Physician of Division of Hematology & Oncology and Vice Director of Cancer Center, Shaung Ho Hospital, Ministry of Health and Welfare Other positions concurrently held at MVC and other companies: Attending Physician, Division of Hematology & Oncology, En Chu Kong Hospital</p>	<p>N/A</p>	<p>-</p>
<p>Schweitzer Biotech Co., Ltd. Rep. Tsan-Jian, Chen Vice Chairman</p>	<p>Major Education and work Experience: Department of Psychology, National Taiwan University President, SBC Virbac Inc. Other positions concurrently held at MVC and other companies: Overseas Director of Temple University and Distinguished Visiting Professor of Biotechnology Innovation National Yang Ming University Industry-University Lecture Chairman, MVC Capital Corporation.</p>	<p>N/A</p>	<p>-</p>

Name	Professional qualifications and experience	Independence situation	Number of other Public Companies in which the individual is concurrently serving as an Independent Director
Wei-Jen, Chen Director	<p>Major Education and work Experience: Ph.D. in Management, Chang Jung Christian University President, Taiwan Pharmaceutical Manufacturer's Association Director, Chinese National Federation of Industries</p> <p>Other positions concurrently held at MVC and other companies: Chairman, Syngen Biotech Co., Ltd. President, Jiangsu Standard Biotech Pharmaceutical Co., Ltd. Director, We can Medicines Co., Ltd. Honorary President, Taiwan Pharmaceutical Manufacturer's Association President, Taiwan Functional Food Industry Association President, Taiwan Biotechnology Industry Alliance</p>	N/A	-
Ming-Yi, Wu Independent Director	<p>Major Education and work Experience: M.S. in Accounting, National Chung Hsing university Manager of Bajia Enterprise Co. Supervisor of Deloitte Touche Tohmatsu Limited.</p> <p>Other positions concurrently held at MVC and other companies: Managing Partner of Reanda M Y Wu & Co., CPAs. Member of the Tax Regulations and Tax Affairs Committee of the National Federation of CPA Associations of the R.O.C. He is a chairman of the audit committee and a member of the remuneration committee of MVC.</p>	MVC has obtained a written statement from each independent director confirming the independence of himself and his immediate family relative to MVC. The independent directors of MVC are members of the Board of Directors, the Audit Committee and the Remuneration Committee.	-
Chia-Hsiu, Lin Independent Director	<p>Major Education and work Experience: Master, Institute of Plant Biology, National Taiwan University President, Production Business Department, Virbac (Taiwan) Co., Ltd. Independent Director, Standard Chem & Pharm Co., Ltd. Chairman and President, Gaosheng Pharmaceutical Co., Ltd. Chief Operating Officer, Lytone Enterprise, Inc.</p> <p>Other positions concurrently held at MVC and other companies: He is a member of the audit committee and chairman of the remuneration committee of MVC.</p>	The independent directors themselves, their spouses, second relatives (or in the name of others) do not hold any shares of MVC. They have neither held positions in MVC nor related companies, nor have they served as remunerations for the business, legal,	

Name	Professional qualifications and experience	Independence situation	Number of other Public Companies in which the individual is concurrently serving as an Independent Director
Yao-Chi, Li Independent Director	<p>Major Education and work Experience:</p> <p>Postdoctoral Researcher, Yale School of Medicine Ph.D. in Genetics, North Carolina State University Bachelor, Institute of Plant Biology, National Taiwan University Chair, Department of Life Science, National Tsing Hua University Chair, Institute of Biotechnology, National Tsing Hua University Dean, College of Biotechnology and Bioresources, Da-Yeh University</p> <p>Other positions concurrently held at MVC and other companies:</p> <p>Director, Fortune Anti-aging Nutraceuticals, Co. Ltd. Technology Consultant, Green Strong International Co., Ltd. Technology Consultant, Yunnan Alphy Biotech Co., Ltd. He is a member of the audit committee and remuneration committee of MVC.</p>	financial, accounting and other services of MVC's other related companies.	-

Note: All directors of MVC are not subject to Article 30 of the Company Law.

Director Diversity and Independence

1. Board Diversity :

Article 20 of MVC's "Corporate Governance Best Practice Principles" stipulates that the composition of the board of directors should consider diversity, and formulate an appropriate diversity policy based on its own operation, operation type and development needs, and disclose it on MVC's corporate website

The board of directors elected by MVC consists of four directors and three independent directors. The board of directors of MVC composed of experts in the fields of industry, academic institutions, biotechnology and medical care, and financial accounting. To achieve the ideal goals of corporate governance, the overall capabilities of the board of directors are as follows: :

- (1) Operational judgment ability.
- (2) Accounting and financial analysis ability.
- (3) Operation and management ability.
- (4) Crisis handling capability.
- (5) Industrial knowledge.
- (6) The international market view.
- (7) Leadership.
- (8) Decision-making ability.

2. Specific management objectives and implementation of the diversity policy:

- (1) Diverse professional background: The board of directors of MVC are composed of experts in the fields of industry, academic institutions, biotechnology and medical care, and financial accounting.

(2) Quality of executive duties: There are one doctor and two CPAs on the board of directors.

It can be seen from the above that the Board of Directors of MVC has implemented a policy of diversity in the composition of members with different professional backgrounds.

(3) Future goal: Increase the number of female directors by at least one.

3. Board Independence

The proportion of independent directors of MVC to all directors is 43% and there is no relationship between the directors of spouses and relatives within the second degree of kinship that meets the requirements for independence.

Item	Name	Chairman Ming- Cheng Chang	Director Ken-Hu Chang	Vice Chairman Tsan-Jian Chen	Director Wei-Jen Chen	Independent Director Ming-Yi, Wu	Independent Director Chia-Hsiu Lin	Independent Director Yao-Chi Li	
Information	Nationality	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	
	Gender	Male	Male	Male	Male	Male	Male	Male	
	Employee	-	-	V	-	-	-	-	
	Age	51-60	-	-	-	-	V	-	-
		61-70	V	-	-	V	-	V	-
		71-80	-	V	V	-	-	-	V
	Tenure and seniority of Independent Director	0-3 years	-	-	-	-	V	-	-
4-6 years		-	-	-	-	-	-	V	
6-9 years		V	-	-	-	-	V	-	
Professional and background	Medical and pharmaceutical related experience	-	V	-	-	-	-	-	
	Biomedical experience	-	-	V	V	-	V	V	
	Professional Services and Marketing	-	-	V	-	-	V	V	
	Finance	V	-	-	-	V	-	-	
	Mechanical and Engineering	V	-	-	-	-	-	-	
	Management	V	-	V	V	V	V	-	
Professional Ability	Professor	-	-	-	-	-	-	V	
	CPA	V	-	-	-	V	-	-	
	Doctor	-	V	-	-	-	-	-	

(II) Information regarding president, vice presidents, assistant vice president, and the supervisors of all the company's divisions and branch units

April 15, 2024

Position	Name	Gender	Nationality	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (education)	Other positions concurrently held at the Company and other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks (Note1)
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship	
President	Tsan-Jian, Chen	Male	R.O.C.	2016.11.17	518,982	0.16	-	-	-	-	Department of Psychology, National Taiwan University President, SBC Virbac Inc.	Overseas Director of Temple University and Distinguished Visiting Professor of Biotechnology Innovation National Yang Ming University Industry-Academia Lecture Chairman, MVC Capital Corporation.	None	None	None	None
Plant Operation Director	Wei-Cheng, Lien	Male	R.O.C.	2020.01.02	104,766	0.03	87,144	0.03	-	-	Ph.D., School of Veterinary Medicine, National Taiwan University Director and CEO, Quality Office, Bioproduction Plants, National Institution of Infectious Diseases and Vaccinology, National Health Research Institutes Director, Manufacturing Sector, Vaccine Center, Taiwan Centers for Disease Control	-	None	None	None	None

Position	Name	Gender	Nationality	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (education)	Other positions concurrently held at the Company and other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks (Note1)
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship	
Executive Vice President of Operating Business Division	Szu-Hsien, Lee	Male	R.O.C.	2018.11.05	190,834	0.06	-	-	-	-	Master, Department and Graduate Institute of Pharmacology, National Taiwan University Taiwan and HK region President, Vaccine Department, Sanofi Co., Ltd. Director, Governmental Affairs Department and Eli Lilly and Company (Taiwan), Inc.	-	None	None	None	None
Vice President of Administration Division (Note2)	Yu-Ping, Yang	Female	R.O.C.	2023.09.22	541,499	0.16	-	-	-	-	Professional Master's program in Biotechnology Management, National Taiwan University Master, Dept. of Business Administration, National Taipei University Assistant Vice President, Deloitte Touche Tohmatsu Limited Manager, Financial & Administrative Department, Eon Silicon Solution Inc.	-	None	None	None	None

Position	Name	Gender	Nationality	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (education)	Other positions concurrently held at the Company and other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks (Note1)
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship	
Vice President of International Affairs Division (Note2)	Torkehagen Paal Fure	Male	Norway	2023.09.22	27,719	0.01	-	-	-	-	Hult International Business School ,MBA Hult International Business School ,Guest Lecturer IXL Center for Excellence in Innovation and Leadership, Senior Consultant	-	None	None	None	None
Vice President of Medical & Scientific Affairs Division (Note2)	Ji-aen, Lien	Male	R.O.C.	2022.01.01	-	-	-	-	-	-	Assistant Professor at National Yang Ming Chiao Tung University PhD, Harvard School of Public Health (Dr.PH) Head of Office of Luke International South Africa Office Representative of the Ministry of Health and Welfare in Africa Epidemic Prevention Physician, CDC, Ministry of Health and Welfare National Yang Ming University of Medicine	Independent Director, Acer Gaming Inc.	None	None	None	None

Position	Name	Gender	Nationality	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (education)	Other positions concurrently held at the Company and other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks (Note1)
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship	
Chief of Regulatory Affairs Department (Note3)	Tsai-Hua, Hung	Female	R.O.C.	2019.07.01	-	-	-	-	-	-	Master, Therapy & Medication Management, The University of Utah Vice President, Research & Development Center, TSH Biopharm Co., Ltd. Director, Public Affairs Department and Law Compliance Department, Sanofi Co., Ltd. Associate Technical Specialist, Taiwan Food and Drug Administration	-	None	None	None	None

Note1: MVC has no occurrence where the Chairman, President, or personnel with equivalent position (chief manager) are the same person, spouse, or relatives within one degree of kinship.

Note2: Mr. Ji-aen, Lien resigned as Vice President of Medical Science Affairs Division on September 22, 2023, and the Board of Directors resolved on that date to appoint Mr. Torkehagen Paal F. and Ms. Yu-Ping, Yang as new Vice Presidents.

Note3: Ms. Tsai-Hua, Hung, Chief of Regulatory Affairs, resigned on March 31, 2023.

III. Remuneration Paid to Directors, Supervisors, President, and Vice Presidents for the Most Recent Year

(I) 2023 Transportation allowance and remuneration paid to Directors and Independent Directors

1. Remuneration of Directors (including Independent Directors)

Dec. 31, 2023; Unit: NT\$ thousand

Position	Name	Remuneration of Directors								The total amount of A, B, C and D and ratio to net income (%)								Relevant remuneration received by Directors who are also employees				The total amount of A, B, C and D and ratio to net income (%)		Remuneration from invested companies other than subsidiaries or the parent company
		Base compensation (A)		Severance pay and pension (B)		Bonus of Directors (C)		Business execution expenses (D)		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	Salary, bonus, and allowance (E)		Severance pay and pension (F)		Employee compensation (G)		The Company	All companies in the consolidated financial report			
		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report					The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	Cash	Stock			Cash	Stock	
Chairman	Medigen Biotech Corp. Rep.: Ming-Cheng Chang(Note4)	2,340	2,340	-	-	-	-	14	14	2,354 (0.20%)	2,354 (0.20%)	-	-	-	-	-	-	-	-	2,354 (0.20%)	2,354 (0.20%)	None		
	Medigen Biotech Corp. Rep.: Shi-Chung Chang(Note4)	1,150	1,150	-	-	-	-	-	-	1,150 (0.10%)	1,150 (0.10%)	-	-	-	-	-	-	-	-	1,150 (0.10%)	1,150 (0.10%)	None		
Vice Chairman	Schweitzer Biotech Co., Ltd. Rep.: Tsan-Jian, Chen	-	-	-	-	-	-	1,434 (Note3)	1,434 (Note3)	1,434 (0.12%)	1,434 (0.12%)	6,110	6,110	-	-	-	-	-	-	7,544 (0.65%)	7,544 (0.65%)	None		
Director	Medigen Biotech Corp. Rep.: Ken-Hu, Chang	-	-	-	-	-	-	58	58	58 (0.01%)	58 (0.01%)	-	-	-	-	-	-	-	-	58 (0.01%)	58 (0.01%)	None		
Director	Wei-Jen, Chen	-	-	-	-	-	-	58	58	58 (0.01%)	58 (0.01%)	-	-	-	-	-	-	-	-	58 (0.01%)	58 (0.01%)	None		
Independent Director	Chia-Hsiu, Lin	420	420	-	-	-	-	80	80	500 (0.04%)	500 (0.04%)	-	-	-	-	-	-	-	-	500 (0.04%)	500 (0.04%)	None		
Independent Director	Yao-Chi, Li	420	420	-	-	-	-	80	80	500 (0.04%)	500 (0.04%)	-	-	-	-	-	-	-	-	500 (0.04%)	500 (0.04%)	None		
Independent Director	Ming-Yi, Wu (Note5)	300	300	-	-	-	-	50	50	350 (0.03%)	350 (0.03%)	-	-	-	-	-	-	-	-	350 (0.03%)	350 (0.03%)	None		

Note 1: Please state the policy, system, standards, and structure of independent directors' remuneration payment, and describe the relevance between the amount of remuneration and the factors including responsibilities, risks, the time spent by the individual, etc.: The remuneration of MVC's Independent Directors shall be distributed reasonably in accordance with the overall business performance, taking into account their involvement in and contribution to MVC's operation.

Note 2: Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., such as serving as a consultant to non-employees of the parent company/financial report of all companies/reinvested enterprises, etc.) for all companies in consolidated financial statements in the most recent year: None.

Note 3: Company car dispatch expenses.

Note 4: Mr. Ming-Cheng, Chang resigned as an independent director and was appointed as the representative of Medigen Biotech Corp. on March 8, 2023, and was elected as the chairman of MVC on that day, while Mr. Shih-Chung Chang stepped down as the chairman of MVC on the same day.

Note 5: Mr. Ming-Yi, Wu has been an independent director since 29 June 2023.

2. Remuneration of Supervisors: N/A

(II) 2023 Remuneration paid to President and Vice Presidents

1. Remuneration paid to President and Vice Presidents

Dec. 31, 2023; Unit: NT\$ thousand

Position	Name	Salary (A)		Severance pay and pension (B)		Bonus and allowance (C)		Employee compensation (D)				The total amount of A, B, C and D and ratio to net income (%)		Remuneration from invested companies other than subsidiaries or the parent company
		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company (Note1)	All companies in the consolidated financial report (Note1)	The Company		All companies in the consolidated financial report		The Company	All companies in the consolidated financial report	
								Cash	Stock	Cash	Stock			
President	Tsan-Jian, Chen	-	-	-	-	6,110	6,110	-	-	-	-	6,110 (0.53%)	6,110 (0.53%)	None
Executive Vice President of Operating Business Division	Szu-Hsien Lee	5,040	5,040	108	108	2,350	2,350	-	-	-	-	7,498 (0.65%)	7,498 (0.65%)	None
Vice President of Administration Division (Note2)	Yu-Ping, Yang	750	750	27	27	112	112	-	-	-	-	889 (0.08%)	889 (0.08%)	None
Vice President of International Affairs Division (Note2)	Torkehagen Paal Fure	749	749	-	-	56	56	-	-	-	-	805 (0.07%)	805 (0.07%)	None
Vice President of Medical & Scientific Affairs Division (Note2)	Ji-aen, Lien	4,090	4,090	81	81	2,485	2,485	-	-	-	-	6,656 (0.57%)	6,656 (0.57%)	None

Note1: Employee stock options granted and issuance of shares for cash capital increase.

Note2: Mr. Ji-aen Lien resigned as Vice President of Medical Science Affairs Division on September 22, 2023, and the Board of Directors resolved on that date to appoint Mr. Torkehagen Paal F. and Ms. Yu-Ping Yang as new Vice Presidents.

2. Remuneration for the top 5 executives

Dec. 31, 2023; Unit: NT\$ thousand

Position	Name	Salary (A)		Severance pay and pension (B)		Bonus and allowance (C)		Employee compensation (D)				The total amount of A, B, C and D and ratio to net income (%)		Remuneration from invested companies other than subsidiaries or the parent company
		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company (Note)	All companies in the consolidated financial report (Note)	The Company		All companies in the consolidated financial report		The Company	All companies in the consolidated financial report	
								Cash	Stock	Cash	Stock			
President	Tsan-Chien Chen	-	-	-	-	6,110	6,110	-	-	-	-	6,110 (0.53%)	6,110 (0.53%)	None
Executive Vice President of Operating Business Division	Ssu-Hsien Li	5,040	5,040	108	108	2,350	2,350	-	-	-	-	7,498 (0.65%)	7,498 (0.65%)	None
Vice President of Medical & Scientific Affairs Division	Ji-aen Lien	4,090	4,090	81	81	2,485	2,485	-	-	-	-	6,656 (0.57%)	6,656 (0.57%)	None
Vice President of Administration Division	Yu-Ping Yang	3,060	3,060	108	108	712	712	-	-	-	-	3,880 (0.33%)	3,880 (0.33%)	None
Vice President of International Affairs Division	Torkehagen Paal Fure	3,392	3,392	-	-	56	56	-	-	-	-	3,448 (0.30%)	3,448 (0.30%)	None

Note: Employee stock options granted and issuance of shares for cash capital increase.

3. Employee bonus amount paid to managerial officers: None.

(III) Separate comparisons and descriptions of total remuneration, as a percentage of net income stated in the parent company-only financial reports or individual financial reports, as paid by the company and all other companies Included in the consolidated financial statements during the past two years to Directors, Supervisors, the President, and Vice Presidents, with analysis and description of remuneration policies, standards, packages, and procedures for determining remuneration, and link:

1. Remuneration paid by MVC and all entities in the consolidated financial report during the most recent two years to Directors, Supervisors, President, and Vice Presidents as a percentage of net income:

Position	Ratio of total 2022 remuneration to net income (loss) (%)		Ratio of total 2023 remuneration to net income (loss) (%)	
	The Company	Entities in the consolidated financial report	The Company	Entities in the consolidated financial report
Director	(2.27)	(2.27)	(1.08)	(1.08)
Supervisor	-	-	-	-
President and Vice Presidents	(3.31)	(3.31)	(1.90)	(1.90)

2. The policies, standards, packages, and procedures for determining remuneration, and the correlation with risks and business performance:

The remuneration of MVC's Directors, Supervisors, President, and Vice Presidents is distributed reasonably in accordance with the overall business performance of MVC, taking into account the involvement in and contribution to MVC's operation. Thus, there exists no significant risk. Earnings distribution is determined in accordance with the Articles of Incorporation and upon the resolution of shareholders' meeting.

If MVC has earnings, it shall set aside no less than 1% of the balance as remuneration to the employees and no more than 1% of the balance as remuneration to directors. When there are accumulated losses, MVC shall offset the loss before remuneration distribution.

MVC's dividends are distributed in form of cash or stocks (incl. stock dividends from earnings and additional paid-in capital). The earnings distribution proposal is proposed by the Board of Directors based on the operating performance, capital needs, and the earnings level of the year (less statutory deductions), and the earnings are distributed upon approval by the shareholders' meetings. Cash dividends shall account for more than 50% of the total dividends distributed. However, in circumstances of major capital expenditure or working capital requirement, dividends may be distributed in the form of stock only upon the approval of shareholders' meetings.

IV. Implementation of Corporate Governance

(I) Operation of the Board meetings:

There were 8 (A) meetings held in the 2023. The attendance of the Directors is as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Medigen Biotech Corp. Rep.: Ming-Cheng Chang	7	0	100%	Institutional director: Medigen Biotech Corp. re-designated Rep.: Ming-Cheng Chang Date of Reassignment:2023.3.8
Chairman	Medigen Biotech Corp. Rep.: Shi-Chung Chang	1	0	100%	Institutional director: Medigen Biotech Corp. re-designated Rep.: Ming-Cheng Chang Date of Reassignment:2023.3.8
Director	Medigen Biotech Corp. Rep.: Ken-Hu Chang	8	0	100%	
Vice Chairman	Schweitzer Biotech Co., Ltd.Rep.: Tsan-Jian Chen	8	0	100%	
Director	Wei-Jen Chen	8	0	100%	
Independent Director	Ming-Yi Wu	4	0	100%	New election Date of re- election :2023.6.29
Independent Director	Ming-Cheng Chang	1	0	100%	Date of resignation :2023.3.8
Independent Director	Chia-Hsiu Lin	8	0	100%	
Independent Director	Yao-Chi Li	8	0	100%	

Other matters to be recorded:

I .With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions, and MVC's handling of such opinions shall be specified:

(I)Matters stated in Article 14-3 of the Securities and Exchange Act

Date	Session	Contents of motions	All independent directors' opinions	MVC's response
2023/03/08	13th meeting of the 4th Board	MVC evaluates the independence and suitability of the CPAs. Amend MVC's "Accounting System".	Agree	Approved as proposed
2023/06/29	17th meeting of the 4th Board	MVC evaluates the independence and suitability of the new CPAs.	Agree	Approved as proposed
2024/03/08	22th meeting of the 4th Board	MVC periodically evaluates the independence and suitability of the CPAs.	Agree	Approved as proposed

(II) Other resolutions of the Board, which the Independent Director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: No such occurrences.

II .Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of the voting shall be specified : No such occurrences.

III .TWSE/TPEX listed companies shall disclose the information of self-evaluation (or peer evaluation) of the Board of Directors, such as evaluation cycle, period, scope, method, and contents:

Frequency	Period	Scope	Method	Content
Once a year	2023/01~2023/12	Board performance evaluation	Self-evaluation by the Board	The evaluation includes participation in the operation of MVC, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control, etc. Evaluation result: excellent.
Once a year	2023/01~2023/12	Board member performance evaluation	Self-evaluation by the Board members	The evaluation includes alignment of the goals and missions of MVC, awareness of the duties of a director participation in the operation of MVC, management of internal relationship and communication, the director's professionalism and continuing education and internal control, etc. Evaluation result: excellent.
Once a year	2023/01~2023/12	Functional committee performance evaluation	Self-evaluation by the functional committee	The evaluation includes participation in the operation of MVC, awareness of the duties of the functional committee, improvement in the quality of decisions made by the functional committee, composition of the functional committee and election of the members and internal control, etc. Evaluation result: excellent.

IV. Measures undertaken during the current year and the most recent year to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

(I) The operation, functions, and powers of the Board are exercised in accordance with the “Articles of Incorporation” and “Rules of Procedure for Board of Directors Meetings.”

(II) The attendance of Directors and Supervisors, continuing education, operation of the functional committees, material information, and other announcements required by law are disclosed on the MOPS.

(III) The Independent Directors have a good attendance rate and give good suggestions to matters regarding internal control, business, and finance to the Board with their industry knowledge, accounting, and financial analysis ability.

(IV) MVC's financial statements are audited and certified by Ernst & Young on a regular basis. All information required to be disclosed by the regulations and laws was disclosed correctly on time. In addition, MVC appointed specialists to be responsible for the collection and disclosure of the information and established the spokesperson system to ensure that all significant information can be disclosed properly and timely. MVC's website can link to the website of MOPS so that shareholders and stakeholders can refer to the website to understand relevant information about MVC's financial business.

(II) Operation of Audit Committee or attendance of supervisors at Board Meetings

Operation of the Audit Committee meetings: There were 4 (A) meetings held in the 2023. The

attendance of the Independent Directors is as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) [B/A]	Remarks
Independent Director	Ming-Yi Wu	3	0	100%	New election. Date of re-election :2023.6.29
Independent Director	Ming-Cheng Chang	1	0	100%	Date of resignation :2023.3.8
Independent Director	Chia-Hsiu Lin	4	0	100%	
Independent Director	Yao-Chi Li	4	0	100%	

Other matters to be recorded:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, Audit Committee meeting dates, terms of the meetings, contents of motions, contents of independent directors' objections, reservations or major proposals, all Audit Committee resolutions, and MVC's handling of such resolutions shall be specified:

(I) Matters stated in Article 14-5 of the Securities and Exchange Act:

Date	Session	Contents of motions	Audit committee's resolution	MVC's response to audit committee's opinions
2023/03/08	5th meeting of the 3rd Board	MVC's 2022 business report and financial statements. MVC evaluates the independence and suitability of the CPAs. Amend MVC's "Accounting System".	Agree	Approved as proposed
2023/06/29	6th meeting of the 3rd Board	MVC evaluates the independence and suitability of the new CPAs.	Agree	Approved as proposed
2024/03/08	6th meeting of the 3rd Board	MVC periodically evaluates the independence and suitability of the CPAs.	Agree	Approved as proposed

(II) Other matters not approved by the Audit Committee but approved by two-thirds or more of all directors: No such occurrences.

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of the voting shall be specified: None.

III. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of the audit of finances and operations)

(I) Communication with chief internal auditors:

- In accordance with the regulations of the competent authority, the internal auditing officer shall carry out the audit tasks every month, and report the implementation status of the internal audit to the Audit Committee every quarter. The Audit Committee members did not voice any objection, and the Independent Directors provide professional suggestions and instructions to the content of the audit report.
- Chief internal auditors are present at all audit committee meetings which are held at least 4 times a year and discuss and exchange opinions with independent directors regarding MVC's operation, and implementation status, and effectiveness of internal control.

(II) Communication with CPAs: The committee communicates with CPAs at least once a year regarding the financial statements, implementation of corporate governance, and latest financial and taxation information.

2. Operation of the Supervisors: None.

(III) Implementation status of corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		MVC has formulated the “Corporate Governance Best-Practice Principles” and disclosed it on MVC’s website.	No significant difference
II. Shareholding structure & shareholders' rights				
(I) Does the company establish and implement internal operating procedures to deal with shareholders’ suggestions, doubts, disputes, and litigation?	✓		(I) During a shareholders' meeting, participating shareholders will be given an appropriate amount of time for discussion. MVC will accept and work on incontrovertible and feasible recommendations. However, controvertible suggestions will be voted upon in accordance with meeting regulations. MVC has appointed a Spokesperson, Acting Spokesperson, and shareholder service personnel to resolve related issues. MVC will formulate internal operating procedures based on needs and the actual situation.	(I) No significant difference
(II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		(II) MVC pays attention to the changes in equity and pledged shares of shareholders holding more than 10% of the shares, Directors, and Supervisors at any time, and uploads the information every month to the information disclosure website specified by the FSC for public disclosure.	(II) No significant difference
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	✓		(III) The asset management and financial management between MVC and its affiliates are clearly defined and handled in accordance with the “Procedures for Management of Group Enterprises, Specific Companies and Related Party Transactions,” to reduce risks.	(III) No significant difference
(IV) Does the Company establish internal rules against insiders using undisclosed information to trade in securities?	✓		(IV) MVC has formulated the “Procedures for Handling Material Inside Information and Preventing Insider Trading.”	(IV) No significant difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the board of directors formulate a diversity policy, specific management objectives and guidelines and implement them??</p> <p>(II) Does the Company voluntarily establish other functional committees in addition to the legally required Remuneration Committee and Audit Committee?</p> <p>(III) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?</p> <p>(IV) Does the Company regularly evaluate the independence of the CPAs?</p>	<p>✓</p> <p></p> <p>✓</p> <p>✓</p> <p>✓</p>	<p></p> <p>✓</p> <p></p> <p></p>	<p>(I) Three seats of Independent Directors are elected based on the Board's diversity guideline, to diversify the composition of its board members.</p> <p>(II) In the future, MVC will set up other functional committees based on MVC's operating development.</p> <p>(III) MVC's Remuneration Committee's organizational rules clearly define the responsibilities of the Remuneration Committee. The Remuneration Committee establishes the relevant policies and regularly evaluates the performance of the Board of Directors.</p> <p>(IV) The Audit Committee periodically (at least once a year) evaluates the independence and suitability of the appointed accountants by referring to the Audit Quality Indicators (AQIs) and submits them to the Audit Committee and the Board of Directors for approval on March 8, 2024. The Audit Quality Indicators (AQIs) report and the independent statement issued by the CPA firm are evaluated in terms of their professionalism and independence, and no possible influence on the independence or inappropriateness of the certified public accountants has been identified to ensure the reliability of MVC's financial reports.</p> <p>The evaluation process consisted of five main components and 13 indicators, including professionalism, quality control, independence, supervision, and innovation, and a declaration of independence was obtained from the CPAs.</p>	<p>(I) No significant difference</p> <p>(II) No significant difference</p> <p>(III) No significant difference</p> <p>(IV) No significant difference</p>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof												
	Yes	No	Description													
IV. Does the company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	✓		<p>MVC has set up a chief governance officer to handle corporate governance-related matters.</p> <p>1. Terms of Reference: Including handling matters related to the meetings of the board of directors and shareholders' meetings according to the law, making minutes of the board of directors and shareholders' meetings, assisting directors in their appointment and continuing education, providing directors with information required for business execution, and assisting directors in complying with laws and regulations, etc.</p> <p>2. Training of chief governance officer:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Hour</th> <th>Name of Course</th> </tr> </thead> <tbody> <tr> <td>2023/07/04</td> <td>6</td> <td>2023 Cathay Pacific Sustainable Finance and Climate Change Summit</td> </tr> <tr> <td>2023/11/10</td> <td>3</td> <td>Trends in Sustainable Finance and the ESGization of Investments</td> </tr> <tr> <td>2023/12/22</td> <td>3</td> <td>Carbon Connections, Carbon Fees, Carbon Taxes, Carbon Rights and Carbon Trading</td> </tr> </tbody> </table>	Date	Hour	Name of Course	2023/07/04	6	2023 Cathay Pacific Sustainable Finance and Climate Change Summit	2023/11/10	3	Trends in Sustainable Finance and the ESGization of Investments	2023/12/22	3	Carbon Connections, Carbon Fees, Carbon Taxes, Carbon Rights and Carbon Trading	No significant difference
Date	Hour	Name of Course														
2023/07/04	6	2023 Cathay Pacific Sustainable Finance and Climate Change Summit														
2023/11/10	3	Trends in Sustainable Finance and the ESGization of Investments														
2023/12/22	3	Carbon Connections, Carbon Fees, Carbon Taxes, Carbon Rights and Carbon Trading														
V. Does the company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		MVC provides sufficient information for financial institutions and creditors and has established a means of communication with employees; in addition, information on the acquisition or disposal of assets and endorsements/guarantees is disclosed on the MOPS to maintain the rights and interests of stakeholders. Furthermore, MVC has set up communication channels including a Spokesperson and Acting Spokespersons to ensure their rights and benefits. MVC has contact information disclosed on the website.	No significant difference												
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		MVC has appointed SinoPac Securities, Stock Registration Division to process affairs related to deal with shareholder affairs.	No significant difference												
VII. Information disclosure																
(I) Does the company have a website to disclose the financial operations and corporate governance status?	✓		(I) MVC discloses material information on the website and discloses financial information and material information on the MOPS.	(I) No significant difference												
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing	✓		(II) MVC appoints a person who is familiar with various financial and business matters and is able to coordinate resources of various	(II) No significant difference												

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)? (III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	✓		departments to serve as the Spokesperson, to represent MVC externally, to ensure timely disclosure of information that may influence the decision making of the shareholders and stakeholders. When MVC holds institutional investor conferences, relevant documents will also be uploaded to the MOPS for the inquiry of investors. (III) MVC publicly announces and files the annual financial reports within three months after the close of the given fiscal year, which is compliant with the laws and regulations. Also, MVC publicly announces and files the first, second, and third quarterly financial reports and the operation of each month before the required deadline.	(III) No significant difference
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?	✓		(I) Employee rights: MVC has always treated employees honorably and provides protection of their legal rights in accordance with the Labor Standards Act. (II) Employee care: MVC establishes good relationships with employees through employee welfare measures, and education and training. (III) Investor relations: MVC discloses financial and business information, and material information on the MOPS in accordance with the laws and regulations, for the investors' inquiry. MVC also handles inquiries from the investors appropriately and maintains a good relationship with the investors. (IV) Supplier relations: MVC fulfills its corresponding contractual rights and obligations to the suppliers to ensure that matters including the delivery dates, prices, and quality are in line with the contracts so that there is good communication with the suppliers. (V) Rights of stakeholders: Disclosure of information, such as financial operations and material information, on the Market Observation Post System for stakeholders' understanding. (VI) Training of Directors and Supervisors: All Directors and Supervisors of MVC have practical experiences in their professional fields, and participate in relevant continuing training courses. (VII) Risk management policy and implementation of risk measurement: MVC has set up the appropriate policy, procedures, and internal	No significant difference

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
			<p>control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regard to relevant standards and internal control systems.</p> <p>(VIII) Implementation of customer policies: MVC's main product, the Enterovirus 71 (EV71) vaccine, sold in August 2023 and our customer relationships are actively developing.</p> <p>(IX) Purchase of liability insurance for the Directors and Supervisors by MVC and has purchased liability insurance for the Directors and other important personnel in accordance with the Articles of Incorporation, and has reported such matter to the Board Meetings.</p>	
<p>IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (Companies not listed for evaluation do not need to fill in this section):</p> <p>Improved: The English version of the meeting handbook, annual report and financial report has been uploaded in advance within the prescribed time limit.</p> <p>Prioritized matters and measures: The annual financial report shall be announced within two months after the end of the fiscal year. The number of female directors shall be increased by at least one.</p>				

- (IV) Composition, functions, and operations of the Remuneration Committee, if any:
MVC has set up a Remuneration Committee on June 22, 2015, formulated the “Charter of Remuneration Committee.” The responsibility of the Remuneration Committee is to set and regularly review the performance of Directors, Supervisors, and managerial officers, and the remuneration policies, systems, standards, structure, and the level of remuneration to be distributed. The Remuneration Committee shall also propose suggestions to the Board to serve as references for decision making of Directors, to ensure a smooth operation.

1. Information on the remuneration committee members:

Title and Name	Professional qualifications and experience	Independence situation	Number of other Public Companies in which the individual is concurrently serving as an Independent Director
Independent Director Chia-Hsiu Lin	<p>Major Education and work Experience: Master, Institute of Plant Biology, National Taiwan University President, Production Business Department, VIRBAC (TAIWAN) CO., LTD. Independent Director, Standard Chem & Pharm Co., Ltd. Chairman and President, Gaosheng Pharmaceutical Co., Ltd. Chief Operating Officer, Lytone Enterprise, Inc. Other positions concurrently held at MVC and other companies: He is a member of the audit committee and chairman of the remuneration committee of MVC.</p>	<p>MVC has obtained a written statement from each independent director confirming the independence of himself and his immediate family relative to MVC. The independent directors of MVC are members of the Board of Directors, the Audit Committee and the Remuneration Committee.</p>	-
Independent Director Yao-Chi Li	<p>Major Education and work Experience: Postdoctoral Researcher, Yale School of Medicine Ph.D. in Genetics, North Carolina State University Bachelor, Institute of Plant Biology, National Taiwan University Chair, Department of Life Science, National Tsing Hua University Chair, Institute of Biotechnology, National Tsing Hua University Dean, College of Biotechnology and Bioresources, Da-Yeh University Other positions concurrently held at MVC and other companies: Director, Fortune Anti-aging Nutraceuticals, Co. Ltd. Technology Consultant, Green Strong International Co., Ltd. Technology Consultant, Yunnan Alphy Biotech Co., Ltd. He is a member of the audit committee and remuneration committee of MVC.</p>	<p>The independent directors themselves, their spouses, second relatives (or in the name of others) do not hold any shares of MVC. They have neither held positions in MVC nor related companies, nor have they served as remunerations for the business, legal, financial, accounting and other services of MVC's other related companies.</p>	-

Title and Name	Professional qualifications and experience	Independence situation	Number of other Public Companies in which the individual is concurrently serving as an Independent Director
Independent Director Ming-Yi Wu	Major Education and work Experience: M.S. in Accounting, National Chung Hsing university Manager of Bajia Enterprise Co. Supervisor of Deloitte Touche Tohmatsu Limited. Other positions concurrently held at MVC and other companies: Managing Partner of Reanda M Y Wu & Co., CPAs. Member of the Tax Regulations and Tax Affairs Committee of the National Federation of CPA Associations of the R.O.C. He is a chairman of the audit committee and a member of the remuneration committee of MVC.		-

2. Operational status of the Remuneration Committee

(1) There are a total of 3 members in the Remuneration Committee.

(2) The office term of the current Committee: From Aug. 17, 2021 to Aug. 16, 2024.

The Remuneration Committee held 2 meetings (A) in the most recent fiscal year.

The qualification and attendance of the committee members are as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) [B/A]	Remarks
Convener	Chia-Hsiu, Lin	2	0	100%	New election. Date of re-election :2023.6.29
Committee member	Ming-Yi ,Wu	2	0	100%	Date of resignation :2023.3.8
Committee member	Ming-Cheng ,Chang	0	0	100%	
Committee member	Yao-Chi ,Li	2	0	100%	

Other matters to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and MVC’s response to the Remuneration Committee’s opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, the content of the motion, all members’ opinions, and the response to members’ opinion shall be specified: None.

Date	Session	Contents of motions	Remuneration committee's resolution	MVC's response to remuneration committee's opinions.
2023/06/29	4th meeting of the 4th Committee	Adjustment of the remuneration of independent directors of MVC.	Agree	Approved as proposed
2023/11/02	5th meeting of the 4th Committee	Review of the 2024 remuneration of managers, and 2023 year-end bonus.	Agree	Approved as proposed

Note:

- (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the “Remarks” Section. His/her actual attendance rate (%) to the committee meeting shall be calculated based on the number of meetings called and the actual number of meetings he/she attended, during his/her term of office.
- (2) If a Remuneration Committee member is re-elected before the end of the accounting year, the names of current and previous members shall be listed and their appointment status and re-election date shall be noted in the “Remarks” column. His/her actual attendance rate (%) to the committee meeting shall be calculated based on the number of meetings called and the actual number of meetings he/she attended, during his/her term of office.

(V) Implementation status of sustainable development and climate-related information

1. Implementation status of sustainable development promotion and deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Dose the company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, and the board of directors authorize senior management to handle and supervise the situation to the board of directors??	✓		Following the vision and mission of MVC's ESG policy, if necessary we will plan to establish an "ESG Committee" to serve as MVC's highest-level sustainable development decision-making center, and to review core operational capabilities with a number of senior executives in different fields. Make a medium- and long-term sustainable development plan. The "ESG Committee" serves as a cross-departmental communication platform integrating top and bottom and horizontally connecting. Through meetings and task groups set up according to issues, identify sustainable issues related to company operations and stakeholders, formulate corresponding strategies and work guidelines, compile budgets related to sustainable development of each organization, plan and implement annual plans, At the same time, track the implementation results to ensure that the sustainable development strategy is fully implemented in MVC's daily operations. The "ESG Committee" will report to the Board of Directors on the implementation results of sustainable development and future work plans.	No significant difference
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The disclosed risk assessment boundaries cover the operation and sustainability performance of MVC and its subsidiaries' major bases. To establish a sound corporate social responsibility management, MVC formulates relevant risk management policies or strategies related to MVC's operations in accordance with the principle of materiality, including the following issues.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>(I) Environmental issues: MVC has formulated the “Workplace Regulations” to stipulate the energy conservation and carbon reduction policies, promote environmental protection-related matters, and work with our employees.</p> <p>(II) Social issues: MVC has formulated and implemented reasonable employee welfare measures in line with MVC’s objectives and HR development. MVC has also formulated the “Human Resources Management Regulations” which defines a clear and effective reward and punishment system with the aim of nurturing professional and technical talents and encouraging knowledge sharing and exchange among employees, to enhance their academic and technical skills to achieve the required tasks.</p> <p>(III) Corporate governance issues MVC has established and disclosed its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. Board evaluation is carried out every year and is disclosed accordingly.</p>	
III. Environmental issues				
(I) Has the company set an environmental management system designed for industry characteristics?	✓		(I) MVC clears and recycles industrial wastes in accordance with its industrial waste clearance plan, and handles public matters in compliance with the environmental regulations provided by the competent authority.	(I) No significant difference
(II) Does the company endeavor to utilize <u>energy</u> efficiently and use renewable materials that have low impacts on the environment?	✓		(II) In response to global climate change issues, MVC emphasizes energy management and responds to government policies on environmental protection	(II) No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the Company evaluate the current and future potential risks and opportunities of climate change, and adopt countermeasures related to climate issues?	✓		<p>and energy conservation by implementing energy-saving and carbon reduction measures to improve energy efficiency and reduce greenhouse gas emissions. To optimize the use of resources, we promote and implement electronic billing systems, resource waste classification, recycling and reduction activities to enhance the efficiency of resource utilization. Because the characteristics of the biotechnology industry are high-tech and low pollution, there is no use of materials that have an impact on the environment.</p> <p>(III) MVC takes a proactive approach toward matters regarding energy conservation and reduction of greenhouse gases and undertakes temperature control of air conditioners to effectively utilize energy to achieve the goal of energy conservation and carbon reduction.</p>	(III) No significant difference
(IV) Does the company collect data for greenhouse gas emissions, water usage, and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction, and other waste management policies?	✓		<p>(IV) The annual greenhouse gas emissions, water consumption and total waste weight for the most recent year are as follows: Total greenhouse gas CO2 emissions: Direct emissions: 1,538.46 tons in 2023/1,612.82 tons in 2022 Indirect emissions: 3,821.58 tons in 2023/3,836.98 tons in 2022 Water consumption: 43.61Million liters in 2023/62.93Million liters in 2022 Total waste: 11.05 tons in 2023 / 10.01 tons in 2022 The above information is obtained by referring to the external verification data of Taiwan Power</p>	(IV) No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			Company, Taiwan Water Corporation and waste removal and transportation manufacturers. MVC has formulated the “Workplace Regulations” to stipulate the energy conservation and carbon reduction policies. The regulations require that energy-saving light fixtures be installed, employees turn off the light when leaving the offices, MVC carries out air pollution, water pollution, environmental pollution, and noise level monitoring at least 1-2 times a year according to regulations, and MVC appoints qualified recycling institute for waste clearance and reuse.	
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) MVC abides by relevant labor laws and regulations to protect the employees’ rights and benefits. MVC adopts a non-discrimination employment policy and establishes pension funds. MVC has also established the Employee Welfare Committee, consisting of members elected among the employees to handle matters related to employee welfare.to fulfill corporate social responsibility and protect the basic human rights of all colleagues, customers and stakeholders, MVC follows the "United Nations Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", "United Nations Global Compact" and "United Nations International Labor Organization"" and other principles proclaimed in international human rights conventions, respect internationally recognized basic human rights, including freedom of association, caring for disadvantaged groups, prohibition of child labor, elimination of all forms	(I) No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?	✓		<p>of forced labor, elimination of employment and employment discrimination, etc., and abide by the labor-related laws and regulations of MVC's location, MVC pays attention to human rights and enjoys the same right to work regardless of race, gender or age.</p> <p>(II) MVC has provided a number of welfare policies for employees. In addition to labor insurance, health insurance, pension and parental leave regulated by laws and regulations, it also conducts annual health inspections for employees, issues three festival gifts and gift certificates, weddings and funerals and condolences, and employee group insurance. Other welfare measures, in addition, according to MVC's profit, no less than 1% is allocated as employee compensation to promote labor-capital harmony.</p>	(II) No significant difference
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	✓		<p>(III) MVC provides a safe and healthy working environment, and conducts employee health checks on a regular basis every year. For employee education and training, both new employees and current employees are required to conduct safety and health related training in accordance with the law and purchase group insurance for each employee.</p> <ol style="list-style-type: none"> 1. MVC has stationed security guards at all office sites to ensure the safety of the workplace. 2. Workplace health: MVC sanitizes the work environment on a yearly basis to ensure the cleanliness of the workplace. 3. MVC installs all required fire equipment and carries out annual fire safety inspections required by the government. <p>In 2023, the number of employees was 134, and there was no occupational disaster in that year.</p>	(III) No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Does the company establish effective career development and training plans for its employees?	✓		4. Describe the number of fires in 2023, the number of deaths and injuries, and the status of fire-related improvements: None. (IV) To improve the quality, professionalism, and work efficiency of the employees, the employees may participate in various professional skill and academic training based on their functions and business needs after receiving approval from supervisors, to improve their professional skills. MVC formulates and plans an annual education and training plan for employees every year.	(IV) No significant difference
(V) Does the company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling, etc. and set policies to protect consumer or customer's rights and consumer appeal procedures?	✓		(V) MVC attaches great importance to trademark maintenance and corporate image, and cooperates with professional law firms for consultation. The marketing and labeling of products and services comply with and follow relevant regulations and international standards, and have formulated customer sales, return and discount procedures to protect customer rights and interests.	(V) No significant difference
(VI) Does the company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety, and health or labor human rights?	✓		(VI) MVC has established a supplier evaluation system. All new suppliers will be evaluated, in addition to those who are required to comply with Good Manufacturing Practice (GMP), Good Transportation Practice (GDP), or other industry standards, they will be listed as the preferred objects for selection. , employee quality, corporate value and fulfillment of social responsibilities and relevant regulations on environmental protection, occupational safety, and health or labor human rights, etc., will be considered and evaluated before signing a contract for cooperation.	(VI) No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
V. Does the company refer to internationally-used standards or guidelines for the preparation of sustainability reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	✓		MVC's implementation of sustainable development is handled in accordance with the competent authorities and relevant laws and regulations. MVC has set up a special area on the website, and will disclose relevant information on MVC's website and public information observatory according to the actual operation situation. MVC has published its 2022 Annual Sustainability Report in accordance with GRI standards and plans to progressively obtain third party validation or assurance in line with regulatory requirements.	No significant difference
VI. If the Company has established corporate social responsibility principles based on the Sustainable Development Best Practice Principles for TWSE/TEPx Listed Companies, please describe the implementation and any deviations from the Principles: MVC has formulated the corporate social responsibility principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and MVC has operated in accordance with relevant laws and regulations without significant difference				
VII. Other important information to help understand the implementation of the promotion of Sustainable Development: MVC recognizes the impact of companies on social responsibilities and works hard in its business operations to provide employees with a stable and high-quality work environment and maximize benefits for shareholders and related stakeholders. In the future, in addition to professional training for our employees, we shall actively demonstrate our commitment to corporate social responsibilities and strengthen MVC's core values.				

2. Implementation of Climate-Related Information:

Item	Implementation status
I. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	MVCs Board of Directors is the highest level of oversight for climate change risk management and is responsible for reviewing and developing climate change strategies, appointing senior managers to implement climate change risk management practices, and regularly monitoring the achievement of environmental sustainability targets.
II. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	<p>Following the Climate Change Act, MVC has set the following carbon reduction plans and targets:</p> <p>Short-term goal: To collect and survey internal carbon emission data, and to propose plans to improve equipment operation processes and enhance energy efficiency.</p> <p>Medium-term goal: Conduct greenhouse gas inventory, reduce carbon emissions year by year, and continuously improve equipment operation processes.</p> <p>Long-term goal: Conduct a greenhouse gas inventory and verify it by a third party, reduce carbon emissions by 1%-2% year by year, and continue improving the equipment operation process and enhancing energy efficiency.</p>
III. Describe the financial impact of extreme weather events and transformative actions.	<p>1. Exposed to the risk of abnormal weather conditions, natural disasters such as typhoons, floods, droughts, and other extreme weather conditions, and the risk of business interruption.</p> <p>Financial impact : Revenue decrease and cost increase.</p> <p>2. Transformation Risk</p> <p>(1) Risks associated with carbon reduction policies and regulations.</p> <p>(2) Control of corporate carbon footprint and greenhouse gas emissions.</p> <p>(3) Evaluation of suppliers' compliance with relevant policies and regulations during procurement.</p> <p>Financial impact : Cost increase.</p>
IV. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. °	Each department head assigns personnel to exercise the authority to monitor, measure, evaluate, and statistically account for MVC's risk of greenhouse gas emissions, water consumption, and total weight of waste, and to formulate and promote policies on carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management to minimize the impact of MVC's operating activities on climate change.
V. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions ,analysis factors and major financial impacts used should be described	Ongoing evaluation.

VI. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	None.
VII. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Ongoing evaluation.
VIII. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Ongoing evaluation.
IX. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 2-1 and 2-2 below).	Ongoing evaluation.

2-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

2-1-1 Greenhouse Gas Inventory Information Greenhouse Gas Inventory Information Describe the emission volume (metric tons CO ₂ e), intensity (metric tons CO ₂ e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.	Ongoing evaluation.
2-2-2 Greenhouse Gas Assurance Information Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.	Ongoing evaluation.

2-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.	Ongoing evaluation.
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(VI) Implementation status of ethical business practices and deviation from the Ethical Corporate Management Best-Practice Principles for the TWSE/TEP_x Listed Companies and reasons thereof:

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPE _x Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	✓		(I) MVC has established its “Principles of Ethical Corporate Management” and “Procedures for Ethical Management and Guidelines for Conduct” to stipulate that all employees shall uphold the ethical corporate management policies and comply with the laws and regulations when handling MVC’s businesses. The Board and the management also uphold the principle of integrity and actively implement relevant policies.	(I) No significant difference
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TEP _x Listed Companies"?	✓		(II) MVC has established its Principles of Ethical Corporate Management for implementation. MVC strictly prohibits Directors, managerial officers, employees, and substantial controllers of MVC from directly or indirectly offering, promising to offer, requesting, or accepting any form of inappropriate benefits in MVC’s operations and business or providing illegal political donations.	(II) No significant difference
(III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		(III) MVC has established its “Principles of Ethical Corporate Management” and “Procedures for Ethical Management and Guidelines for Conduct” to regulate the employees, and impose punishments for violations.	(III) No significant difference
II. Fulfillment of ethical corporate management				
(I) Does the company evaluate business partners’ ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		(I) For potential suppliers, MVC evaluates their legality and ascertains whether they have a record of involvement in unethical conduct to ensure that they conduct business in a fair and transparent manner and do not request, offer, or take bribes.	(I) No significant difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?	✓		(II) MVC has established a part-time unit directly under the Board for promoting the ethical corporate management of MVC, and the unit distributes responsibilities and duties to all departments. All personnel of t MVC is committed to fulfilling their corporate responsibilities.	(II) No significant difference
(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		(III) The Directors maintain a high degree of self-discipline. They may not participate in the discussion or voting and shall recuse themselves from the discussion or vote if the motion has interests in the Directors themselves or the legal representatives they represent, where there is a likelihood that the interests of MVC would be prejudiced.	(III) No significant difference
(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessments of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?	✓		(IV) MVC has established and put into practice an effective internal control system, related management regulations, and accounting system. MVC has also set up an internal audit unit to regularly audit the compliance of all departments with related rules and regulations. MVC then prepares audit reports and submits them to the Board of Directors.	(IV) No significant difference
(V) Does the company regularly hold internal and external training on ethical corporate management?	✓		(V) MVC educates all employees on the corporate ideals of ethical corporate management in training for new employees and courses on regulations.	(V) No significant difference
III. Operation of the whistle-blowing system				
(I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	✓		(I) MVC has set up a suggestion mailbox, to receive reports and suggestions from employees. In cases of violation of regulations regarding ethical conducts, MVC imposes corresponding punishments.	(I) No significant difference
(II) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	✓		(II) Relevant rules are set forth in the Principles of Ethical Corporate Management, and such matters shall be kept in confidentiality.	(II) No significant difference
(III) Does the company provide protection for whistle-blowers against receiving improper treatment?	✓		(III) MVC appoints designated personnel to handle reports regarding illegal and unethical conducts submitted by employees, shareholders, and stakeholders. The identity of	(III) No significant difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			informers and the content of the reports are required to be kept in confidentiality.	
IV. Enhanced disclosure of ethical corporate management information Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	✓		MVC has formulated the “Principles of Ethical Corporate Management” and disclosed it on MVC’s website.	No significant difference
V. If the Company has established ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: None				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management: (e.g., review of and amendments to ethical corporate management policies) MVC adheres to the Company Act, the Securities and Exchange Act, and relevant regulations in relation to the TWSE/TPEX listed companies and other related business law, and regulations, as the foundation for ethical corporate management. The Board of Directors shall exercise the due care of a good administrator in supervising MVC’s prevention of unethical conducts. The Audit Office is responsible for the formulation, supervision, and implementation of the ethical management policy and unethical conduct prevention plans. Also, it is responsible to review the relevant standards of integrity operation at all times. If any violation is found, the Audit Office will report such matters to the Board of Directors.				

(VII) Please disclose the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any:

MVC has formulated the Corporate Governance Best-Practice Principles, Principles of Ethical Corporate Management, Codes of Ethical Conduct for Directors, Rules Governing the Scope of Responsibilities of Independent Directors, Rules of Procedure for Shareholders’ Meetings, Rules Governing Board Meetings, Audit Committee Charter, and Regulations Governing Elections of Directors. In addition, MVC upholds its philosophy of corporate governance when implementing relevant rules and regulations of corporate governance. Relevant rules and charters regarding corporate governance are disclosed on MVC’s website.

(VIII) Other important information to facilitate a better understanding of the Company's corporate governance: Please refer to Item 8 of “Implementation status of corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.”

(IX) Internal control system execution status

Medigen Vaccine Biologics Corp.
Statement on Internal Control

Date: Mar. 8, 2024

MVC hereby states the results of the self-evaluation of the internal control system for 2023 as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2023, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 8, 2024, and out of the 7 directors in attendance (including attendance by proxy), none objected to it and all consented to the content expressed in this statement.

Medigen Vaccine Biologics Corp.

Chairman: Ming-Cheng, Chang

President: Tsan-Jian, Chen

(X) Penalties imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as of the date of publication of the annual report, as well as details of the penalties, major deficiencies and subsequent improvements: None.

(XI) Major resolutions of shareholders' meetings and board meetings during the most recent Fiscal year and during the current fiscal year up to the date of publication of the annual report.

Category	Date	Motions	Resolutions
Shareholders' Meeting	2023/6/29	Adoption of MVC's 2022 business report and financial statements	Approved as proposed.
		Adoption of the Proposal for 2022 deficit compensation.	Approved as proposed.
		Adoption of the Proposal for 2022 Cash Capital Increase and the 1st Domestic Unsecured Convertible Corporate Bonds Plan to Change.	Approved as proposed.
			Approved as proposed.

NO	Category	Date	Motions	Resolutions
1	Board Meeting	2023/06/29	MVC evaluates the independence and suitability of the new CPAs.	Approved by the unanimous decision of the directors present
2	Board Meeting	2024/03/08	MVC periodically evaluates the independence and suitability of the CPAs.	Approved by the unanimous decision of the directors present

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None.

(XIII) A summary of resignations and dismissals of the Company's Chairman, President, accounting manager, financial manager, chief internal auditor, Corporate Governance Officer, and R&D manager during the most recent year and up to the date of publication of the Annual Report:

Position	Name	Date of Election	Date of Termination	Reasons for resignation or termination
Chairman	Shi-Chung, Chang	2021.08.17	2023.03.08	Institutional director reassigned representative.

V. Audit Fees for CPA

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Audit period	Audit fee	Non-Audit fee	Total	Remark
PwC Taiwan	Man-Yu , Juanlu,	2023/01/01~	200	-	200	
	Ya-Hui, Lin,	2023/03/31				
Ernst & Young, Taiwan	Shao-Pin, Kuo,	2023/04/01~	1,200	177	1,377	The non-audit fees : Tax Compliance Audit \$155. Business registration \$27
	Chien-Che, Huang,	2023/12/31				

(I) When the company changes its accounting firm, the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change, and the reasons shall be disclosed: None.

(II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: None.

VI. Replacement of CPAs:

(I) About the Former CPA(s) :

Date replaced	Approved by the Board of on May 19, 2023		
Reason for Replacement and Description	In the light of MVC's operational development and internal management needs.		
Explain if the appointee or accountant is terminated or does not accept the appointment	Affected party	CPA	Authorizer
	Situation		
	Spontaneous termination of appointment		✓
	Does not accept (continued with) appointment		
Opinions expressed in audit reports other than no reservations issued within the most recent two years and the reason	None.		
Different opinions from those of the publisher	YES		Accounting principles or practice
			Disclosure of financial statements
			Scope or steps of inspection
			Other

	None	✓
	Description	
Other Matters (Those that should be disclosed as indicated in Article 10 Subparagraph 6 Items 1-4 to 1-7 of these Guidelines)	None.	

(II) About the Succeeding CPA(s) :

Name of Firm	Ernst & Young ,Taiwan
Name of CPA	Shao-Pin, Kuo Chien-Che, Huang,
Date Delegated	Approved by the Board of on May 19, 2023.
Consultations and findings about opinions possibly signed off on the accounting approach of specific transactions and financial statements prior to authorization.	None.
Written opinions of succeeding CPAs that differ from those of former CPAs	None.

(III) Replies of former CPAs to Article 10 Paragraph 6 Item 1 and Item 2 Matter 3 of the Guidelines:

The contents of the former CPA's reply dated May 29, 2023 are set out below:

1. Based on the Ernst & Young's experience with the MVC's management, Ernst & Young is not aware of any material adverse effects MVC's management's character on its financial statements.
2. There were no significant disagreements between the Ernst & Young and the management of MVC regarding accounting principles, auditing procedures, and other significant matters.
3. According to the MVC's letter dated May 19, 2023, the CPA change was due to MVC's operational development and internal management needs.
4. In the course of our audit, Ernst & Young did not find any non-compliance with the laws and regulations by MVC.

VII. The Positions Held by the Company's Chairman, Presidents, or Accounting Officers in the Company's Independent Accounting Firm or its Affiliates during the Most Recent Year: None.

VIII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(1) Share changes by a Director, Supervisor, managerial officer, or major shareholders

Unit: shares

Position	Name	2023		As of April 15, 2024	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Institutional directors and major shareholders holding more than 10% of the Company's shares	Medigen Biotech Corp.	2,370,000	1,300,000	(615,000)	-
	Rep.: Ming-Cheng, Chang	-	-	-	-
Institutional directors and major shareholders holding more than 10% of the Company's shares	Medigen Biotech Corp.	2,370,000	1,300,000	(615,000)	-
	Rep.: Ken-Hu, Chang	-	-	-	-
Institutional director	Schweitzer Biotech Co., Ltd.	-	-	-	-
	Rep.: Tsan-Jian, Chen	-	-	-	-
Director	Wei-Jen Chen	-	-	-	-
Independent Director	Ming-Cheng, Chang	-	-	-	-
Independent Director	Chia-Hsiu, Lin	-	-	-	-
Independent Director	Yao-Chi, Li	-	-	-	-
Managerial officer	Wei-Cheng, Lien	-	-	-	-
Managerial officer	Szu-Hsien, Lee	170,000	-	(180,000)	-
Managerial officer	Ji-aen, Lien	Note2			
Managerial officer	Tsai-Hua, Hung	Note2			
Managerial officer	Yu-Ping, Yang	62,500	-	-	-
Managerial officer	Torkehagen Paal Fure	-	-	-	-

Note 1: The shareholders who hold more than 10% of MVC's shares shall be identified as major shareholders and stated separately.

Note 2: Mr. Ji-aen, Lien resigned as Vice President of Medical Science Affairs Division on September 22, 2023, and Ms. Tsai-Hua, Hung, Chief of Regulatory Affairs, resigned on March 31, 2023.

(2) Information on the counterparties of the change in equity interests by a Director, Supervisor, managerial officer, or major shareholders: None.

(3) Information on the counterparties of the change in pledged shares by a Director, Supervisor, managerial officer, or major shareholders: None.

IX. Relationship among the Top Ten Shareholders

May 1, 2023

Name	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Name of company	Relationship	
Medigen Biotech Corp.	61,743,844	18.79%	-	-	-	-	Everspring Industry Co., Ltd.	Institutional director	
Rep.: Ming-Cheng Chang	-	-	-	-	-	-	-	-	
Rep.: Ken-Hu Chang	10,456	0.003%	-	-	-	-	-	-	
Schweitzer Biotech Co., Ltd.	10,949,756	3.33%	-	-	-	-	-	-	
Rep.: Tsan-Jian Chen	518,982	0.16%	-	-	-	-	-	-	
Everspring Industry Co., Ltd.	5,955,021	1.81%	-	-	-	-	Medigen Biotech Corp.	Institutional director	
Responsible person: Tzu-Ling Chang	3,764	0.001%	-	-	-	-	Medigen Biotech Corp. Tzu-Heng, Huang	Institutional director Rep. Second-degree relative	
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	3,248,930	0.99%	-	-	-	-	-	-	
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,077,336	0.94%	-	-	-	-	-	-	
Tzu-Heng Huang	1,900,000	0.58%	-	-	-	-	Everspring Industry Co., Ltd. Responsible person: Tzu-Ling Chang	Second-degree relative	

Name	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Name of company	Relationship	
Jin-chuan Sun	1,867,376	0.57%	-	-	-	-	-	-	
Sen-Rong, Lai	1,542,511	0.47%	-	-	-	-	-	-	
PGIA Trust Stock Index II Investment Account under custody of JPMorgan Chase	1,514,801	0.46%	-	-	-	-	-	-	
iShares Core MSCI Emerging Markets ETF	1,478,607	0.45%	-	-	-	-	-	-	

X. Ownership of Shares in Affiliated Enterprises:

Unit: share

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
MVC BioPharma Ltd.	50,000	100%	-	-	50,000	100%
MVC Capital Corporation	40,000,000	100%	-	-	40,000,000	100%

Note: The capital increase to \$400 million was approved by the Taipei City Government on April 16, 2024.

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of capital

1. Historical information of capitalization

April 15, 2024; Unit: NT\$ thousand / thousand shares

Year /Month	Par value (NT\$)	Authorized capital		Paid-in capital		Source of capital	Remarks	
		Shares	Amount	Shares	Amount		Capital increase by assets other than cash	Others
2023/03	24.80	500,000	5,000,000	328,031	3,280,312	Employee stock option NT\$1,913 thousand	None	Zhu-Shang-Zi No. 1120008044 dated 2023.03.15
2023/05	19.90 26.60 24.80	500,000	5,000,000	328,357	3,283,568	Employee stock option NT\$3,256 thousand	None	Zhu-Shang-Zi No. 1120015706 dated 2023.05.17
2023/11	24.80 18.60	500,000	5,000,000	328,608	3,286,081	Employee stock option NT\$2,513 thousand	None	Zhu-Shang-Zi No. 1120037391 dated 2023.11.13
2024/04	24.80 18.60	500,000	5,000,000	328,654	3,286,541	Employee stock option NT\$460 thousand	None	Registering changes not yet completed

2. Type of shares

April 15, 2024; unit: share

Share type	Authorized capital			Remarks
	TPEX Listed Stock	Unissued shares	Total shares	
Common shares	328,654,050	171,345,950	500,000,000	

3. Information for shelf registration: None.

(II) Status of shareholders

April 15, 2024; unit: share

Structure	Government agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	-	4	125	48,474	136	48,739
Shareholding (shares)	-	387,527	84,812,435	224,261,206	19,192,882	328,654,050
%	-	0.12%	25.81%	68.24%	5.83%	100%

(III) Distribution of shares

April 15, 2024; Unit: share

Class of shareholding	Number of shareholders	Shareholding	%
1~999	18,292	2,872,103	0.87%
1,000~5,000	23,005	48,724,131	14.82%
5,001~10,000	3,573	26,947,174	8.20%
10,001~15,000	1,290	16,347,767	4.97%
15,001~20,000	679	12,149,124	3.70%
20,001~30,000	725	18,274,654	5.56%
30,001~40,000	329	11,497,946	3.50%
40,001~50,000	210	9,499,391	2.89%
50,001~100,000	379	26,453,931	8.05%
100,001~200,000	154	21,416,273	6.52%
200,001~400,000	54	14,711,273	4.48%
400,001~600,000	22	10,577,983	3.22%
600,001~800,000	5	3,355,636	1.02%
800,001~1,000,000	6	5,229,915	1.59%
Over 1,000,001	16	100,596,749	30.61%
Total	48,739	328,654,050	100%

Distribution of preferred shares: MVC did not issue preferred shares.

(IV) List of major shareholder

April 15, 2024; Unit: share

Shareholder's name	Shares	%
Medigen Biotech Corp.	61,743,844	18.79%
Schweitzer Biotech Co., Ltd.	10,949,756	3.33%
Everspring Industry Co., Ltd.	5,955,021	1.81%
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	3,248,930	0.99%
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,077,336	0.94%
Tzu-Heng, Huang	1,900,000	0.58%
Jin-chuan, Sun	1,867,376	0.57%
Sen-Rong, Lai	1,542,511	0.47%
PGIA Trust Stock Index II Investment Account under custody of JPMorgan Chase	1,514,801	0.46%
iShares Core MSCI Emerging Markets ETF	1,478,607	0.45%

- (V) Share prices for the past two years, with company net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$

Item		2022	2023	April 15,2024 (Note 8)	
Market price per share (Note 1)	Highest	295.50	81.50	70.70	
	Lowest	60.10	55.40	51.50	
	Average	151.58	67.45	60.75	
Net worth per share (Note 2)	Before distribution	15.34	11.71	11.49	
	After distribution	15.34	(Note9)	(Note9)	
Earnings per share	Weighted average shares (thousand shares)	323,477	328,315	328,608	
	Before adjustment	(4.56)	(3.53)	(0.22)	
	After adjustment (Note 3)	(4.56)	(3.53)	(0.22)	
Dividends per share	Cash dividends	-	-	-	
	Stock dividends	Stock dividends appropriated from earnings	-	-	-
		Stock dividends appropriated from capital surplus	-	-	-
	Accumulated unpaid dividends(Note 4)	-	-	-	
Return on investment	Price/Earnings ratio (Note 5)	-	-	-	
	Price/Dividend ratio (Note 6)	-	-	-	
	Cash dividend yield(Note 7)	-	-	-	

Note 1: Please identify the highest and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Please fill in the information based on the number of issued shares at the end of the year and the distribution according to the resolution of the board of directors or the shareholders' meeting of the following year.

Note 3: If it is necessary to make retroactive adjustments due to the distribution of stock dividends, please identify the EPS before and after adjustment.

Note 4: If the terms and conditions under which the equity securities are issued provided that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 5: Price/Earnings ratio = Average market price / Earnings per share

Note 6: Price/Dividend yield = Average market price / Cash dividend per share

Note 7: Cash dividend yields = Cash dividend per share / Average market price

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report. The financial information for the first quarter of 2024 was assessed by MVC. The information available until the date of publication of the annual report in the other sections shall also be identified.

Note 9: As of April 15, 2024, the distribution of 2023 earnings has not yet been approved by a resolution of the shareholders' meeting.

(VI) Dividend policy and implementation status:

1. Dividend policy:

MVC's dividends are distributed in form of cash or stocks (incl. stock dividends from earnings and additional paid-in capital). The earnings distribution proposal is proposed by the Board of Directors based on the operating performance, capital needs, and the earnings level of the year (less statutory deductions), and the earnings are distributed upon approval by the shareholders' meetings. Cash dividends shall account for more than 50% of the total dividends distributed. However, in circumstances of major capital expenditure or working capital requirement, dividends may be distributed in the form of stock only upon the approval of shareholders' meetings.

2. Implementation status: MVC did not distribute any dividends.

3. If a material change in dividend policy is expected, provide an explanation: None.

(VII) Effect on the operating performance and earnings per share of the distribution of stock dividends proposed or adopted in the most recent shareholders' meeting: MVC did not distribute any stock dividends in this year.

(VIII) Remuneration of Employees, Directors, and Supervisors:

1. Percentage or range of the remuneration of employees, Directors, and Supervisors as set forth in the Articles of Incorporation:

MVC's Articles of Incorporation stipulated that if it has earnings, it shall set aside no less than 1% of the balance as remuneration to the employees and no more than 1% of the balance as remuneration to directors. When there are accumulated losses, MVC shall offset the loss before remuneration distribution.

2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: If MVC makes a profit in the year, it shall allocate no less than 1% as employee remuneration and no more than 1% as director's remuneration. If the estimated number of accounts is different from the resolution of the board of directors, it will be handled according to the changes in accounting estimates, and the profit and loss of the following year will be adjusted.

3. Remuneration distribution proposals adopted in Board of Directors Meeting: None.

4. If there is any discrepancy between the actual and recognized distribution of employee, director, and supervisor remuneration for the previous year (incl. the number of shares, monetary amount, and stock price, of the shares distributed), please provide the difference, cause, and treatment: None.

(IX) Buy-back of treasury stock: None.

II. Corporate Bonds (Incl. Overseas Corporate Bonds):

(I) Status of Corporate bond :

Type of Bond	1st Domestic Unsecured Convertible Corporate Bond
Issuing Date	May 9,2022
Denomination	NT100,000
Place of Issuing and Trading Domestic	Domestic
Offering Price	Issued at 100.3% of par value
Total Amount	NT\$1,750,000,000
Coupon rate	0%
Tenor and Maturity Date	3 Years; Expiry date: May 9,2025
Guarantor	Not Applicable
Trustee	Taishin International Bank Co., Ltd.
Underwriter	Fubon Financial Holding Co., Ltd.
Legal Counsel	Far East Law Offices Mr. Qiu Ya-wen Lawyer

Type of Bond	1st Domestic Unsecured Convertible Corporate Bond		
CPA	PricewaterhouseCoopers Taiwan Ms. Lin, Ya-Hui ,CPA and Ms. Juanlu, Man-Yu, CPA		
Repayment	According to Article 5 of these Regulations, the rate of this convertible bond is 0%, so there is no need to determine the date and method of interest payment. Unless the holders of the convertible bonds (hereinafter referred to as "creditors") convert into ordinary shares of MVC in accordance with Article 10 of these Regulations or exercise the right to sell back in accordance with Article 19 of these Regulations, or MVC has withdrawn it in advance in accordance with Article 18 of these Regulations, and it has been bought back and cancelled by the business office of the securities firm. Within 10 business days after the expiry date of the convertible bond, MVC will repay the convertible bond held by the holders in cash at one time according to the denomination of the bonds. If the aforesaid date falls on the day that the Taipei Stock Exchange Market is closed for business, it will be postponed to the next business day.		
Outstanding Loan	NT\$1,750,000,000		
Redemption or Early Repayment Clause	Please refer to the Procedures for Issuance and Conversion of 1 st Domestic Unsecured Convertible Corporate Bond in 2022.		
Covenants	Not Applicable.		
Credit Rating	Not Applicable.		
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs, or Other Securities	As of the date of publication of the annual report, there are no ordinary shares that have been converted.	
	Conversion Right	Please refer to the Procedures for Issuance and Conversion of 1 st Domestic Unsecured Convertible Corporate Bond in 2022.	
Dilution Effect and Other Adverse Effects on Existing Shareholders	As of April 15,2024, the outstanding balance was \$1,750,000 thousand, calculated at the current conversion price of \$187.1, if all converted into common shares, it must be issued 9,353,287 shares, accounting for 2.85% of the total issued shares (9,353,287/328,654,050=2.85%)shall have no significant impact on shareholders' equity.		
Custodian	Not Applicable.		

(II) Convertible Bonds :

Type of Bond		1st Domestic Unsecured Convertible Corporate Bond		
Item		2022	2023	As of April 15,2024
Market price of the convertible bond (Note2)	High	100.45	98.35	99.60
	Low	86.75	90.00	98.35
	Average	92.97	94.79	98.99
Conversion Price		187.10		
Issuing Date and Conversion Price		May 9,2022 NT\$278		
Conversion methods		Issuing of new stocks		

(III) Exchangeable Bonds : None.

(IV) Shelf Registration for Issuing Bonds : None.

(V) Corporate Bonds with Warrants : None.

III. Preferred Shares: None.

IV. Global Depository Receipts (GDRs): None.

V. Employee Stock Options

(I) Unexpired employee stock option issued by MVC

April 15, 2024

Type of stock option	2017		2018		2021
	1st	2nd	1st	2nd	
Approval date and total number of units	2017.05.18 Total 2,500,000 units		2018.08.21 Total 3,500,000 units		2021.03.22 Total 2,500,000 units
Issue date	2017.07.19	2018.04.18	2018.11.05	2019.08.13	2021.03.23
Duration	6 Years				
Units issued	2,135,000	365,000	3,035,000	465,000	2,500,000
Units still available for issuance	-	-	-	-	-
Shares of stock options to be issued as a percentage of outstanding shares	0.65%	0.11%	0.92%	0.14%	0.76%
Conversion measures	Subscribers may exercise their rights to subscription, as per the following schedule, in accordance with regulations, two years after they obtained the stock options. Subscription period is 6 years, and the options may not be transferred.				
Exercise method	Issuance of new shares				
Vesting period and percentage	Schedule		Cumulative maximum exercisable stock option percentage		
	After 2 full years (or starting of the third year)		50%		
	After 3 years		75%		
	After 4 years		100%		
Converted shares	1,580,000	365,000	2,412,500	358,750	-
Exercised amount	46,422,000	13,450,000	81,813,220	7,849,250	-
Number of unexercised shares	-	-	102,500	-	1,901,000
Exercise price	-	-	24.8	-	152.8
Unexercised shares as a percentage of total issued shares	-	-	0.03%	-	0.58%
The effect on shareholder equity	It is to motivate employees' long-term service willingness and enhance team cohesion, so as to create benefits for MVC and shareholders, and benefit shareholders' equity.				

(II) List of executives receiving employee stock options and the top ten employees with stock options:

April 15, 2024 unit: share

Title	Name	No. of stock option	Stock options as a percentage of shares issued	Exercised				Unexercised			
				No. of shares converted	Exercised price	Amount	Converted shares as a percentage of shares issued (%)	No. of stock option	Exercised price	Amount	Converted shares as a percentage of shares issued (%)
Managerial officer	President	1,630,000	0.50%	862,500	18.60 19.90 24.80 26.60 29.50 36.75 39.50	27,990,125	0.26%	767,500	24.80 152.80	109,914,000	0.23%
	Executive Vice President										
	Vice President										
	Vice President										
	Plant Operation Director										
Employee	Senior Manager	1,102,000	0.34%	850,000	18.60 24.80 27.65 29.50 36.75 39.50	26,580,555	0.26%	252,000	24.80 152.80	37,225,600	0.08%
	Senior Manager										
	Senior Manager										
	Manager										
	Manager										
	Manager										
	Manager										
	Project Manager										
	Deputy Manager										
	Consultant										

VI. Employee Restricted Stock: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Financing Plans and Implementation:

The 2022 cash capital increase and 1st Domestic Unsecured Convertible Corporate Bond capital increase plan is described as follows.

1. Content of the plan

(1) The competent authority's approval date and the document number: Jin-Guan-Zheng-Fa-Zi No. 1110335738 and 11103357381 dated 2022.4.12

(2) Total capital required for the plan: NT\$3,295,250 thousand.

(3) Source of capital:

a. Cash capital increase 7,000 thousand shares, issued at NT\$ 220 per share, with a total of NT\$ 1,540,000 thousand.

b. Issued 1st Domestic Unsecured Convertible Corporate Bond. The issuance period is three years. The denomination of each piece is NT\$100 thousand and the coupon rate 0%. The total number of issuances is 17,500, and the total denomination is \$1,750,000 thousand, issued at 100.3% of par value, with total issued amount \$1,755,250 thousand.

(4) Progress of the plan and capital utilization:

Before

Unit: NT\$ thousand

Plan	Proposed Completion date	Total funds required	Proposed progress of capital utilization	
			2022	
			Q2	Q3
Enhancement of working capital	2022Q3	3,295,250	1,755,250	1,540,000
Total		3,295,250	1,755,250	1,540,000

After

Unit: NT\$ thousand

Plan	Proposed Completion date	Total funds required	Proposed progress of capital utilization	
			2024	
			Q2	
Enhancement of working capital	2024Q2	3,295,250	3,295,250	
Total		3,295,250	3,295,250	

(3) Reasons for change:

MVC's original plan to issue new shares and the first domestic unsecured convertible corporate bonds in 2022 was to use the working capital for the production of the vaccine material for the COVID-19 Vaccine. In order to make proper use of the unused funds, we intend to use \$622,749 thousand of the unused funds for the purchase and production of enterovirus 71 vaccine (EV71) and quadrivalent influenza vaccine (QIV), which are necessary for the working capital of the plant.

(4) Benefits after change:

MVC received approval from the Taiwan Food and Drug Administration of the Ministry of Health and Welfare for the registration of quadrivalent influenza vaccine and enterovirus 71 vaccine on March 8, 2023 and April 12, 2023, respectively, and sales in Q3 2023. It will have a positive impact on MVC's overall operational development in the future; the increase in working capital will strengthen MVC's financial structure.

(5) The date of the shareholders' meeting for the change of plan: To be submitted to the shareholders' meeting for recognition on June 29, 2023.

2. Implementation status and benefit analysis:

(1) Status of Implementation :

Plan	Implementation status		Reasons and improvement plans for ahead or behind the project schedule	
Enhancement of working capital	Amount used	Budget	3,295,250	According to the financing Plans, there are no delays in implementation. The remaining balance of NT \$1,755 million was retained for the return of corporate bonds.
		Actual	1,540,000	
	Achievement rate (%)	Budget	100	
		Actual	46.73	

(2) Benefit Analysis :

Item		Before Capital increase	After Capital increase	
		Dec.31,2021	CB Not Converted	CB Fully Converted
Financial structure (%)	Debt ratio	11.76	27.04	7.07
	Ratio of long-term capital to property, plant and equipment	393.85	678.20	678.20
Solvency (%)	Current ratio	608.07	1,407.18	1,407.18
	Quick ratio	807.58	1,606.68	1,606.68

As shown in the table above, after the completion of the fundraising plan, MVC will be able to increase the proportion of its capital and reduce its dependence on financial institutions, and will have more flexibility in the use of capital. After the completion of the capital raising, MVC's current ratio, quick ratio, and long-term capital to property, plant, and equipment ratio will be significantly increased; and the debt ratio will be significantly reduced to 7.07% after the conversion of the bonds with the right of the bondholders to convert the bonds into common shares of MVC. This will have a positive impact on MVC's overall operational development and financial structure, enhance its overall competitiveness in the market and contribute to MVC's long-term development.

3. Changes in the content of plans, source of capital, utilization, and benefits, reasons for change, and report to the shareholders' meeting: None.
4. The Date of the Entry of the Market Observation Post System: April 12, 2022.

Chapter 5. Operational Highlights

I. Business Activities:

(I) Scope of business

(1) Scope of principle businesses

MVC is a biotech and new pharmaceutical company approved by the Industrial Development Bureau, Ministry of Economic Affairs, by the “Act for the Development of Biotech and New Pharmaceuticals Industry.” Its main operations include research and development (R&D), manufacturing, and sales of “biological products” for human use (including vaccines and genetically modified protein drugs). The scope of business is as follows:

IG01010 Biotechnology Services

F401010 International Trade

C802041 Manufacture of Drugs and Medicines

F108021 Wholesale of Western Pharmaceutical

F108031 Wholesale of Medical Devices

CF01011 Medical Devices Manufacturing

MVC conducts R&D, designs, develops, manufactures, and sells the following products:

1. Cell-cultured vaccines:

Influenza vaccines, enterovirus 71 vaccines, dengue vaccines, and other cell-cultured vaccines.

2. Other biological products:

Biosimilars (anti-RSV monoclonal antibody Palivizumab and Fabrazyme injection, etc.) and the development and manufacturing of cell-culture for cell therapy-use.

(2) Major products and their proportion of revenue

Unit: NT\$ thousand

Major products	2023	
	Sales revenue	Proportion of revenue (%)
Enterovirus A71 Vaccine	252,732	64.87
FLU Quadrivalent	136,525	35.04
Others	367	0.09
Total	389,624	100

(3) Current products (services):

1. "MVC" Enterovirus A71 Vaccine (Envacgen):

The Envacgen obtained approval from the Taiwan Food and Drug Administration on April 12, 2023, and began mass production at the end of April. It entered the domestic market on August 8th of the same year, achieving over NTD one billion dollars in monthly revenue and capturing a 90% market share in the first month. The Envacgen (License No. 000152) is the only domestically approved EV71

vaccine that underwent regular review, not an accelerated approval process. In a multi-regional phase 3 clinical trial (MRCT), the Envacgen achieved a real-world vaccine efficacy of 100% (all confirmed cases occurred in the placebo group, with zero infections among the vaccinated infants and toddlers during the follow-up period). This data has been published in the globally recognized journal, *The Lancet*. MVC is also currently the only domestic developer with in-house production capacity for EV71 vaccines. After obtaining the domestic regulatory approval, MVC submitted the new drug applications to regulatory authorities in Vietnam and Malaysia in May and December 2023, respectively, with plans to submission in Thailand, Singapore, and other Southeast Asia countries to enter the international market.

EV71 is prevalent in hot and humid regions, and besides Taiwan, it is also an endemic disease in Southeast Asia and China. Infants and young children face the highest risk of severe diseases and death from EV71. Globally, only three vaccine manufacturers in China and two in Taiwan have obtained licenses for EV71 vaccines. Regarding the evaluation of vaccine licenses in Taiwan, one approach is to apply for accelerated approval from the TFDA based on neutralizing antibody titers (which still requires confirmatory tests to demonstrate its clinical efficacy). The other evaluation approach is similar to the one adopted by the MVC vaccine, which involves submitting comprehensive Phase III clinical efficacy data for domestic regulatory approval.

The Envacgen is a technology transfer from the National Health Research Institutes in Taiwan. After obtaining research development results, including the completion of phase 1 clinical trials in adults, MVC immediately embarked on phase 2 clinical verification focusing on infants and children safety, dosage exploration, and cross-protection responses against genetic subtypes. With rigorous trial results, they selected the optimal dosage and administration intervals. MVC also vertically integrated the entire production process, from drug substance to vaccine finished products, and successfully developed commercial-scale production capacity in MVC's own factory in Zhubei. The process quality has also obtained the Taiwan Ministry of Health and Welfare's PIC/S GMP certification, making MVC the first domestic vaccine manufacturer capable of full-line production of Enterovirus vaccines, truly implementing local research, production, international clinical validation, and marketing.

After completing the second phase 2 clinical trials in Taiwan, MVC evaluated the global prevalence of Enterovirus, its market potential, and the quality of clinical trial execution. MVC ultimately collaborated with the Institute Pasteur in Ho Chi Minh City for a multi-regional phase 3 clinical trial (MRCT). The Envacgen is currently the only one that has obtained clinical efficacy data for infants aged 2 to 6 months globally. In MRCT phase 3 clinical trial of the Envacgen, clinical

data from three age groups (2 to 6 months, 6 months to 2 years, and 2 years to less than 6 years) verified a "vaccine efficacy" of 100% (all confirmed cases occurred in the placebo group, with zero infections among the vaccinated infants during the follow-up period). Statistical Poisson regression analysis showed an efficacy rate as high as 96.8%. Moreover, during the phase 3 clinical trial of the Envacgen, confirmed cases covered regional endemic subtypes B5 and C4, demonstrating that the Envacgen provides 100% cross-protection against prevalent subtypes in the real world.

The results of the Phase 3 clinical trial of the Envacgen have been published in *The Lancet*, one of the highest-impact medical journals globally (Impact Factor: 202.731). It has also received special invited commentaries and recommendations from external experts in *The Lancet*. The citation from *The Lancet* specifically emphasizes the importance of the Envacgen for preventing infants aged 2 to 6 months and the long-term immunological benefits of administering the third booster dose.

After obtaining official regulatory approval for the domestic Enterovirus vaccine based on comprehensive data, MVC will continue to expand its presence in overseas markets. With excellent Phase 3 clinical trial efficacy data and regulatory approval in Taiwan, MVC has applied for drug certifications in Vietnam and Malaysia in Southeast Asia. MVC will continue to expand its market presence in the overseas markets.

2. MVC FLU Quadrivalent:

The MVC FLU quadrivalent vaccine received NDA approval from the Taiwan Food and Drug Administration of the Ministry of Health and Welfare in March of 2023. It is suitable for active immunization of children aged 3 and above, as well as adults, to prevent seasonal influenza caused by two types of influenza A viruses and two types of influenza B viruses covered by this vaccine.

MVC entered into a collaboration with GC Biopharma, a leading vaccine manufacturer in South Korea, for the development of a seasonal influenza vaccine. The collaboration was initiated through a contract signed in April 2018. GC Biopharma is one of the largest influenza vaccine supplier in South Korea and currently serves as a major supplier of seasonal influenza vaccines to the Pan American Health Organization (PAHO) and the United Nations Children's Fund (UNICEF). GC Biopharma has supplied influenza vaccines to 63 countries worldwide, with a cumulative sales volume of over 300 million doses. Furthermore, GC Biopharma is the second quadrivalent influenza vaccine manufacturer to be prequalified by the World Health Organization (WHO), making it one of the highest-quality influenza vaccine producers globally.

During the period of regulatory inspection and registration for this development project, the world has been facing the COVID-19 pandemic, which has posed

significant challenges to the stable supply of various vaccines and the congestion in international vaccine cold chain transportation. For "seasonal" influenza vaccines, which have high demand and require concentrated supply, the impact has been even more substantial. Therefore, in accordance with the original plan outlined in the contract between the two parties, this development project adopts the mode of packaging the MVC vaccine in our own brand's bulk form to ensure stable supply time and supply quality. The project has successfully completed various procedures, including PIC/S GMP inspection and drug registration, and obtained the drug license in March 2023. MVC participated in the influenza vaccine tender for the first time in the same year and was the earliest supplier among all government-funded influenza vaccine providers to complete the delivery of all vaccines. MVC will continue to focus on the government-funded vaccine market in the current year and in the future, contributing efforts to the government's public health policies.

3. MVC COVID-19 Vaccine:

The MVC COVID-19 Vaccine is a recombinant subunit vaccine developed by MVC. The trimeric pre-fusion form of the S-2P spike protein antigen, which was designed based on technology transferred from the US National Institutes of Health (US NIH), has been utilized in this vaccine. MVC successfully established stable clone and developed the antigen production process. The formulation of the vaccine was established after evaluating various adjuvant combinations with different mechanisms of action. Ultimately, CpG1018 DNA adjuvant was selected, as it effectively induces Th1 immune responses. The immunogenicity formulation was determined and optimal dosage selection was made through animal testing and Phase I clinical trials. Subsequently, pivotal clinical trials were conducted to obtain Emergency Use Authorization (EUA) for Taiwan market approval.

The MVC COVID-19 Vaccine received approval for Emergency Use Authorization from the Ministry of Health and Welfare on July 19, 2021. And, it was also selected as one of the vaccines for the World Health Organization's Solidarity Trial Vaccines (STV) trial in October 2021. The STV led and funded by the WHO, conducted Phase 3 clinical trials with a traditional placebo-controlled design in the Philippines, Colombia, and the Republic of Mali to evaluate vaccine efficacy. In addition, the MVC COVID-19 Vaccine received sponsorship from the Coalition for Epidemic Preparedness Innovations (CEPI), an international organization, to conduct a booster immunization study combining the MVC vaccine with mRNA vaccines and adenoviral vector vaccines.

On August 29, 2023, the World Health Organization (WHO) unit C-TAP (COVID-19 Technology Access Pool) and the United Nations health organization unit MPP (Medicines Patent Pool) jointly announced that MVC has authorized its COVID-19 vaccine technology to the above international organizations to promote the global application of vaccine manufacturing technology.

In March 2024, the "Population-Based Evaluation of Vaccine Effectiveness against SARS-CoV-2 Infection, Severe Illness, and Death, Taiwan" published in the official journal of the U.S. CDC "Emerging Infectious Diseases", comparing the effectiveness among different vaccine platforms. This paper is the first one in the world to compare mRNA, protein subunits, and adenovirus vector vaccines using real-world big data. It was confirmed that the protein subunit vaccine used by MVC and the mRNA vaccine has equally effectiveness in protecting against severe disease and death in the real world.

(4) Future product and services development plans

1. Other Monovalent/Multivalent Enterovirus vaccines:

Enteroviruses are mainly divided into four species: enterovirus A, B, C, and D, each of which has multiple serotypes. Among non-polio enteroviruses, EVA71 is the most likely to cause neurological complications. Thus, it has become MVC's primary development target. It has also obtained excellent experimental data and successfully developed and marketed it. In addition to the EVA71 virus, the D68 virus is a cyclically prevalent virus in the world, and its high severity rate may cause serious life-threatening diseases; the Coxsackie virus A16 type is highly contagious and accounts for more than 80% of the total cases of hand, foot and mouth disease, seriously affecting the quality of life of young children. Therefore, MVC has begun antigen screening and evaluation for D68 and CA16. The antigen platforms used for screening include the whole virus inactivation platform and the Virus-Like Particle (VLP) platform. MVC has mastered the core technology and key aspects of enterovirus vaccine development. Building on the successful development of EVA71 vaccine in the past, our next step is to actively expand our portfolio of enterovirus vaccines. In the development of monovalent or multivalent vaccines for other types of enteroviruses, we will select products with global demand and competitiveness for further development.

2. Dengue vaccine:

MVC dengue vaccine technology was transferred from the U.S. National Institutes of Health (NIH), which has completed more than ten phase 1/2 clinical trials. After the technology transfer, MVC has also completed confirmatory phase 2 clinical trial in Taiwan. At present, only a few countries in the world have launched dengue vaccine in recent years. The development of MVC dengue vaccines still has many competitive advantages. In the future, the layout and planning of phase 3 clinical trial will be evaluated based on the company's development and resource allocation.

(II) Industry overview

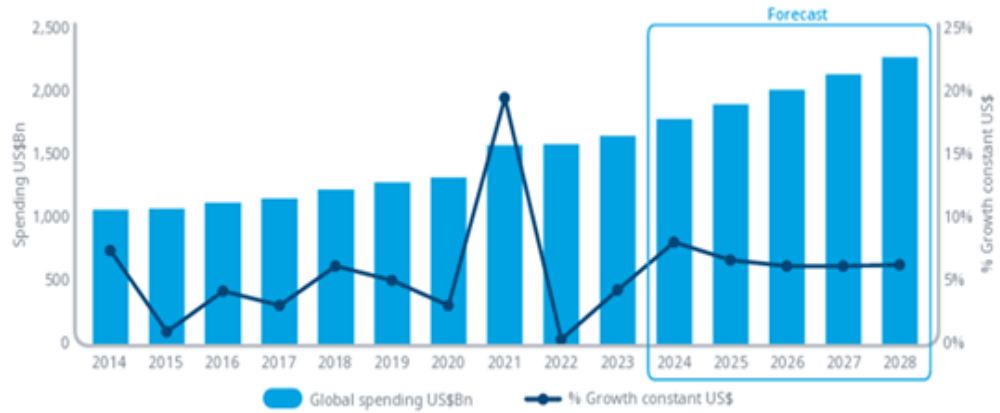
(1) Industry status and development

1. Global Pharmaceutical Market Development

Benefiting from population growth, the aging population trend, and advancements in medical technology, the global pharmaceutical market demand continues to steadily rise. According to a report by IQVIA in January 2024, it is projected that global pharmaceutical spending will grow at a compound annual

growth rate (CAGR) of 5-8% from 2024 to 2028, reaching a scale of nearly \$2.3 trillion by 2028.

Global Pharmaceutical market sales and growth rate



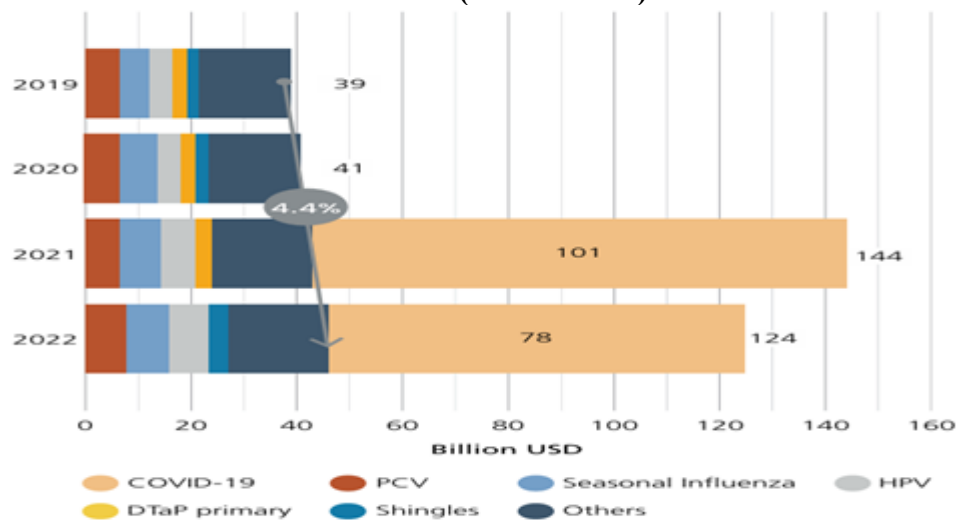
Source: IQVIA Market Prognosis, Sep 2023; IQVIA Institute, Dec 2023.

Source: IQVIA Institute (2024/01)

2. Global vaccine market Trends

Looking at the market size, referring to the Global Vaccine Market Report published by the WHO in 2023, despite the decline in COVID-19 vaccine purchases in 2022, COVID-19 vaccines still account for 60% of the global vaccine market, with an output value of \$78 billion. Excluding the COVID-19 vaccine, the total dose of other vaccines is about 5 billion doses, and the output value is \$46 billion. The majority consists of pneumococcal vaccine (PCV), seasonal influenza vaccine, and human papillomavirus vaccine (HPV), accounting for approximately 50% of non-COVID-19 vaccines, and these three vaccines continue to grow at 16-18% respectively. For a vaccine market with an extremely long product life cycle and there are limited new vaccine introductions, the launch of other novel vaccines will still be the driving force for market growth.

Evolution of vaccine volumes (billion doses) between 2019 and 2022

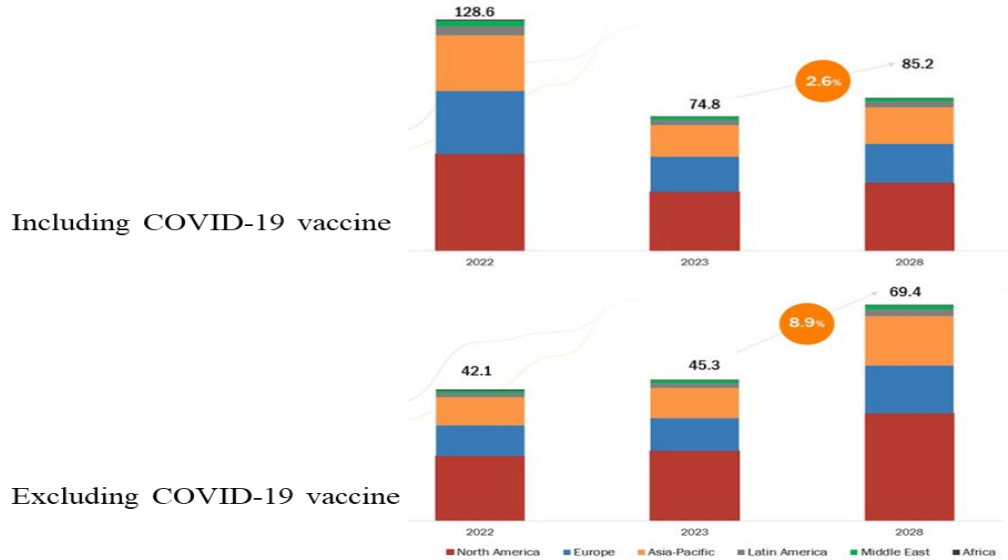


Source : WHO 2023 Global Vaccine Market Report(2024/03)

According to MarketandMarket, the global vaccine market is estimated to reach US\$74.8 billion in 2023, and will grow to \$85.2 billion in 2028, with a compound annual growth rate (CAGR) of 2.6%; excluding COVID-19 vaccines, the revenue

of other vaccines in 2023 is estimated to be \$45.3 billion, and grew to \$69.4 billion in 2028, with a compound annual growth rate of 8.9%. The shrinkage of the COVID-19 vaccine market is due to the huge overbought by the WHO and national governments in response to the emergency public health situation, and the gradual transition to seasonal normal administration demand due to the weakening of the COVID-19 disease. On the other hand, the market for other vaccines continues grow steadily. Therefore, the launch of new vaccine products will become the main force driving market growth.

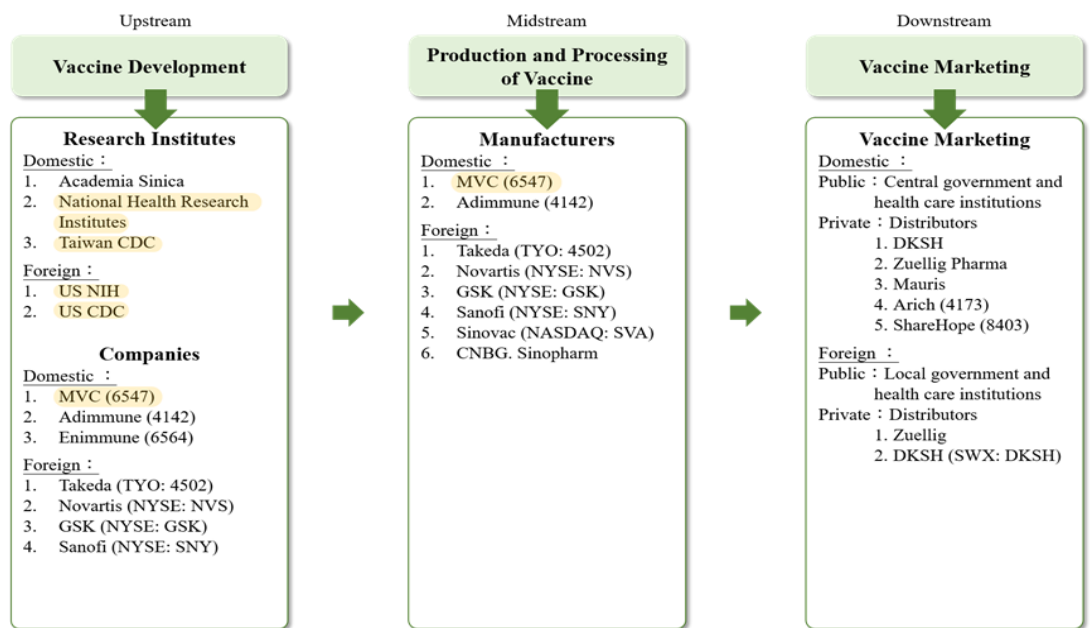
The global vaccine market size from 2022 to 2028.



Source : MarketandMarket (2023/11)

(2) Relationship amongst upstream, midstream, and downstream of the industry

MVC’s principal businesses include the R&D, manufacturing, and sales of “biological products” for human use (including vaccines and genetically modified protein drugs). The Relationship amongst upstream, midstream, and downstream of the industry in which it is located is illustrated as follows:



Unlike the general technology industry, the biopharmaceutical industry has a high threshold and long life cycle. PhRMA Org (U.S.A.) evaluates that the life cycles of new drugs are around 10 to 20 years, and compared to new drugs, vaccines have a longer life cycle as they require higher biosafety level, technology threshold, and product placement cost, the vaccine products tend to have a longer life cycle. Furthermore, unlike other drugs, vaccines target the vast healthy population. Thus, countries around the world impose strict regulations on the production quality, clinical verification, and safety monitoring of the vaccines, extending their R&D cycle to over 10 years.

MVC Business Model



In terms of business model, MVC selects and technology transfer the vaccine candidates that have commercial potential from domestic and foreign research institutions, and technology transfers. For example, the co-developed S-2P pike protein vaccine and dengue vaccine with US NIH, and the co-developed EV71 vaccine with National Health Research Institutes. After taking over the research results in early developing stage, MVC carries out the mass production process development of antigen, clinical trial verification, filling and packaging, drug license application, marketing, and sales. The business model adopted by MVC not only decreases the risk of failure in the early R&D stages but also launches the products to the target market in the most efficient way. In addition, the "Contract Development and Manufacturing Organization (CDMO)" can quickly meet the large demand for epidemic prevention at home and abroad.

(3) Development trends of products

1. Enterovirus A71 (EV71) Vaccine:

The transmission of Enterovirus 71 (EV71) is global, but it is more common in East Asia and Southeast Asia due to its suitability for survival and transmission in warm and humid environments. According to data from the CDC, children under the age of five are at high risk of severe illness, especially infants under six

months old, who are at high risk of severe complications and death. The fatality rate for severe cases ranges from 1.3% to 33.3%, posing a serious threat to the safety of tens of millions of newborns in the region each year.

Currently, there are only five pharmaceutical companies in Taiwan and China that have obtained regulatory approval to market EV71 vaccines. Although three Chinese manufacturers have obtained regulatory approval in China, their EV71 vaccines are only intended for use in children aged 6 months to 6 years, without coverage for the high-risk population of infants under 6 months old. Additionally, Taiwan's regulations prohibit the importation of vaccines from China. Therefore, domestically, the main suppliers are two vaccine manufacturers: MVC and Adimmune.

In the Taiwanese market, Adimmune obtained accelerated approval in January of 2023 based on neutralizing antibody indicators (but still requires Phase 3 clinical trials to demonstrate its clinical efficacy), while MVC obtained regular vaccine formal approval in April of 2023 based on complete Phase 3 vaccine efficacy data. The two products differ in formulation, dosage, vaccination schedule, and empirical data, but both vaccines were launched in August of 2023. The comparison table of the two manufacturers' product specifications is as follows:

Comparison table of two EV71 vaccine

Product Name	Envacgen	EnVAX-A71
Permit Number	Ministry of Health Vaccine License No. 000152	Ministry of Health Vaccine License No. 000149
Antigen/Adjuvant	Antigen: 2.5 µg/AlPO ₄	Antigen: 1 µg (1.5U)/Al(OH) ₃
Indication	Indicated for active immunization for the prevention of disease caused by Enterovirus 71 in children aged 2 months to less than 6 years of age.	EnVAX-A71 as the active immunization to prevent disease caused by EV71 in children aged from 2 months to less than 6 years demonstrates a favorable risk benefit profile to recommend accelerated approval. The accelerated approval is based on clinical immunogenicity data and safety data. Further efficacy data in the pivotal EV-BR1701 study is required for regular approval.
Usage	2 months – 2 years : 2 doses + 1 booster 2 years – 6 years : 2 doses The interval between the first dose and the second dose is 56 days, and the booster dose is inoculated one year after the first dose.	2 doses, 28 days between the first dose and the second dose. The need for booster immunization with this vaccine has not been established.
Vaccine efficacy Sample size	96.8% N=3,061	Unknown N=2,727 have been collected, but not yet been unblind.
Seroprotection Rate Day 28 after 2 nd dose	99.52 % Sample size: 2,087	98.31% Sample size: 296
Cross protection	Cross protect to B5 and C4 strain during phase 3 study	Only serological data, phase 3 ongoing
Immune persistence	Over 5 years (a long-term follow-up of Phase 2 trial)	Only 1 year Instructions: Whether booster dose is needed remains to be evaluated.
Manufacturing sites	Whole process in MVC plant	Antigen: NHRI, Fill and finish: Adimmune
Time to market	August, 2023	August, 2023

Source: Generic Drug Certificates for both products

< Competitive Advantages of the MVC Enterovirus 71 Vaccine (Envacgen)>

- a. The only globally developed vaccine with over 3,000 participants in multi-regional phase 3 clinical trial (MRCT), providing evidence of vaccine

efficacy and cross-protection against circulating subtypes in the ASEAN region.

- b. The results of the Phase 3 clinical trials of the Envacgen have been peer-reviewed and published in "The Lancet" journal, which is one of the highest-impact medical journals globally (Impact Factor: 202.731). The publication has received special commentary and recommendations from external experts invited by "The Lancet." The citation emphasizes the importance of the Envacgen for the prevention of infants under 2-6 months old and the long-term immune durability of the vaccine with the addition of a third dose.
 - c. The only vaccine globally that follows a 2+1 dosing schedule (2 primary doses plus 1 booster dose) specifically designed for high-risk infants under 2 years old, extending the long-term protection of the vaccine. This vaccine has a significant market niche in populations with a high severity and fatality rate. Given the higher severity and mortality rate among infants under 6 months old and their significant weight changes during this period, the clinical trials conducted by MVC involved three age groups: 2 months to 6 months, 6 months to 2 years, and 2 years to under 6 years, to evaluate the optimal vaccine dosing and the effectiveness over time.
 - d. The vaccine is safe. The vaccine group in the Phase 3 clinical trials showed comparable reactions to the placebo group, indicating good safety and tolerability.
 - e. The vaccine demonstrates 100% efficacy, estimated to be 96.8% based on statistical modeling. Long-term follow-up of participants in Phase 2 clinical trials showed that even after 5 years of vaccination, a high level of antibody efficacy was maintained.
 - f. The vaccine exhibits cross-reactivity against different subtypes of viruses prevalent in China and the ASEAN region, providing a competitive edge for entry into the markets of China, Hong Kong, Macau, ASEAN countries, and others.
 - g. International PIC/S GMP production quality and capacity. The MVC Zhubei Biopharmaceutical Plant has passed the PIC/S GMP inspection, making it the first domestically capable PIC/S GMP level cell culture vaccine factory. In addition to providing a stable supply to the domestic market, it can accelerate the simultaneous application for regulatory approvals in various countries through the ASEAN Mutual Recognition Arrangement mechanism. The production capacity is also sufficient to cater to emerging markets with a large population of newborns, such as Southeast Asia.
2. **Quadrivalent Influenza Vaccine**
Seasonal influenza in the northern hemisphere occurs between November and

March each year and primarily caused by influenza A and B viruses. The harm of the flu lie in its rapid onset, wide spread, and symptoms which include fever, headache, muscle aches, fatigue, runny nose, sore throat, and cough. It may also cause gastrointestinal symptoms such as nausea, vomiting, and diarrhea. The most common complication is pneumonia, but it can also lead to encephalitis, myocarditis, and other serious secondary infections or neurological disorders, potentially resulting in death.

To protect the global population from the harm of influenza, WHO continuously monitors the global influenza epidemic situation and the variation of virus strains each year. It announces the possible virus strains that may be prevalent in the northern and southern hemispheres respectively for that year. Based on WHO's recommendations, pharmaceutical companies in each country then produce influenza vaccines for that year to safeguard the health and safety of the people. The influenza vaccine is currently the most widely used vaccine in the world every year, but it also has the tightest manufacturing and supply schedule. Over the years, there have often been supply shortages due to increased demand, epidemic outbreaks, or unstable supply chains. Therefore, MVC has cooperated with GC Biopharma, a leading vaccine manufacturer in South Korea. GC Biopharma produces the vaccine bulk liquid, and then MVC performs aseptic filling, packaging, and quality control before release. MVC FLU Quadrivalent is suitable for children and adults aged 3 years above. It can prevent influenza caused by two types of influenza A viruses and two types of influenza B viruses. It is updated annually according to the virus strains announced by WHO, providing the latest quadrivalent influenza vaccine.

< Development Highlights of MVC FLU Quadrivalent Vaccine >

- a. It possesses data from five pivotal phase 3 clinical trials, with four conducted in Korea covering infants, children and adolescents, adults, and the elderly, across four different age groups. One trial was conducted domestically in Taiwan, involving a head-to-head comparison with the GSK quadrivalent influenza vaccine as the control group. The safety data from this trial was excellent, and the immunogenicity data met the non-inferiority equivalence standard.
- b. Korea ACIP and CDC recommend that the quadrivalent influenza vaccines can be administered concurrently with 13-valent pneumococcal vaccines or COVID-19 vaccines during the flu season. Past experiences with concurrent administration have also shown good immunogenicity and safety.
- c. Localized aseptic filling production and inspection release were completed at the MVC Zhubei factory, ensuring both the timeliness and stability of the supply through localized production.

3. COVID-19 vaccine

Currently, global COVID-19 vaccines can be classified into four major platforms: mRNA vaccines, viral vector vaccines, recombinant protein subunit vaccines, and whole inactivated virus vaccines. Each vaccine platform has its advantages and disadvantages. However, considering the data on vaccine effectiveness and safety, the whole inactivated virus vaccines and adenovirus vector vaccines have gradually diminished. Currently, mRNA vaccines dominate the global market. Although the manufacturing process of recombinant protein subunit vaccines is slower compared to mRNA vaccines, their excellent safety profile, reliable effectiveness, and the requirement for cold chain storage at only 2-8°C have secured their place in the market.

Since major variants of the virus have mutations not only in the receptor binding domain (RBD) but also in other regions outside the RBD, vaccines using the full-length spike protein antigen can better combat viral mutations compared to vaccines that only target the RBD antigen.

However, as the trend of COVID-19 gradually resembles that of influenza, governments worldwide have begun to lower their epidemic alert levels. Currently, the global COVID-19 pandemic strain continues to evolve, and vaccines developed based on the original COVID-19 prototype strain are no longer effective against variant strains. Therefore, some pharmaceutical companies have also initiated development projects targeting new variant strains. Our government has procured vaccines from manufacturers and encourages vaccination, especially among high-risk populations. However, the vaccination rate for variant strains remains relatively low in countries worldwide.

MVC has licensed its COVID-19 vaccine technology to the WHO C-TAP (COVID-19 Technology Access Pool) and the United Nations Public Health Organization unit MPP (Medicines Patent Pool). This announcement was made jointly by the two units on August 29, 2023. MVC's action marks it as the first global vaccine manufacturer to participate in both the WHO C-TAP and United Nations MPP. It is hoped that this collaboration with international organizations will promote widespread global access to COVID-19 vaccines.

< Development Highlights of MVC COVID-19 Vaccine >

The MVC COVID-19 vaccine is developed based on the S-2P full-length gene-modified recombinant spike protein technology from the National Institute of Health (NIH) in the United States. The vaccine consists of the genetically modified stable conformation SARS-CoV-2 spike protein (S-2P) antigen, aluminum hydroxide, and CpG 1018 adjuvant. Another mRNA antigen technology encoding the same spike protein has been licensed to Moderna, a US-based company.

Compared to competitors both domestically and internationally, the MVC COVID-19 vaccine possesses five major competitive advantages:

- a. Induces a Th1 immune response. Through large-scale animal trials, MVC has optimized the antigen/adjuvant combination and adopted CpG1018 adjuvant, which is approved by the US FDA, to induce the necessary Th1 immune response.
- b. Excellent safety profile. In current clinical trials and with more than 3 million doses administered domestically, no vaccine-related severe adverse reactions have been observed.
- c. Generates excellent immunogenicity. Clinical trial data in humans indicate that vaccine recipients produce excellent immunogenicity, with neutralizing antibody titers superior to those of adenoviral vector vaccines. The vaccine also demonstrates neutralizing activity against most highly concerning variants, providing protection against moderate to severe disease.
- d. Convenient cold chain transportation at 2-8°C. The vaccine can be transported and stored at temperatures between 2 and 8 degrees Celsius. This represents a competitive advantage in terms of convenience in transportation and administration when compared to international vaccine competitors, which often require storage at temperatures ranging from -20°C to -80°C.
- e. PIC/S GMP manufacturing quality. The MVC Zhubei plant is the first domestic production-capable PIC/S GMP level cell culture vaccine factory. The related contract manufacturing plants also possess PIC/S GMP certification.

(III) Research and development achievements and plans

(1) R&D expenditures in recent years:

Unit: NT\$ thousand

Item	2023	Q1 2024 (unaudited)
R&D expenses	1,200,614	95,192

(2) Successfully developed technologies or products

MVC's main products ready for market:

1. MVC Enterovirus 71 Vaccine (Envacgen)

The Envacgen obtained NDA approval from the Taiwan Food and Drug Administration on April 12, 2023. The licensing process was completed by the end of April to initiate mass production, and supply to the domestic market began on August 8. The Envacgen (Ministry of Health Vaccine License No. 000152) is currently the only EV71 vaccine in Taiwan that has been approved through regular registration instead of the accelerated approval mechanism. In a multicenter Phase3 clinical trial conducted in multiple countries, the vaccine demonstrated 100% real-world vaccine efficacy (all confirmed cases occurred in

the placebo group, with no infections among the vaccinated infants during the follow-up period). These data have been published in the globally renowned journal *The Lancet*. MVC is currently the only domestic developer with its own production capacity for enterovirus vaccines and. After obtaining the domestic drug license, it submitted new drug applications to Vietnam's DAV and Malaysia's NPRA in May and December respectively, and is expected to continue to submit new drug applications to other countries in Southeast Asia where the EV71 epidemic is prevalent (such as Thailand, Singapore, etc.), as well as target countries with specific market layouts, in order to extend the promotion of the Envacgen to other regions with severe epidemics.

2. MVC FLU Quadrivalent

MVC FLU quadrivalent received approval from the Taiwan Food and Drug Administration in March 2023 for registration and licensing. It is suitable for active immunization in individuals aged 3 and above to prevent seasonal influenza caused by two strains of influenza A virus and two strains of influenza B virus covered by the vaccine. This product is developed in collaboration with GC Biopharma, a leading vaccine manufacturer in South Korea. GC Biopharma is the largest supplier of influenza vaccines in Korea and also the largest supplier of seasonal influenza vaccines to the Pan American Health Organization (PAHO) and the United Nations Children's Fund (UNICEF). GC Biopharma has supplied influenza vaccines to 63 countries worldwide, with a cumulative sales volume exceeding 300 million doses. Furthermore, GC Biopharma is the second quadrivalent influenza vaccine to receive prequalification from the World Health Organization (WHO), making it one of the highest quality influenza vaccine manufacturers globally. In this development project, the MVC brand utilizes the mode of repackaging the bulk vaccine to ensure stable supply time and quality. The project has also completed PIC/S GMP inspections and drug registration procedures, obtaining the drug license in March 2023. In the same year, it is the first time for MVC participated in the influenza vaccine tender, and it was the earliest among all government-funded influenza vaccine suppliers to complete all vaccine inspection, sealing, and delivery. The performance in fulfilling the contract was excellent.

3. MVC COVID-19 Vaccine

The MVC COVID-19 vaccine is a recombinant subunit vaccine developed by MVC. The S-2P spike protein antigen in its trimeric pre-fusion form is based on technology transferred from the US National Institutes of Health (NIH) and has been developed by MVC through the establishment of stable clone and antigen production processes. The formulation of the vaccine's composition was evaluated by MVC, considering various adjuvant formulations with different mechanisms of action. Ultimately, the CpG1018 DNA adjuvant, which

effectively induces a Th1-biased immune response, was selected for formulation. The composition was further refined and the optimal dosage was determined through animal testing and Phase I clinical trials. Subsequently, pivotal clinical trials were conducted to obtain Emergency Use Authorization (EUA) for market approval.

The MVC COVID-19 vaccine received EUA from the Taiwan Ministry of Health and Welfare on July 19, 2021. It was selected as one of the vaccines for the World Health Organization Solidarity Trial (STV) in October 2021. The STV, led and funded by the WHO, conducted Phase 3 clinical trials with traditional placebo controls in the Philippines, Colombia, and the Republic of Mali to evaluate the vaccine's efficacy. Additionally, the MVC COVID-19 vaccine received sponsorship from the Coalition for Epidemic Preparedness Innovations (CEPI), an international organization, to conduct a third-dose booster immunization mixing trial with mRNA and adenoviral vector vaccines.

Comparative real-world protective effectiveness between the MVC COVID-19 vaccines and different COVID-19 vaccine platforms was published in the official journal of the U.S. CDC, "Emerging Infectious Diseases." This reference confirms that the protein subunit vaccines used in MVC and mRNA vaccines offer comparable protection against severe illness and death in the real world. In addition, the MVC COVID-19 vaccine has been evaluated by technical experts and selected as the first global vaccine manufacturer to participate in the WHO C-TAP and United Nations MPP programs. The data being adopted by international journals and the technology being recognized by international organizations are significant milestones for the MVC COVID-19 vaccines to contribute to epidemic prevention.

(IV) Short and long-term business development plan:

(1) Short-term business development plan:

1. MVC EV71 vaccine(Envacgen):

The Envacgen obtained NDA approval from the Taiwan Food and Drug Administration on April 12, 2023. The licensing process was completed by the end of April to initiate mass production, and supply to the domestic market began on August 8. After MVC obtains the official drug license domestically with complete data, it continues to expand the overseas markets through excellent phase 3 clinical trial efficacy data and Taiwan's NDA approval. MVC submitted new drug applications to Vietnam's DAV and Malaysia's NPRA in May and December respectively, and is expected to continue to submit new drug applications to other countries in Southeast Asia where the EV71 epidemic is prevalent (such as Thailand, Singapore, etc.), as well as target countries with specific market layouts, in order to extend the promotion of the Envacgen to other regions with severe epidemics.

2. MVC FLU Quadrivalent

The MVC quadrivalent influenza vaccine obtained the domestic drug license in 2023 and participated in the government tender for government-funded influenza vaccines in the same year. In the future, it will continue to participate in government-funded influenza vaccine procurement tenders, aiming to align with the Taiwan government's epidemic prevention policy and provide the government with a stable vaccine choice.

3. MVC COVID-19 vaccine:

The MVC COVID-19 vaccine received approval from the Taiwan Ministry of Health and Welfare for the Emergency Use Authorization (EUA) on July 19, 2021. It was also selected for the World Health Organization Solidarity Trial Vaccines (STV) in October 2021, and the unblind of STV trial data is still pending. Additionally, on August 29, 2023, MVC licensed its COVID-19 vaccine technology to the WHO program unit C-TAP (COVID-19 Technology Access Pool) and the United Nations Public Health Organization unit MPP (Medicines Patent Pool) to promote vaccine manufacturing technology widely used worldwide. We hope to expand the use of COVID-19 vaccines by joining the C-TAP initiative.

(2) Long- and middle-term business development plan:

1. EV71 Vaccine and Multivalent EV Vaccine Development:

The EV71 vaccine is based on the whole-virus deactivation and has achieved excellent trial data. After obtaining the domestic drug license, we will proceed with applying for drug licenses in Southeast Asian countries and other target markets. In addition to the EV-A71 virus, the D68 virus is a globally cyclical epidemic virus, with its high severity rates potentially leading to life-threatening diseases. The CA16 virus is highly contagious and accounts for over 80% of all cases of hand, foot and mouth disease, significantly impacting the quality of life of young children. Therefore, MVC has begun antigen screening evaluations for D68 and CA16. The antigen platforms used for screening include: the whole virus inactivation platform and the Virus-Like Particle (VLP) platform. Leveraging our core technologies and expertise in enterovirus vaccine development, demonstrated by our successful development of the EV71 vaccine, our next step will involve actively expanding our enterovirus vaccine product line. We will select competitive products with global demand for the development of single or multivalent enterovirus vaccines of other types.

2. Other Vaccine Product Development:

In addition to the EV71 and COVID-19 vaccine development, MVC also collaborates with the U.S. National Institutes of Health (NIH) on the development of dengue fever chimeric virus vaccines and respiratory syncytial virus (RSV) vaccines. These projects are considered potential vaccine candidates for our

medium to long-term product line development. The layout and planning of various research and development product lines will be evaluated based on MVC's development stage and resource availability.

II. Market and Sales Overview:

(I) Market analysis

(1) Regions where the main products (services) are provided (supplied)

Unit: NT\$ thousand

Main products	2023	
	Amount	Proportion (%)
Domestic sales	389,624	100
Foreign sales	-	-
Total	389,624	100

(2) Market share

1. Envacgen

There are currently two enterovirus 71 vaccines in Taiwan, the Envacgen from MVC and EnVAX-A71 from Adimmune/Enimmune, which have been supplied on domestic private vaccine market since August 2023. The Envacgen is recommended by the Pediatric Infectious Diseases Society of Taiwan for use in children aged 2 months and above due to its excellent data of 96.8% vaccine efficacy in multi-regional phase 3 clinical trial, as well as comprehensive safety data across different age groups. Therefore, after its official launch and supply in August, it received a large number of orders from medical centers, regional hospitals, clinics, etc., and quickly gained a high market share. At present, the Envacgen has been administered to tens of thousands of infants and young children, demonstrating its outstanding safety. As of December 2023, the Envacgen has captured over 90% of the market share in the domestic private vaccine market.

2. MVC FLU Quadrivalent

In 2023, four vaccine manufacturers participated in the public influenza vaccine tender, namely Adimmune, Sanofi, TTY, and MVC. The MVC FLU Quadrivalent was developed in cooperation with GC Biopharma, a leading vaccine manufacturer in South Korea. After obtaining the drug license in March 2023, it immediately entered the public influenza vaccine tender. For the first time in 2023, the public influenza vaccine tender was changed to the most advantageous bidding method. The review committee were required to evaluate bidding manufacturers according to the selection criteria and allocation standards set by the CDC. MVC finally obtained approximately 10% of the total purchase volume. MVC's participation not only reduces the risk of influenza vaccine shortages domestically but also contributes stable revenue to the company.

(3) Future market supply, demand, growth potential

1. Market Supply and Demand of Enterovirus 71 Vaccine.

< Domestic Market for Enterovirus 71 Vaccine >

Enterovirus has a large-scale outbreak every 2 to 4 years approximately in Taiwan. The immunity debt after the COVID-19 pandemic from 2019 to 2022 has further increased in the transmission of infectious diseases following the easing of restrictions. According to the surveillance report from Taiwan CDC, in the 43rd week of 2023, there have been 26 confirmed cases of EV71 positivity in 2023, and the detected cases were located in Taipei City, New Taipei City, Keelung City, Yilan County, Taoyuan City, and Taichung City. Moreover, according to the surveillance report in the 15th week of 2024 (4/7-4/13), six cases of enterovirus 71 have already emerged. Nationwide, there have been 9,256 emergency room visits for enterovirus, marking a 20.9% increase compared to the previous week and the highest for the same period in nearly a decade, showing an upward trend. In addition, the number of suspended classes is also on the rise and higher than the same period last year. All these data indicate possibility of an early onset of the enterovirus epidemic this year, highlighting the urgent need for enterovirus vaccines.

At present, both domestic Enterovirus 71 vaccines are self-paid vaccines. The terminal price of Adimmune/ Enimmune is NT\$4,000 per dose, and it requires two doses of the primary series. The terminal price of the Envacgen is NT\$4,300 per dose. It is recommended that infants and young children under 2 years old receive 2+1 doses, while children over 2 years old with a more mature immune system are advised to receive 2 doses of the primary series. Both vaccines are approved for use in the 2-month to 6-year-old population, with a current target population of approximately 930,000 people in the market.

Number of births in recent years

Year	Number of Birth	Remark
2019	177,767	Pig 5years old
2020	165,249	Rat 4years old
2021	153,820	Qx 3years old
2022	138,986	Tiger 2years old
2023	135,571	Rabbit 1year 'old
2024	159,023	Dragon 0year old
Total : 930,416		

Source : Ministry of the Interior

< Overseas Market for Enterovirus 71 Vaccine >

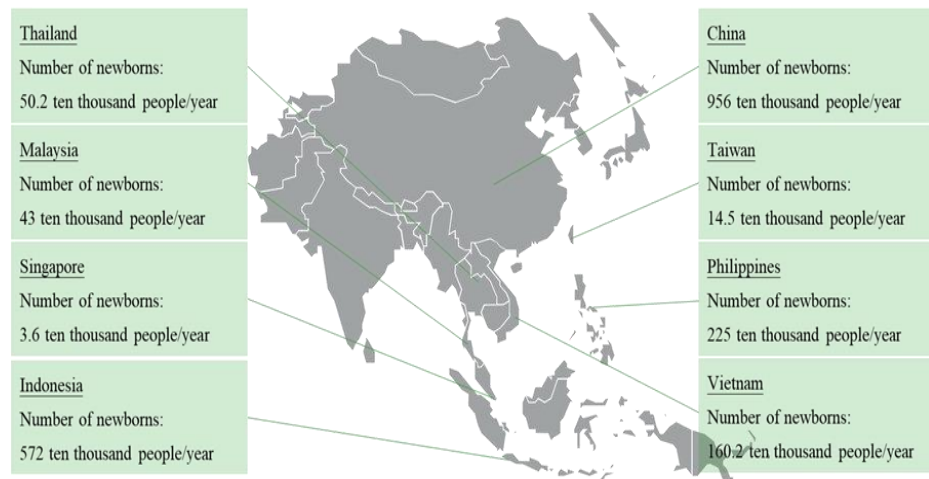
In terms of price reference in the market, in China, there are currently only three pharmaceutical companies that have entered the Chinese market with the Enterovirus 71 vaccine. They are the Institute of Medical Biology, Chinese Academy of Medical Sciences (CAMS), Sinovac Biotech Ltd., and Wuhan Institute of Biological Products Co., Ltd., which is a subsidiary of Sinopharm. The Enterovirus 71 vaccine is currently classified as a higher-priced Category 2

self-paid vaccine in China. In the three years before its market release, it sold more than 20 million doses annually, and the total supply of Enterovirus vaccines in China reached a peak of 30.05 million doses. The terminal price for consumers in China is approximately RMB\$218 to RMB\$300 (about NT\$980-NT\$1,350) per dose. Based on these figures, the estimated terminal market revenue for Enterovirus vaccines in China is about NT\$29.5 to 40.6 billion, indicating a significant market demand.

In the Southeast Asian market, by the end of 2022, the EV71 vaccine developed by CAMS was launched in Thailand, with a terminal price of 3,900 Thai Baht, equivalent to approximately NT\$3,500 per dose. This represents a higher-priced vaccine in Thailand. Sinovac Biotech Ltd. has obtained the EV71 drug registration in Indonesia, but the terminal price has not been queried at this time. Apart from these two countries, there is currently no EV71 vaccine available in the Southeast Asian market, making it a vacuum market. Southeast Asian countries, with their large population base and high demand for disease prevention, remain a key focus for overseas market expansion for MVC. The Envacgen can be administered to infants and young children starting from 2 months of age, and the Phase III clinical trial data has confirmed its protective efficacy against the B5 and C4 subtypes prevalent in Southeast Asia. The product is highly competitive in the target market.

Huge Demand Niche for Enterovirus Vaccines

➤ Southeast Asia has a huge newborn population and high demand for diseases, but the market has not yet been fully developed.



Source: 1. <https://www.cia.gov/the-world-factbook/>; 2. Government Statistics by Country

2. Market Supply and Demand for Quadrivalent Influenza Vaccines

The domestic seasonal influenza vaccine market is primarily dominated by the public sector. Last year, the purchase volume was approximately 7 million doses, with four manufacturers winning bids at a price range of 236 to 242 yuan per dose

(including taxes). Apart from the public sector market, the private market accounts for approximately 300,000 to 800,000 doses.

3. Market Supply and Demand for COVID-19 Vaccines

The demand for COVID-19 vaccines in the market is gradually shifting towards a more endemic seasonal influenza-like pattern after experiencing the pandemic peak and global over-buying for strategic reserves from 2020 to 2022. Although countries around the world have been gradually lifted the emergency public health measures for COVID-19 in 2023, the number of infections and hospitalizations has not been completely subsided. It is expected that COVID-19 may evolve into a seasonal influenza-like pattern, coexisting with the virus. Countries have also been formulating policies to provide additional vaccine doses to high-risk populations at least once a year and promoting the self-payment model for vaccines.

In response to the trend of the influenza-like pattern, as the domestic epidemic situation has declined and is out of the epidemic period, people are less willing to receive the new coronavirus vaccine. Currently, the Taiwan government is still purchasing new variant vaccines from Moderna and Novavax, but the national vaccination rate is only 10.65%. In the future, MVC will determine the selection and vaccine use policies for mutant strains according to relevant guidelines formulated by WHO and other relevant authorities. Recently, MVC joined the C-TAP initiative to achieve equitable access to global vaccines and pays close attention to policy trends.

(4) Niche

MVC's principal businesses include the R&D, manufacturing, and sales of vaccines and genetically modified protein drugs based on "novel cell culture process technology". This technology is an advanced vaccine production technology and a high technical barrier to entry, which can establish a competitive advantage for MVC. Furthermore, MVC also has the following competitive niche:

1. Professional and stable management team

MVC's management team has years of accumulated technology and experience. The management team is comprised of senior professionals in the industry. The members can properly grasp the key technologies of products and have business development capabilities, which will lay the foundation for MVC's future development.

2. Taiwan's only cell culture vaccine plant with mass production scale

MVC is ahead of its competitors that MVC has a cell culture vaccine plant with a mass-production scale. With its own plant, the production schedule is highly flexible. As the plant has a large production capacity, MVC can cooperate with the government procurement schedule and policies to arrange vaccine mass production in the future. The conventional vaccine production processes involve

animal tissues, which may affect vaccine production due to difficulties in obtaining animal sources and affecting the supply of raw materials. The use of cell culture processes has clean sources and reduces the possibility of contamination, which will enable stable production and supply.

3. Strong international resources in R&D

MVC has a deep international cooperation network, and has good cooperative relations with internationally renowned R&D and epidemic prevention organizations, such as the National Institutes of Health (NIH), World Health Organization (WHO)/ Utrecht Centre for Affordable Biotherapeutics (UCAB), CEPI and other organizations. MVC has co-development cooperation or being sponsored by those organizations on its vaccine research and development. MVC flexibly utilizes this international R&D network to accelerate the development and launch of novel vaccines.

4. Competitive advantages of MVC EV71 vaccine(Envacgen)

- a. The only globally developed vaccine with over 3,000 participants in multinational phase 3 clinical trial (MRCT), providing evidence of vaccine efficacy and cross-protection against circulating subtypes in the ASEAN region.
- b. The results of phase 3 clinical trial of the Envacgen have been peer-reviewed and published in "The Lancet" journal, which is one of the highest-impact medical journals globally (Impact Factor: 202.731). The publication has received special commentary and recommendations from external experts invited by "The Lancet." The citation emphasizes the importance of the Envacgen for the prevention of infants under 2-6 months old and the long-term immune durability of the vaccine with the addition of a third dose.
- c. The only vaccine globally that follows a 2+1 dosing schedule (2 primary doses plus 1 booster dose) specifically designed for high-risk infants under 2 years old, extending the long-term protection of the vaccine. This vaccine has a significant market niche in populations with a high severity and fatality rate. Given the higher severity and mortality rate among infants under 6 months old and their significant weight changes during this period, the clinical trials conducted by MVC involved three age groups: 2 months to 6 months, 6 months to 2 years, and 2 years to under 6 years, to evaluate the optimal vaccine dosing and the effectiveness over time.
- d. The vaccine is safe. The vaccine group in the Phase 3 clinical trials showed comparable reactions to the placebo group, indicating good safety and tolerability.
- e. The vaccine demonstrates 100% efficacy, estimated to be 96.8% based on statistical modeling. Long-term follow-up of participants in Phase 2 clinical

trials showed that even after 5 years of vaccination, a high level of antibody efficacy was maintained.

f. The vaccine exhibits cross-reactivity against different subtypes of viruses prevalent in China and the ASEAN region, providing a competitive edge for entry into the markets of China, Hong Kong, Macau, ASEAN countries, and others.

g. International PIC/S GMP production quality and capacity. The MVC Zhubei Biopharmaceutical Plant has passed the PIC/S GMP inspection, making it the first domestically capable PIC/S GMP level cell culture vaccine factory. In addition to providing a stable supply to the domestic market, it can accelerate the simultaneous application for regulatory approvals in various countries through the ASEAN Mutual Recognition Arrangement mechanism. The production capacity is also sufficient to cater to emerging markets with a large population of newborns, such as Southeast Asia.

5. Competitive advantages of MVC FLU Quadrivalent

a. It possesses data from five pivotal phase 3 clinical trials, with four conducted in Korea covering infants, children and adolescents, adults, and the elderly, across four different age groups. One trial was conducted domestically in Taiwan, involving a head-to-head comparison with the GSK quadrivalent influenza vaccine as the control group. The safety data from this trial was excellent, and the immunogenicity data met the non-inferiority equivalence standard.

b. Korea ACIP and CDC recommend that the quadrivalent influenza vaccines can be administered concurrently with 13-valent pneumococcal vaccines or COVID-19 vaccines during the flu season. Past experiences with concurrent administration have also shown good immunogenicity and safety.

c. Localized aseptic filling production and inspection release were completed at the MVC Zhubei factory, ensuring both the timeliness and stability of the supply through localized production.

6. Competitive advantages of COVID-19 vaccine

a. Induces a Th1 immune response. Through large-scale animal trials, MVC has optimized the antigen/adjuvant combination and adopted the CpG1018 adjuvant, which is approved by the US FDA, to induce the necessary Th1 immune response.

b. Excellent safety profile. In current clinical trials and with more than 3 million doses administered domestically, no vaccine-related severe adverse reactions have been observed.

c. Generates excellent immunogenicity. Clinical trial data in humans indicate that vaccine recipients produce excellent immunogenicity, with neutralizing antibody titers superior to those of adenoviral vector vaccines. The vaccine also

demonstrates neutralizing activity against most highly concerning variants, providing protection against moderate to severe disease.

- d. Convenient cold chain transportation at 2-8°C. The vaccine can be transported and stored at temperatures between 2 and 8 degrees Celsius. This represents a competitive advantage in terms of convenience in transportation and administration when compared to international vaccine competitors, which often require storage at temperatures ranging from -20°C to -80°C.
- e. PIC/S GMP manufacturing quality. The MVC Zhubei plant is the first domestic production-capable PIC/S GMP level cell culture vaccine factory. The related contract manufacturing plants also possess PIC/S GMP certification.
- f. Selected to participate the World Health Organization Solidarity Trial Vaccines (STV), and became the first global vaccine manufacturer to participate in the WHO C-TAP and United Nations MPP programs, demonstrating recognition of the vaccine technology by international organizations.
- g. Literature published in "Emerging Infectious Diseases," the official journal of the U.S. CDC, compares the protective effectiveness between different COVID-19 vaccine platforms and confirms that the protein subunit vaccines used in MVC and mRNA vaccines offer comparable protection against severe illness and death in the real world.

(5) Positive and negative factors relating to future development, and responses thereto

1. Positive factors

1.1 Supporting policies:

Global policies place more emphasis on the stability of demand and the long life cycle of the vaccine market: Due to COVID-19, many countries place more emphasis on establishing prevention policies and their own capacity for mass production of vaccines. Also, the demand for vaccines and biological products is relatively stable, not susceptible to economic fluctuations, and has a long product life cycle. Despite the high capital requirement in the early stages and high technical entry barriers, MVC is expecting a stable profit due to the lack of competitors and the increasing emphasis of international policies on the market demand.

1.2 International cooperation:

Close cooperation with internationally renowned institutes to fulfill the needs of the global medical needs: MVC's R&D Pipeline, such as EV71 vaccine, FLU Quadrivalent vaccine, COVID-19 vaccine, and dengue vaccine, target the unmet medical needs, and thus MVC is able to fulfill the demand of the international market. Besides, MVC's technology comes from the cooperation with world-renowned research institutes, including

Taiwan National Health Research Institutes, US NIH, and WHO, to ensure its product quality and technology advantages.

1.3 Cutting-edge manufacturing process:

Wide range of cell-culture manufacturing process and PIC/S GMP verified high quality: MVC adopts the new cell-culture manufacturing process, which solves the adverse factors of traditional production processes such as high contamination risks, and high equipment specificity. The new process can help to diversify the product pipeline and avoid concentration risk on a single product. In addition, MVC Zhubei Manufacturing Facility is the first PIC/S GMP qualified cell-cultured vaccine manufacturing plant in Taiwan that provides high vaccine quality. MVC will accelerate its entry into the global supply chain in the future through international certification mechanisms.

2. Negative factors

2.1 The decreasing birth rate is unfavorable to MVC's development of vaccines for infants.

Responses:

In recent years, the number of births has been declining year by year, which shows that Taiwan's low birth rate has intensified, affecting the size of the consumer groups. However, MVC's product line is a high-quality vaccines developed for regional or global emerging infectious diseases, we pursue a higher-price product strategy to create differentiation. In addition, MVC also plans to enter the high-population dividend and high-economic development ASEAN market, targeting consumer groups with high purchasing power in those regions.

2.2 Taiwan's biotech companies are relatively smaller in scale and no competition for international pharmaceutical companies.

Responses:

Taiwan has limited resources, and should concentrate them on high strategic industries with high economic values, such as vaccines. Due to the COVID-19 pandemic, the Taiwan government is establishing policies and regulations, and a suitable environment for biotech development. Based on this foundation, MVC has strengthened its competitive advantage and enhanced its visibility through its strong international connections, such as joining the WHO Solidarity Test Vaccine and co-operating with CEPI to conduct a mix-and-match booster trial and joining the WHO C-TAP. MVC achieves maximum development benefits with limited resources. Therefore, after the product launch and achieving stable sales of MVC's main products in Taiwan's market, MVC plans to apply for foreign drug licenses and

expand its distribution channels, in order to create MVC's international corporate image and improve the capability of capital-raising.

(II) Key functions and manufacturing process of main products

(1) Key functions of main products

Products	Key functions	Competitive advantages
EV71 Vaccine (Envacgen)	Prevent EV 71 infection	<ol style="list-style-type: none"> 1. MVC has established the mass production capacity with PIC/S GMP international standards. 2. We have taken the lead in evaluating the safety and efficacy of the vaccine for high-risk infants aged 2 to 6 months. The vaccine has demonstrated excellent safety and a protection rate of 100%, and statistical evaluations have shown 96.8%. 3. The results of Phase III clinical trial were reviewed and published by The Lancet (Impact Factor: 202.731), one of the most influential medical journals in the world, and received special commentary and recommendations from external experts invited by The Lancet. The Lancet recommendation also highlighted the importance of the Envacgen in newborn infants at 2-6 months of age and the immune durability benefits of the EV71 vaccine administered as a third additional dose. 4. Data from multicenter clinical trials have demonstrated cross-protection against various subtypes of circulating viruses in China and Southeast Asia. 5. Human clinical trials have shown long-term protection from the vaccine, with sustained high antibody levels even after 5 years.
FLU Quadrivalent vaccine	Protects against influenza caused by two types of influenza A viruses and two types of influenza B viruses	<ol style="list-style-type: none"> 1. It possesses data from five pivotal phase 3 clinical trials, with four conducted in Korea covering infants, children and adolescents, adults, and the elderly, across four different age groups. One trial was conducted domestically in Taiwan, involving a head-to-head comparison with the GSK quadrivalent influenza vaccine as the control group. The safety data from this trial was excellent, and the immunogenicity data met the non-inferiority equivalence standard. 2. Korea ACIP and CDC recommend that quadrivalent influenza vaccine be combined with 13-valent pneumococcal vaccine or COVID-19 vaccine during the influenza season. Past experience with combined vaccination has shown good immunological efficacy and safety. 3. Localized aseptic filling production and inspection release were completed at the MVC Zhubei factory, ensuring both the timeliness and stability of the supply through localized

		production.
COVID-19 Vaccine	Prevent SARS-CoV-2 infection	<ol style="list-style-type: none"> 1. The US NIH has 10 to 20 years of accumulated development experience. Its genetically recombinant S-2P spike protein vaccine antigen has replaced some amino acids and the protein structure is more stable than other development platforms. 2. The FDA-approved CpG1018 adjuvant was used to induce the desired Th1-biased immune response. 3. Clinical trial data show that it can produce high concentrations of neutralizing antibodies and has high safety. The titer of neutralizing antibodies is better than that of adenovirus vector vaccines. 4. The subunit protein vaccine can be used as the third booster. The cold chain transportation at 2-8°C is convenient, which is helpful for the global vaccine supply chain and promote long-term routine vaccination schedule.

(2) Manufacturing process of main products

<EV71 vaccine>

EV71 vaccine is manufactured through a cell culture process that uses VERO cell line and culture medium to mass-produce viral antigens, then to concentrate, purify and deactivate the antigen, and finally to formulate and fill/finish the product.

The Zhubei Manufacturing Facility has passed the PIC/S GMP factory inspection and has become the first PIC/S GMP qualified cell-cultured vaccine manufacturing plant with mass production capability. The “adherent cell culture process” includes cell culture, concentration, filtration, deactivation, purification, formulation, and other dozens of process quality-control tests and finished product release tests such as the "host cell protein (HCP)" test. The whole process follows PIC/ S GMP regulations for quality management, including equipment verification, raw material specifications, raw material in and out management standard operating procedures, process standard operating procedures and environmental monitoring records, and other documents and operating specifications, to ensure the finished products are PIC/S GMP qualified.

< FLU Quadrivalent vaccine>

The MVC quadrivalent influenza vaccine is a product of cooperation with GC Biopharma, a leading vaccine manufacturer in South Korea. GC produces vaccine bulk liquid, while the critical vaccine production processes (such as aseptic filling and release testing) are executed by the MVC Zhubei PIC/S GMP factory. MVC obtained the domestic vaccine drug approval in 2023 (drug certificate approval number: Ministry of Health and Welfare No. 000151). Localized production ensures supply timeliness and stability. MVC FLU Quadrivalent is suitable for children and adults aged 3 years above, providing protection against two types of influenza A

viruses and two types of influenza B viruses. It is updated annually according to the virus strains announced by the WHO, offering the latest quadrivalent influenza vaccine.

<COVID-19 vaccine>

COVID-19 vaccine is composed of SARS-CoV-2 spike protein (S-2P) antigen, aluminum hydroxide and CpG 1018 adjuvant in a stable pre-fusion configuration. MVC's PIC/S GMP certified Zhubei plant has a complete production line including antigen production, formulation, filling/finishing. The plant is able to complete the production, inspection and release of COVID-19 vaccines independently. However, in response to the strong demand for epidemic prevention at home and abroad, MVC entrusted domestic manufacturers to carry out some antigen production and multi-dose vial filling operations in order to rapidly expand production capacity within the tight delivery schedule.

1. Antigen production: To speed up the development and to spread the risk, the initial antigen production process scale-up is carried out from MVC's independent development and EirGenix's CDMO sector at the same time, Later, MVC took the lead in completing the development of the process, so MVC's independently produced investigational vaccines for clinical trials at Zhubei plant; the mass production of vaccine antigens was started on both sides of MVC's Zhubei plant and EirGenix's GMP plant simultaneously.
2. Formulation: To involve the composition of vaccine antigen, aluminum hydroxide and CpG 1018 adjuvant. Whether it is the antigen produced by MVC or EirGenix, the bulk will be uniformly sent to MVC's Zhubei plant for formulation.
3. Aseptic filling/finishing: The capacity of cRABS automatic filling line on the third floor of MVC's Zhubei plant is 10,000 pre-filled syringes per hour; aseptic filling of multiple doses vial is entrusted TTY Biopharm.
4. In-process control (IPC) and release QC in all process stages are controlled by MVC. The shipment inspection is completed by MVC's QC laboratory of Zhubei plant and other impartial third party testing lab

(III) Supply of key materials

MVC's key materials include culture media, adjuvants, and pre-filled syringes. MVC uses a cell-culture platform to manufacture its main products, such as EV71 vaccines, and COVID-19 vaccines, and thus the key materials are the "serum-free culture media" for the culture of cells, and adjuvants and syringes for filling. So far, there has been no shortage or interruption of supply, the quality and delivery time are stable, and the supply is sufficient.

(IV) List of major suppliers and customers

- (1) A list of any suppliers accounting for 10 percent or more of MVC's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason

for increases or decreases in the above figures:

Unit: NT\$ thousand

Item	2023				2022			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation With Issuer
1	D	64,349	42	None	A	183,540	32	None
2	E	21,132	14	None	B	142,672	25	None
3	-	-	-		C	65,464	11	None
	Others	67,172	44		Others	179,699	32	
	Total	152,653	100		Total	571,375	100	

Analysis of increase and decrease:

The decrease was mainly due to the difference in product mix.

- (2) A list of any customers accounting for 10 percent or more of MVC's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

Unit: NT\$ thousand

Item	2023				2022			
	Company Name	Amount	%	Relation With Issuer	Company Name	Amount	%	Relation With Issuer
1	F	136,525	35	None	F	365,042	100	None
2	Others	253,099	65		Others	-	-	
	Total	389,624	100		Total	365,042	100	

Analysis of increase and decrease:

The products sold in the two years are different. The purchase of 5 million doses of COVID-19 vaccine by the Taiwan Centers for Disease Control, which was completed in 2022. The change in the amount affected by EV71 and QIV vaccines sold in 2023.

- (V) Production volume and value in the most recent two years:

Unit: NT\$ thousand/doses

Main Products	2023			2022		
	Capacity	Qty	Amt	Capacity	Qty	Amt
Vaccine-related products	3,000,000	910,201	234,581	10,000,000	1,093,550	211,745

Note: The capacity varies by product.

(VI) Sales volume and value in the most recent two years:

Unit: NT\$ thousand/doses

Main Products		2023		2022	
		Qty	Amt	Qty	Amt
Vaccine products	Domestic sales	707,801	389,624	551,682	365,042
	Export sales	-	-	-	-

III. Human Resources:

Year		2022	2023	Apr. 15, 2024
No. of employees	Researcher	87	18	13
	Management	5	5	5
	Engineer	15	81	83
	General employee	34	30	30
	Total	141	134	131
Average age		38.06	38.14	38.33
Average service year		3.84	4.43	4.46
Academic distribution ratio	PhD	17	13	12
	Master's	73	72	70
	Bachelor's	49	48	47
	Below High School	2	1	2

Note: MVC has already obtained the drug licence and started production in 2023, the staff structure has been adjusted according to the nature of the R&D and engineering staff in the department.

IV. Environmental Protection Expenditure:

Total amount (including compensation) and penalties incurred due to environmental pollution in the most recent year up to the publication date of the Annual Report, and explanation of future responsive countermeasures (including improvement measures) and possible expenditures: Not applicable.

V. Labor Relations:

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefits, continuing education, and training:

- A. All employees of MVC are enrolled in Labor Insurance, National Health Insurance, and Pension plan. In addition, the MVC also provides year-end bonuses, bonuses, employee education training, and group insurance.
- B. MVC prepares annual plans and budget plans, including festival gifts, employee gathering meals, annual company trips, and wedding and funeral subsidies, with an aim to provide support for the employees in order to encourage them to work together toward the development of MVC.
- C. Education training: MVC sends employees to external training or workshops at relative academic institutions when required, and regularly organizes internal

education training to improve the professional skills of employees in order to create overall benefits for MVC and employees.

2. Retirement system:

All employees of MVC are under the new labor retirement system, which is the defined contribution plan. The pension is appropriated in accordance with the “Monthly Contribution Wages Classification of Labor Pension” on a monthly basis, at no less than 6% of every employee’s monthly pay, and deposit the pension to the individual’s pension account.

3. Status of labor-management agreements and measures for preserving employees’ rights and interests:

MVC has established various channels for employees to voice their opinions to facilitate the harmony between the labor and management, and to understand the employees’ opinions on the management system, supervisor leadership, welfare system, and working environment. Also, the formulation and amendments of material policies are effective only after sufficient discussion between the employees and management. Therefore, there is no occurrence of labor disputes.

(II) List any losses suffered by MVC in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

In the most recent fiscal year and as of the up to the date of publication of the annual report, all necessary measures regarding labor-management relations are implemented in accordance with the relevant laws and regulations. Hence, the implementation of the new or amended measures is smooth. The new or amended measures for labor-management relations are resolved after the communication between MVC and its employees. Hence, there is no dispute.

VI. IT Security Management:

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

To effectively implement information security management and MVC has two information staffs, MVC not only reviews the applicability and protection measures of information security policies, but also establishes a complete information security management system to reduce corporate information security threats from the system, technical and procedural levels, and establishes the highest level of compliance with customer needs. Specifications for confidential information protection services. In addition, multi-layer information security protection is constructed, innovative technologies for information security defense are continuously introduced, and the information security control and management mechanism is integrated and internalized

in the daily operation processes such as software and hardware maintenance and operation, and supplier information security management. The confidentiality, integrity, and availability of MVC's important assets are also actively monitored for the effectiveness of information security management, and based on review and continuous improvement, supervision and auditing are implemented to ensure the continued effectiveness of information security regulations.

When employees violate relevant norms and procedures, they will be dealt with by the information security violation handling process, and personnel sanctions will be carried out according to the violations (including employees' performance appraisal for the current year or taking necessary legal actions). In addition, regularly review and implement improvements including information security measures, education and training, and publicity to ensure that MVC's important confidential information is not leaked

- (II) List any losses suffered by MVC in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: MVC's information security policy is communicated to each employee with the support of senior management and each department. At the beginning of the year, we educate and train all employees on security. We also test employees on social engineering phishing emails to improve information security awareness.

VII. Major Contracts:

Contracting party, major content, restrictive clause, and commencement date and expiration date of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where the contracts were either effective as of the date of publication of the annual report or expired in the most recent year.

Nature of contracts	Contracting party	Contract duration	Contract content	Restrictions
Land Lease	Hsinchu Science Park Bureau	2013/10/1 - 2032/9/30	The lease of land of Biomedical Park in Shixing Section, Zhubei, Hsinchu County	None
Factory Lease	Hsinchu Science Park Bureau	2022/01/01 - 2026/12/31	Leased Plant	None
Technology licensing contract	National Health Research Institutes, Taiwan Centers for Disease Control	2023/06/28 - 25 years after the obtaining of the first drug license of EV71 vaccine	Technologies related to serum-free culture medium EV71 vaccine	Restricted technology sub-licensing

Nature of contracts	Contracting party	Contract duration	Contract content	Restrictions
Technology licensing contract	National Health Research Institutes, Taiwan Centers for Disease Control	2023/06/28 - 25 years after the obtaining of the first drug license of EV71 vaccine	Licensing of the phase I clinical study results for EV71 vaccine.	1. Restricted technology sub-licensing 2. Phase II clinical study to be conducted in Taiwan
Technology licensing contract	National Health Research Institutes	2014/4/25 - 2029/4/24	Development data of pre-clinical study for serum-free culture medium human-use influenza vaccine H7N9.	Restricted technology sub-licensing
Technology licensing contract	U.S. National Health Research Institutes	2016/11 - 12 years after product launch	Obtaining of the rights to develop, manufacture, sell and sub-license dengue vaccines in 26 countries.	-
Supply contract	(Korea) GC Pharma (Green Cross Corporation, GCC)	2018/04/23 - 10 years after product launch	An exclusive agent for GCC's quadrivalent influenza vaccine in the Taiwan market and rights to sell the vaccines by purchasing from GCC in form of finished goods or under MVC's brand by MVC's filling process.	-
Technology licensing contract	U.S. National Health Research Institutes	2020/05 - 20 years after product launch	Obtaining of the complete market rights to develop, manufacture, sell and import NIH COVID-19 vaccines in the world.	Restricted technology sub-licensing
Warehouse Contract	DKSH Taiwan	2023/05/05-2025/05/04	Vaccine Warehousing and Logistics Services	-

Chapter 6. Financial Information

I. Five-Year Financial Summary

(I) Condensed balance sheets and statements of comprehensive income

Condensed Balance Sheet - IFRS (consolidated)

Unit: NT\$ thousand

Item		Financial summary for the last five years				
		2019	2020	2021	2022	2023
Current assets		518,929	2,009,680	3,721,246	5,462,422	4,401,325
Property, plant and equipment		1,331,975	1,159,857	1,233,960	1,200,472	1,129,833
Intangible assets		61,806	60,011	52,978	45,361	38,297
Other assets		364,354	261,266	290,827	639,434	523,191
Total assets		2,277,064	3,490,814	5,299,011	7,347,689	6,092,646
Current liabilities	Before distribution	227,827	160,975	439,087	355,232	1,991,711
	After distribution	227,827	160,975	439,087	355,232	Note
Non-current liabilities		682,454	188,429	183,867	1,963,452	254,356
Total liabilities	Before distribution	910,281	349,404	622,954	2,318,684	2,246,067
	After distribution	910,281	349,404	622,954	2,318,684	Note
Equity attributable to owners of parent		1,366,783	3,141,410	4,676,057	5,029,005	3,846,579
Share capital		1,560,258	2,110,988	2,128,865	3,278,399	3,286,081
Capital collected in advance		129,798	3,620	2,383	1,913	-
Capital surplus		294,575	2,319,154	1,135,010	2,798,085	1,550,997
Retained earnings	Before distribution	(617,718)	(1,291,998)	1,410,258	(1,131,510)	(1,018,350)
	After distribution	(617,718)	(1,291,998)	343,063	(1,131,510)	Note
Other equity		(130)	(354)	(459)	82,118	27,851
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	1,366,783	3,141,410	4,676,057	5,029,005	3,846,579
	After distribution	1,366,783	3,141,410	4,676,057	5,029,005	Note

Note: The aforementioned “after distribution” is based on the resolution made by the Board of Directors or shareholders' meeting held in the following year.

Condensed Balance Sheet - IFRS (parent-only)

Unit: NT\$ thousand

Item		Financial summary for the last five years				
		2019	2020	2021	2022	2023
Current assets		513,768	2,005,724	3,545,966	5,440,501	4,316,612
Property, plant and equipment		1,331,975	1,159,857	1,233,960	1,200,472	1,129,833
Intangible assets		61,806	60,011	52,978	45,361	38,297
Other assets		369,306	265,096	466,107	661,355	607,904
Total assets		2,276,855	3,490,688	5,299,011	7,347,689	6,092,646
Current liabilities	Before distribution	227,618	160,849	439,087	355,232	1,991,711
	After distribution	227,618	160,849	439,087	355,232	Note
Non-current liabilities		682,454	188,429	183,867	1,963,452	254,356
Total liabilities	Before distribution	910,072	349,278	622,954	2,318,684	2,246,067
	After distribution	910,072	349,278	622,954	2,318,684	Note
Share capital		1,560,258	2,110,988	2,128,865	3,278,399	3,286,081
Capital collected in advance		129,798	3,620	2,383	1,913	-
Capital surplus		294,575	2,319,154	1,135,010	2,798,085	1,550,997
Retained earnings	Before distribution	(617,718)	(1,291,998)	1,410,258	(1,131,510)	(1,018,350)
	After distribution	(617,718)	(1,291,998)	343,063	(1,131,510)	Note
Other equity		(130)	(354)	(459)	82,118	27,851
Total equity	Before distribution	1,366,783	3,141,410	4,676,057	5,029,005	3,846,579
	After distribution	1,366,783	3,141,410	4,676,057	5,029,005	Note

Note: The aforementioned “after distribution” is based on the resolution made by the Board of Directors or shareholders' meeting held in the following year.

Condensed Comprehensive Income Statement - IFRS (consolidated)
Unit: NT\$ thousand

Item	Financial summary for the last five years				
	2019	2020	2021	2022	2023
Operation revenue	1,120	11,507	3,280,994	365,042	389,624
Gross profit	1,120	7,636	2,305,033	(212,602)	230,222
Income from operations	(603,912)	(763,881)	963,733	(1,536,265)	(1,213,829)
Non-operating income and expenses	(13,806)	89,601	446,525	61,692	53,994
Income before tax	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Net income from continuing operations	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Other comprehensive income (net, after tax)	(130)	(224)	(105)	82,577	(54,267)
Total comprehensive income	(617,848)	(674,504)	1,410,153	(1,391,996)	(1,214,102)
Net income attributable to shareholders of the parent	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to shareholders of the parent	(617,848)	(674,504)	1,410,153	(1,391,996)	(1,214,102)
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	(2.35)	(2.30)	4.42	(4.56)	(3.53)

Condensed Comprehensive Income Statement - IFRS (parent-only)

Unit: NT\$ thousand

Item	Financial summary for the last five years				
	2019	2020	2021	2022	2023
Operation revenue	1,120	11,507	3,280,994	365,042	389,624
Gross profit	1,120	7,636	2,305,033	(212,602)	230,222
Operating income	(601,974)	(762,968)	964,388	(1,536,072)	(1,213,418)
Non-operating income and expenses	(15,744)	88,688	445,870	61,499	53,583
Income before tax	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Net income from operations of continued segments	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	(617,718)	(674,280)	1,410,258	(1,474,573)	(1,159,835)
Other comprehensive income (net, after tax)	(130)	(224)	(105)	82,577	(54,267)
Total comprehensive income	(617,848)	(674,504)	1,410,153	(1,391,996)	(1,214,102)
Earnings per share	(2.35)	(2.30)	4.42	(4.56)	(3.53)

(II) Names of CPAs and audit opinions for the most recent 5 years:

Year	Accounting firm	CPAs	Audit Opinion
2023	Ernst & Young Taiwan	Shao-Pin, Kuo Chien-Che, Huang,	Unqualified Opinion
2022	PwC Taiwan	Man-Yu, Juanlu Ya-Hui, Lin	Unqualified Opinion
2021	PwC Taiwan	Ya-Hui, Lin Man-Yu ,Juanlu,	Unqualified Opinion
2020	PwC Taiwan	Ya-Hui, Lin Sheng-Wei, Teng	Unqualified Opinion
2019	PwC Taiwan	Ya-Hui, Lin Sheng-Wei, Teng	Unqualified Opinion

II. Five-Year Financial Analyses

Financial analysis - IFRS (consolidated)

Item		Financial analysis for the last five years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	39.98	10.01	11.76	31.56	36.87
	Ratio of long-term capital to property, plant and equipment	153.85	287.09	393.85	582.48	362.97
Solvency (%)	Current ratio	227.77	1,248.44	847.50	1,537.71	220.98
	Quick ratio	203.63	1,157.51	654.32	1,247.85	198.63
	Interest coverage ratio	(31.30)	(40.07)	235.30	(53.84)	(29.87)
Operating performance	Accounts receivable turnover rate (times)	-	5.16	21.48	1.47	2.27
	Average collection days	-	71	17	248	161
	Inventory turnover rate (times)	-	0.09	3.05	1.04	0.34
	Account payables turnover rate (times)	-	0.14	17.69	5.85	2.36
	Average days in sales	-	4,046	120	351	1,074
	Property, plant and equipment turnover rate (times)	-	0.01	2.74	0.30	0.33
	Total asset turnover rate (times)	-	-	0.75	0.06	0.06
Profitability	Return on total assets (%)	(27.01)	(22.93)	32.20	(22.98)	(16.81)
	Return on stockholders' equity (%)	(41.47)	(29.91)	36.08	(30.39)	(26.14)
	Ratio of income before tax to issued capital (%)	(39.59)	(31.94)	66.24	(44.98)	(35.30)
	Profit ratio (%)	(55,153)	(5,860)	42.98	(403.95)	(297.68)
	Earnings per share (NT\$)	(3.97)	(3.61)	6.65	(4.56)	(3.53)
Cash flow	Cash flow ratio (%)	Note 1	Note 1	132.07	Note1	Note1
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note1	Note1	Note1
	Cash reinvestment ratio (%)	Note 1	Note 1	11.51	Note1	Note1
Leverage	Operating leverage	-	-	1.12	-	-
	Financial leverage	-	-	1.01	-	-

Explanations for significant changes in the most recent two years (over 20%):

(1) Financial structure:

The decrease in long-term capital as a percentage of property, plant and equipment is mainly due to the decrease in long-term liabilities and shareholders' equity as a result of the convertible corporate bonds maturing within one year

(2) Solvency:

The decrease in current and quick ratio is mainly due to the impact of convertible corporate bonds maturing within one year.

The increase in the interest coverage ratio is mainly due to the increase in gross profit, which resulted in a decrease in the net loss before tax for the period.

(3) Operating performance:

The increase in accounts receivable turnover rate and decrease in average collection days is mainly due to the impact of the decrease in accounts receivable in 2023 compared with the previous period.

The decrease in inventory turnover rate and increase in accounts payable turnover rate is mainly due to the decrease in cost of goods sold as a result of a lower provision for inventory valuation and obsolescence loss in 2023.

The decrease in account payables turnover rate is mainly due to the decrease in the accounts payable in 2023 compared to the previous year

(4) Profitability:

The increases in return on assets, return on equity, net income before income taxes to issued capital, profit ratio and earnings per share is mainly due to the decrease in net loss after tax.

Note 1: N/A. All operating activities are cash outflows.

Note 2: The aforementioned financial statements are certified or audited by CPAs.

Financial analysis - IFRS (parent-only)

Item		Financial analysis for the last five years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	39.97	10.01	11.76	31.56	36.87
	Ratio of long-term capital to property, plant and equipment	153.85	287.09	393.85	582.48	362.97
Solvency (%)	Current ratio	225.72	1,246.96	807.58	1,531.53	216.73
	Quick ratio	201.55	1,155.96	608.07	1,241.68	194.37
	Interest coverage ratio	(31.30)	(40.07)	235.30	(53.84)	(29.87)
Operating performance	Account receivables turnover rate (times)	-	5.16	21.48	1.47	2.27
	Average collection period	-	71	17	248	161
	Inventory turnover rate (times)	-	0.09	3.05	1.04	0.34
	Account payables turnover rate (times)	-	0.14	17.69	5.85	2.36
	Average days in sales	-	4,046	120	351	1,074
	Property, plant and equipment turnover rate (times)	-	0.01	2.74	0.30	0.33
	Total asset turnover rate (times)	-	-	0.75	0.06	0.06
Profitability	Return on assets (%)	(27.01)	(22.93)	32.20	(22.98)	(16.81)
	Return on equity (%)	(41.47)	(29.91)	36.08	(30.39)	(26.14)
	Ratio of income before tax to paid-in capital (%)	(39.59)	(31.94)	66.24	(44.98)	(35.30)
	Profit ratio (%)	(27,393)	(5,860)	42.98	(403.95)	(297.68)
	Earnings per share (NT\$)	(3.97)	(3.61)	6.65	(4.56)	(3.53)
Cash flow	Cash flow ratio (%)	Note 1	Note 1	125.91	Note1	Note1
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note1	Note1	Note1
	Cash reinvestment ratio (%)	Note 1	Note 1	10.97	Note1	Note1
Leverage	Operating leverage	-	-	1.12	-	-
	Financial leverage	-	-	1.01	-	-
<p>Explanations for significant changes in the most recent two years (over 20%):</p> <p>(1) Financial structure: The decrease in long-term capital as a percentage of property, plant and equipment is mainly due to the decrease in long-term liabilities and net shareholders' equity as a result of the convertible corporate bonds maturing within one year</p> <p>(2) Solvency: The decrease in current and quick ratio was mainly due to the impact of convertible corporate bonds maturing within one year. The increase in the interest coverage ratio is mainly due to the increase in gross profit, which resulted in a decrease in the net loss before tax for the period.</p> <p>(3) Operating performance:</p>						

The increase in accounts receivable turnover rate and decrease in average collection days is mainly due to the impact of the decrease in accounts receivable in 2023 compared with the previous period.

The decrease in inventory turnover rate and increase in accounts payable turnover rate is mainly due to the decrease in cost of goods sold as a result of a lower provision for inventory valuation and obsolescence loss in 2023.

The decrease in account payables turnover rate is mainly due to the decrease in the accounts payable in 2023 compared to the previous year

(4) Profitability:

The increases in return on assets, return on equity, net income before tax to issued capital, profit ratio and earnings per share is mainly due to the decrease in net loss after tax.

Note 1:N/A. All operating activities are cash outflows.

Note 2:The aforementioned financial statements are certified or audited by CPAs.

Note 3:The calculation formulas adopted are as follows:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before tax and interest expenses / Interest expenses.

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales / Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average days for cash receipts = 365 / Accounts receivable turnover rate

(3) Inventory turnover rate = Cost of goods sold / Average inventories.

(4) Payables (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold / Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average days for sale of goods = 365 / Inventory turnover

(6) Property, plant and equipment turnover rate = Net sales / Average net property, plant, and equipment

(7) Total asset turnover rate = Net sales / Average total assets

4. Profitability

(1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)] / Average total assets

(2) Return on equity = Income after tax / Average total equity

(3) Net profit margin = Income after tax / Net sales

(4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued

5. Cash flow

(1) Cash flow ratio = Net cash flows generated from operating activities / Current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

III. Supervisors' or Audit Committee's Report for the Most Recent Year

Medigen Vaccine Biologics Corp.
Audit Committee Review Report

The Board of Directors has prepared and submitted MVC's 2023 Individual Financial Statements and Consolidated Financial Statements have been duly audited by Mr. Shao-Pin, Kuo and Mr. Chien-Che, Huang, CPAs from Ernst & Young, who have attested the final report and issued the audit report. We have examined MVC's 2023 Financial Statements, Business Report and the proposal for deficit compensation and believe that there is no discrepancy. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review.

To Medigen Vaccine Biologics Corp.

The Audit Committee:

Independent Director: Ming-Yi Wu

Independent Director: Chia-Hsiu Lin

Independent Director: Yao-Chi Li

March 8, 2024

IV. Financial Statements for the Most Recent Year:

Please refer to: Appendix A. 2023 Parent Company Only Financial Statements for the Most Recent Fiscal Year Certified by CPAs

Appendix B. 2023 Consolidated Financial Statements for the Most Recent Fiscal Year Certified by CPAs

V. Parent Company Only Financial Statements for the Most Recent Year Certified by CPAs:

Please refer to: Appendix A. 2023 Parent Company Only Financial Statements for the Most Recent Fiscal Year Certified by CPAs

VI. In the Most Recent Year and up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation: None.

Chapter 7. Review and Analysis on Financial Status, Financial Performance, and Risks

I. Financial Status

The material reasons for the significant changes in assets, liabilities, and shareholders' equity in the most recent two years. If the impact is significant, the future response plan shall be stated:

Unit: NT\$ thousand

Item	2023	2022	Difference	
			Amount	%
Current assets	4,401,325	5,462,422	(1,061,097)	(19.43)
Property, plant and equipment	1,129,833	1,200,472	(70,639)	(5.88)
Intangible assets	38,297	45,361	(7,064)	(15.57)
Other assets	523,191	639,434	(116,243)	(18.18)
Total assets	6,092,646	7,347,689	(1,255,043)	(17.08)
Current liabilities	1,991,711	355,232	1,636,479	460.68
Non-current liabilities	254,356	1,963,452	(1,709,096)	(87.05)
Total liabilities	2,246,067	2,318,684	(72,617)	(3.13)
Share capital - common stock	3,286,081	3,278,399	7,682	0.23
Capital collected in advance	-	1,913	(1,913)	(100.00)
Capital surplus	1,550,997	2,798,085	(1,247,088)	(44.57)
Retained Earning (Accumulated deficit)	(1,018,350)	(1,131,510)	113,160	10.00
Other equity	27,851	82,118	(54,267)	(66.08)
Total equity	3,846,579	5,029,005	(1,182,426)	(23.51)

1. Main reasons and analysis on the impact of changes (changes greater than 20% or with an amount of more than NT\$ 10 million):

- (1) Increase in current liabilities: Mainly due to the impact of convertible corporate bonds maturing within one year.
- (2) Decrease in non-current liabilities: Mainly due to the impact of convertible corporate bonds maturing within one year.
- (3) Decrease in capital surplus and total equity: This is mainly due to the fact that no new shares were issued for the cash capital increase in 2023.
- (4) Decrease in other equity: The decrease was mainly due to the decrease in fair value of financial assets measured at fair value through other comprehensive income.

II. Financial Performance

- The reasons for the significant changes in operating revenue, operating profit and net profit before tax for the most recent 2 years, projected sales volume and the basis thereto, and the possible impacts on the financial operations and countermeasures:

Unit: NT\$ thousand

Item	2023	2022	Difference	
			Amount	%
Gross sales	389,624	365,042	24,582	6.73
Gross profit	230,222	(212,602)	442,824	208.29
Operating profit (loss)	(1,213,829)	(1,536,265)	322,436	20.99
Non-operating income and expenses	53,994	61,692	(7,698)	(12.48)
Net profit(loss) before income tax	(1,159,835)	(1,474,573)	314,738	21.34
Net income (loss)	(1,159,835)	(1,474,573)	314,738	21.34
Other comprehensive income(loss)	(54,267)	82,577	(136,844)	(165.72)
Total comprehensive income(loss)	(1,214,102)	(1,391,996)	177,894	12.78

Main reasons and analysis on the impact of changes (changes greater than 20% or with an amount of more than NT\$ 10 million):

- Increase in gross profit, and operating profit, net income before tax and net income: Mainly due to lower inventory valuation and obsolescence losses in 2023.
- Decrease in other comprehensive income (loss):
The decrease was mainly due to the decrease in fair value of financial assets measured at fair value through other comprehensive income.

- The projected sales volume and the basis thereto, and the possible impacts on the financial operations and countermeasures:

- Sales volume forecast for the coming year and basis thereto

MVC Enterovirus 71 vaccine began supplying the domestic private market in August 2023. It has already captured over 90% market share in the domestic private enterovirus vaccine market. Next year, with the contribution of the second and third doses of enterovirus vaccine, as well as the gradual increase in vaccine coverage, we anticipate continued sales growth in the domestic market. The drug registration review process has also been initiated in Vietnam and Malaysia, and MVC is gradually expanding into overseas markets. As for the quadrivalent influenza vaccine, MVC has participated in public influenza vaccine procurement tenders since 2023 and will continue to supply the domestic public influenza vaccine market in the future, providing the government and the public with high-quality vaccine options.

- The possible impacts on the financial operations and countermeasures:

MVC will be taking a more prudent approach toward all capital planning before carrying out its business plans and accelerate the procedure of the launch of vaccines to generate profits and revenues.

III. Analysis of Cash Flow

(I) Analysis of changes in cash flow for current year

Unit: NT\$ thousand

Cash and Cash Equivalents, Beginning of Year	Estimated net cash flow from operating activities	Estimated net cash flow from Investing activities	Estimated net cash flow from Financing activities	Cash and Cash Equivalents, End of Year
1,182,334	(477,965)	602,448	1,593	1,308,410
Analysis of changes in cash flow:				
(1) Net cash outflow from operating activities: The increase in net loss before tax was mainly due to R&D expenses.				
(2) Net cash inflow from investing activities: Mainly due to the maturity repayment of time deposits.				
(3) Net cash inflow from financing activities: Mainly due to the employee's execution of employee stock options.				

(II) Remedial plans for liquidity shortfalls: MVC has sufficient cash.

(III) Cash flow analysis for the coming year

Unit: NT\$ thousand

Beginning balance	Estimated net cash flow from operating activities	Estimated net cash flows from investing and financing activities	Cash surplus (deficit)	Projected remedy for cash deficit	
				Investment plans	Financing plans
1,308,410	(356,728)	(70,783)	965,609	-	-
Analysis of change in cash flow in the next year :					
(1) Operating activities: Mainly due to cash outflow for R&D expenses.					
(2) Investing activities: It mainly refers to the capital expenditure required for the purchase of production machinery and equipment.					
(3) Financing activities: Mainly due to the repayment of convertible corporate bonds.					

IV. Major Capital Expenditure Items: None.

V. Investment Policy for the Most Recent Year, Main Causes for Profits/Losses, Improvement and Investment Plans for the Coming Year:

1. The most recent annual reinvestment policy

MVC's investments in other companies are made in accordance with the internal control system "Investment Cycle" and "The Procedures for Acquisition or Disposal of Assets ".

2. Analysis of the reasons for the profit or loss of the investment business

MVC's recent annual investment loss was NT\$367 thousand, mainly due to the investment being held for long-term investment target and the benefits had not yet been realized.

3. The investment plans for the coming year: None.

4. Investment plan in next year: None.

VI. Risk Management and Evaluation:

(I) Effects of changes in interest rate, exchange rate, and inflation rate on the company's income and countermeasures thereto:

1. Effects of changes in interest rate on the company's income and countermeasures thereto:

a. Changes in interest income and expenses in the last two years

MVC has no bank borrowings for the years 2022 and 2023 and interest expense on bank borrowings is nil. The interest income is calculated based on the interest rate of bank deposits. MVC's bank interest incomes were NT\$ 83,238 thousand and NT\$ 7,569 thousand in the years 2023 and 2022, respectively, and there is no significant impact on MVC.

b. Specific measures in response to changes in interest rates

However, MVC takes corresponding measures toward the changes in market interest rates. Our financial unit monitors the fluctuation of interest rates at all times and put forth the most suitable long- and short-term bank loan plans base on the actual capital needs, to decrease capital cost.

4. Effects of changes in exchange rate on the company's income and countermeasures thereto:

a. The impact of exchange rate changes in the last two years on the company's revenue and profit

Currently, most of MVC's payments are made in New Taiwan Dollars, and only certain payments for the acquisition of equipment or consultant fees are made in foreign currencies. Nonetheless, the amounts paid in foreign currencies are not significant. MVC's exchange loss were NT\$325 thousand and NT\$ 28,858 thousand in 2023 and 2022, respectively. The fluctuation in the exchange rate has no significant impact on MVC's income.

b. Specific measures for exchange rate changes

Our financial units monitor the global financial situations and the fluctuation of exchange rates at all times and request our correspondent banks to provide professional consultation to grasp the trend of the exchange rates.

3. Effects of changes in inflation rate on the company's income and countermeasures thereto:

a. The impact of inflation changes in the last two years on the company's revenue and profit

For the most recent year and up to the date of publication of the annual report, there is no occurrence of significant inflation. MVC's incomes for the past years were not significantly affected by inflation.

b. Specific measures to deal with inflation

MVC pays attention to inflation at any time, observes the rising price of raw materials and changes in product structure, so as to appropriately adjust the price of products and the inventory of raw materials.

- (II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future: MVC is devoted to the development of its core businesses. It has not engaged in high-risk investments, highly leveraged investments, and loans to other parties,

endorsements/guarantees, and derivatives transactions in recent years. Also, MVC has formulated the “Procedures for Acquisition and Disposal of Assets,” “Procedures for Loaning of Company Funds,” and “Procedures for Endorsements & Guarantees.” These procedures have been approved by the Shareholders' Meeting. MVC will carry out its activities accordingly when required in the future.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

MVCs major products that have reached the stage of market readiness include EV71 vaccine, expanded Enterovirus vaccine product line, Quadrivalent Influenza Vaccine and COVID-19 vaccine, etc. In addition, MVC has continued to enrich the layout of its product line and liaised with major international research and development organizations and units to further evaluate the selection of cases.

The future R&D expenses are planned according to the development schedule of the products. MVC will appropriate a certain percentage of its capital as R&D expenses based on the actual operating performance. It is expected that about \$200 million will be allocated for research and development-related expenses this year to maintain MVC’s competitiveness.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

1. Domestic:

The government continued to support the domestic biotech and pharmaceutical industry, with the Ministry of Science and Technology, Executive Yuan as the cross-department coordinator. Starting in 2012, in line with the industrial and medical needs, the subsequent industrial promotion plan was renamed “Taiwan Biotech Industry Takeoff Promotion Initiative.” The initiative will continue to improve the fundamental plan which was already showing results. The government coordinated the industrial demands, strengthened cross-departmental coordination, services, and consulting industries, integrated resources, promoted the industrialization of pharmaceutical products and medical equipment, and improved the international competitiveness of the industry. In terms of laws and regulations, relevant taxation laws were amended to be in line with the government’s policies in promoting the development of the biotech industry. In 2007, the “Act for the Development of Biotech and New Pharmaceuticals Industry,” “Regulations Governing Tax Credit for biotech and new pharmaceutical company’s expenditure in R&D talent training” and “Regulations Governing Application of Biotech and New Pharmaceuticals Company Shareholder Investment Tax Credits for Profit-Seeking Enterprise” were formulated and were beneficial to MVC’s development of new drugs.

2. Overseas:

Currently, MVC's financial operations are not affected by international major policies and changes in the laws and regulations. MVC pays close attention to the policy and law changes at all times to respond in a timely manner.

- (V) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

Although the biotech industry has an extremely high entry threshold, long R&D period, and high R&D risk, the product life cycles are relatively longer and technology added-value is also relatively higher. MVC pays close attention to the development trend of new drugs R&D and the pharmaceutical industry, evaluates possible impacts, and carries out necessary adjustments to the strategy so that it is able to respond flexibly to the changes in technology and industry with the aim to avoid possible impacts. In addition, to effectively implement information security management, in addition to reviewing the applicability and protection measures of information security policies, MVC has established a complete information security management system to reduce corporate information security threats from the system, technical and procedural levels, and establish a The highest standard of confidential information protection services. In addition, multi-layer information security protection is constructed, and innovative technologies for information security defense are continuously introduced. The information security control and management mechanism is integrated and internalized in the daily operation processes such as software and hardware maintenance and operation, supplier information security management, etc., to systematically monitor information security and maintain the basic The confidentiality, integrity and availability of MVC's important assets are also actively monitored for the effectiveness of information security management, and based on review and continuous improvement, supervision and auditing are implemented to ensure the continued effectiveness of information security regulations. When employees violate relevant norms and procedures, they will be dealt with in accordance with the information security violation handling procedures, and personnel sanctions will be carried out according to the violations (including employees' performance appraisal for the current year or necessary legal actions); Improvement actions such as training and publicity to ensure that MVC's important confidential information is not leaked.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

Based on the philosophy of bringing a better life to humans through biotech, MVC is committed to fulfilling its corporate social responsibility, maintaining its good corporate image, pursuing sustainable operation, and maximizing MVC's performance and shareholders' interests.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

In the most recent year and up to the date of publication of the annual report, MVC has no plan to acquire another company. If there are events of acquisitions or plans of acquisition, such matters shall be handled in accordance with relevant laws and regulations, and MVC shall take a prudent approach in the evaluation and risk management, to achieve expected

business growth and shareholders' interests, maximize MVC's overall benefit and minimize risks.

- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

MVC constructed a factory in Biomedical Park in Zhubei, for the manufacturing of vaccines and biological products. The factory is a PIC/S GMP qualified vaccine manufacturing plant and will become the first cell-cultured vaccine manufacturing plant that has mass production capability. The factory is capable of supplying products for commercial products and other services right away. The capital and advanced technology required for the construction of the biological product manufacturing plant and equipment are collected from the capital increase through the issuance of shares and fundraising at the capital market. MVC has no risk of insufficient capital. Also, MVC is actively expanding its business, to decrease the risk of insufficient production capacity.

- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. Purchase:

In terms of purchase concentration, the raw materials and materials for the manufacture of vaccine products must be subject to strict PIC/S GMP standard level restrictions, and the industrial technology threshold is high, so it has a relatively special industrial supply chain, not as other general industries have more procurement sources. Suppliers are available. Therefore, it is the risk of concentration of purchases in the vaccine industry. MVC's solution is to sign supply contracts with important raw material manufacturers to ensure the stability of supply and quality assurance.

2. Sales:

Enterovirus 71 has a high market demand in Asia, especially in Southeast Asia, where no Enterovirus 71 vaccine has yet been marketed in ASEAN countries. MVC has already initiated the registration of Vietnam and Malaysia for drug licenses and will continue to apply for drug licenses in other countries to gradually develop international sales. Quadrivalent influenza vaccine is mainly for the publicly-funded vaccine market, with the annual public influenza vaccine procurement amounting to 6.6 million doses. MVC cooperates with GC Pharma in Korea, and GC Pharma produces the vaccine stock solution, and then MVC is filled and packaged, released at the Jubei plant. MVC aims to invest in the annual supply of quadrivalent influenza vaccine in Taiwan with its private brand, which will bring stable revenue.

- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

There is no event of a large-scale transfer of shares of directors, supervisors, or major shareholders holding more than 10% of the total Company's shares.

- (XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

In the most recent year and up to the date of publication of the annual report, there is no event of changes in management power of the Directors, Supervisors or major shareholders holding more than 10% of the Company's shares that may pose an influence on MVC's operation. Also, MVC has formulated comprehensive internal control systems and relative management regulations, to reduce the impact of changes in management power on MVC's operation.

(XII) Litigious or non-litigious matters: None.

(XIII) Other important risks and countermeasures:

1. Risk of capital deficiency due to large capital needs for vaccine development.

Responses:

A. Assistance and promotion of the government

The biotech industry requires long-term and stable capital investment in the development and clinical trials of products, which is a huge burden on the capital operation of small-medium enterprises. Fortunately, the government provides subsidies for industrial technology plans and industry-academia cooperation plans. Also, the companies are encouraged to raise funds from the capital market to mitigate possible shortages of working capital. Therefore, MVC is actively obtaining various policy credits and entering the capital market through public offering.

B. Raising funds from the capital market

In addition to the low financing cost and flexible financial operation, the capital market is also able to attract investment from strategic investors, and enhance MVC's ability in capital increase, business expansion, and recruiting of talents. Therefore, MVC's capital for the development of new drugs will be from the capital market.

2. Time-consuming clinical trials, and risk of failure

Responses:

The success rate of vaccine development is much higher than that of the general new drugs. Nonetheless, there exists possible failure. To balance out the time-consuming clinical trials, and risk of failure, MVC has adopted a biosimilar product pipeline. The effectiveness and safety of the series of products have been verified by the market over the years, and the development of the products requires a shorter time and has a higher success rate. Currently, MVC is planning to obtain relevant licenses to accelerate the process of clinical trials and market sales, to create medium-low risk sales revenue.

3. Biological product technology belongs to the high-tech industry. The products and relevant production technology are protected by patents and data exclusivity. Therefore, there are risks of violating others' patents or intellectual property rights.

Responses:

MVC carries out comprehensive due diligence on patents to avoid any violation of others' patents. In practice, there is only a small number of vaccine development plans

in the world. Before MVC launched its vaccine projects, it carries out patent search on major markets. As each vaccine project has its own specificity, patent search is not difficult. Due to the small number of vaccine development plans, it is easy to trace back to the origin for the prevention of patent violation. None of the development projects introduced by MVC was an early R&D product, and there has been a certain patent layout and related literature, and in case of infringement of patents by others, there is sufficient evidence such as license contracts, development records, or clinical trial data to carry out patent litigation.

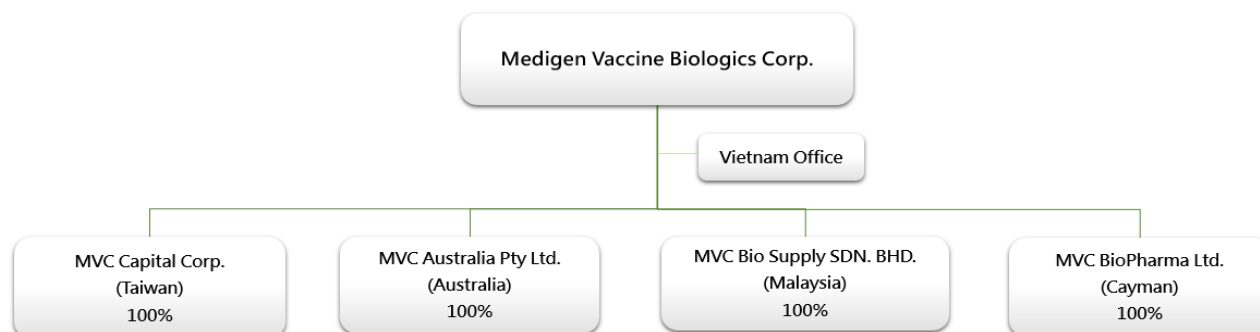
VII. Other Important Matters: None.

Chapter 8. Special Disclosure

I. Information on Affiliated Companies:

(I) Consolidated business report

1. Structure of affiliates



2. Basic information of the company's affiliates

Names of affiliates	Date of incorporation	Address	Capital	Main business activities
MVC BioPharma Ltd.	2018.9.26	The Grand Pavilion Commercial Centre Oleander Way, 802 West Bay Road PO Box 32052, Grand Cayman KY1-1208 Cayman Islands	US\$ 50,000 (2023.12.31 Rate: 31.1548)	Investment
MVC Capital Corporation	2022.01.06	7F. No. 16, Ln. 120, Sec. 1, Neihu Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	NT\$400,000,000	Investment
MVC Australia Pty Ltd.	2022.04.27	Suite 9 Level 12 101 Bathurst Street, Sydney, NSW 2000.	No capital injection yet	To hold a pharmacy license and support local marketing
MVC Bio Supply SDN. BHD.	2023.12.18	182, Jalan 2/114, Kuchai Business Centre, Off Jalan Klang Lama, 58200 Kuala Lumpur W.P. Kuala Lumpur Malaysia	No capital injection yet	To hold a pharmacy license and support local marketing

Note: The capital increase to \$400 million was approved by the Taipei City Government on April 16, 2024.

- Information for common shareholders of treated-as controlled companies and affiliates: None.
- Industries covered by the business operation of the affiliates: None
- Information on Directors, Supervisors and General Managers of affiliated enterprises:

Names of affiliates	Position	Name or Rep.	Shareholding	
			Number of shares	Percentage of ownership
MVC BioPharma Ltd.	Director	Shi-Chung Chang	-	0%
	Director	Tsan-Jian Chen	-	0%
MVC Capital Corporation	Chairman	Tsan-Jian Chen	-	0%
MVC Australia Pty Ltd.	Director	Henry Xin Zhao	No capital injection yet	
MVC Bio Supply SDN. BHD.	Director	Tsan-Chien, Chen	No capital injection yet	
	Director	Leong Yoke Guan		

6. Operating status of affiliates:

Dec. 31, 2023; Unit: NT\$ thousand

Names of affiliates	Capital	Total assets	Total liabilities	Net worth	Sales revenue	Operating profit	Income (after tax)	Earnings per share (after tax/NT\$)
MVC BioPharma Ltd	US\$50,000 (Rate; 31.1548)	3,309	-	3,309	-	(237)	(203)	(4.06)
MVC Capital Corp.	NT\$300,000	327,718	-	327,718	-	(174)	(164)	(0.0055)
MVC Australia Pty Ltd.	No capital injection yet	-	-	-	-	-	-	-
MVC Bio Supply SDN. BHD.	No capital injection yet	-	-	-	-	-	-	-

(II) Consolidated financial statements:

Medigen Vaccine Biologics Corp.

Declaration of Consolidated Financial Statements of Affiliates

The entities included in the consolidated financial statements as of December 31, 2023 and for the year then ended prepared under the International Financial Reporting Standard No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

Medigen Vaccine Biologics Corporation

Chairman: Ming-Cheng, Chang



March 8, 2024

(III) Affiliation reports:

Medigen Vaccine Biologics Corp.

2023 Affiliation reports

1. Relationship between the subsidiaries and the controlling company

Unit: shares; %

Name of controlling company	Reason of control	Shareholding of controlling company			Directors, supervisors or managers appointed by the controlling company	
		Shares	%	Number of shares pledged	Position	Name
Medigen Biotech Corp.	Parent company that has controlling power over the company	62,378,844	18.98%	13,900,000	Chairman Director	Ming-Cheng, Chang Ken-Hu, Chang

Note: The shareholder information is as of December 29, 2023, provided by the Taiwan Depository Clearing Corp.

2. Description of transactions

(1) Purchase (sale) of goods: None.

(2) Property transactions: None.

(3) Financing facility: None.

(4) Asset leasing: None.

(5) Other transactions: None.

3. Endorsement/guarantee: None.

4. Other matters having significant effects on the Company's finance and business: None.

II. Private Placement Securities in the Most Recent Year:

III. The Shares in the Company Held or Disposed by Subsidiaries in the Most Recent Year: None.

IV. Other Supplementary Information: None.

V. Any Events during the Most Recent Year and up to the Date of Publication of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 Paragraph 3 of Article 36 of Securities and Exchange Act: None.



安永聯合會計師事務所

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English Translation of a Report Originally Issued in Chinese
Independent Auditors' Report

To Medigen Vaccine Biologics Corporation

Opinion

We have audited the accompanying parent company only balance sheet of Medigen Vaccine Biologics Corporation (“the Company”) as of December 31, 2023, and the related parent company only statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2023, and notes to the parent company only financial statements, including the summary of material accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and cash flows for the year ended December 31, 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of non-financial assets

As of December 31, 2023, the carrying value of property, plant and equipment, right-of-use assets and intangible assets of Medigen Vaccine Biologics Corporation was NT\$1,422,828 thousand, representing approximately 24% of total assets. Due to recent operational losses of Medigen Vaccine Biologics Corporation, the management conducted impairment assessment test for the cash generating unit to which these assets belong. The impairment assessment was based on the recoverable amount estimated from the assets' value in use. Since the estimation of value in use involves significant judgement by the management, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls related to asset impairment; assessing the appropriateness of the accounting policy for asset impairment; evaluating key assumptions used by the management in the impairment testing, including sales growth rate, gross margin, and discount rate, and discussing with management to assess the reasonableness; recalculating the recoverable amount assessed by the management. We also assessed the adequacy of disclosures of property, plant and equipment, right-of-use assets and intangible assets. Please refer to Notes 5 and 6 to the parent company only financial statements.

Valuation for inventories

As of December 31, 2023, the net inventory balance of Medigen Vaccine Biologics Corporation was NT\$383,635 thousand. Given the fact that Medigen Vaccine Biologics Corporation mainly manufactures and sells vaccine-related products, these inventories might be affected by natural deterioration, obsolescence and unmarketable items. The management has to evaluate whether the product is out-of-date and if there is an inventory decline in value. As the carrying amount of the inventories is significant and the valuation for inventories involves significant judgments by the management, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls related to inventory obsolescence; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the parent company only financial statements.

Other Matter – Previous Period Audited by Other Auditors

The parent company only financial statements of Medigen Vaccine Biologics Corporation for the year ended December 31, 2022 were audited by other auditors and an unqualified audit opinion was issued on March 8, 2023.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 Company.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Company.
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 Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Huang, Chien-Che

Ernst & Young, Taiwan

March 8, 2024

Notice to Readers

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

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

MEDIGEN VACCINE BIOLOGICS CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2023	%	December 31, 2022	%
Current assets					
Cash and cash equivalents	6(1)	\$ 1,308,410	22	\$ 1,182,334	16
Financial assets at fair value through profit or loss - current	6(2)	-	-	52,993	1
Financial assets at amortized cost - current	6(1), 6(3)	2,364,100	39	2,979,940	41
Trade receivables, net	6(4)	149,107	2	194,400	3
Other receivables		49,736	1	1,171	-
Inventories, net	6(5)	383,635	6	544,784	7
Prepayments	6(7)	13,488	-	370,986	5
Other current assets		48,136	1	38,427	-
Other financial assets - current	6(1), 8	-	-	75,466	1
Total current assets		<u>4,316,612</u>	<u>71</u>	<u>5,440,501</u>	<u>74</u>
Non-current assets					
Investments accounted for using the equity method	6(6)	331,027	5	285,661	4
Property, plant and equipment, net	6(8)	1,129,833	19	1,200,472	16
Right-of-use assests	6(15)	254,698	4	269,053	4
Intangible assets	6(9)	38,297	1	45,361	1
Refundable deposits	6(1), 8	15,353	-	14,288	-
Other noncurrent assets		6,826	-	92,353	1
Total non-current assets		<u>1,776,034</u>	<u>29</u>	<u>1,907,188</u>	<u>26</u>
Total assets		<u>\$ 6,092,646</u>	<u>100</u>	<u>\$ 7,347,689</u>	<u>100</u>

(continued)

The accompanying notes are an integral part of parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

MEDIGEN VACCINE BIOLOGICS CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	December 31, 2023	%	December 31, 2022	%
Current liabilities					
Financial liabilities at fair value through profit or loss - current	6(2), 6(10)	\$ 29,050	1	\$ -	-
Notes payable		-	-	581	-
Accounts payable		25,885	-	108,520	2
Other payables		216,069	4	226,119	3
Lease liabilities - current	6(15)	11,996	-	11,778	-
Other current liabilities		610	-	8,234	-
Corporate bonds payable - current portion	6(10)	1,708,101	28	-	-
Total current liabilities		1,991,711	33	355,232	5
Non-current liabilities					
Financial liabilities at fair value through profit or loss - noncurrent	6(2), 6(10)	-	-	19,250	-
Corporate bonds payable	6(10)	-	-	1,677,850	23
Lease liabilities - noncurrent	6(15)	254,356	4	266,352	4
Total non - current liabilities		254,356	4	1,963,452	27
Total liabilities		2,246,067	37	2,318,684	32
Equity	6(12)				
Share capital					
Common stock		3,286,081	54	3,278,399	44
Capital collected in advance		-	-	1,913	-
Capital surplus		1,550,997	26	2,798,085	38
Retained earnings					
Legal reserve		141,026	2	141,026	2
Special reserve		459	-	459	-
Accumulated deficits		(1,159,835)	(19)	(1,272,995)	(17)
Total retained earnings		(1,018,350)	(17)	(1,131,510)	(15)
Other equity		27,851	-	82,118	1
Total equity		3,846,579	63	5,029,005	68
Total liabilities and equity		\$ 6,092,646	100	\$ 7,347,689	100

The accompanying notes are an integral part of parent company only financial statements.

MEDIGEN VACCINE BIOLOGICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars, except for loss per share)

Description	Note	For the year ended December 31		For the year ended December 31	
		2023	%	2022	%
Net sales	6(14)	\$ 389,624	100	\$ 365,042	100
Operating costs	6(5), 6(16)	(159,402)	(41)	(577,644)	(158)
Gross profit (loss)		230,222	59	(212,602)	(58)
Operating expenses	6(16)				
Selling expenses		(156,944)	(40)	(72,833)	(20)
General and administrative expenses		(86,082)	(22)	(110,648)	(31)
Research and development expenses		(1,200,614)	(308)	(1,139,989)	(312)
Total operating expenses		(1,443,640)	(370)	(1,323,470)	(363)
Operating loss		(1,213,418)	(311)	(1,536,072)	(421)
Non-operating income and expenses	6(17)				
Interest income		83,238	21	7,569	2
Other income		18,243	5	68,671	19
Other gains and losses		(9,960)	(3)	12,304	3
Finance costs		(37,571)	(10)	(26,888)	(7)
Share of loss of subsidiaries, associates and joint ventures accounted for using the equity method		(367)	-	(157)	-
Total non-operating income and expenses		53,583	13	61,499	17
Loss before income tax		(1,159,835)	(298)	(1,474,573)	(404)
Income tax expense	6(19)	-	-	-	-
Net loss		(1,159,835)	(298)	(1,474,573)	(404)
Other comprehensive income	6(18)				
Items that will not be reclassified subsequently to profit or loss					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method which may not be reclassified to profit or loss		(54,269)	(14)	82,225	23
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		2	-	352	-
Other comprehensive (loss) income, net of tax		(54,267)	(14)	82,577	23
Total comprehensive loss		\$ (1,214,102)	(312)	\$ (1,391,996)	(381)
Basic Loss Per Share (in New Taiwan Dollars)	6(20)	\$ (3.53)		\$ (4.56)	

MEDIGEN VACCINE BIOLOGICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	Capital			Retained earnings			Other equity		
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Accumulated deficits	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income (loss)	
Balance as of January 1, 2022	\$ 2,128,865	\$ 2,383	\$ 1,135,010	\$ -	\$ -	\$ 1,410,258	\$ (459)	\$ -	\$ 4,676,057
Appropriation and distribution of 2021 earnings:									
Legal reserve	-	-	-	141,026	-	(141,026)	-	-	-
Special reserve	-	-	-	-	459	(459)	-	-	-
Stock dividend	1,067,195	-	-	-	-	(1,067,195)	-	-	-
Net loss for the year ended December 31, 2022	-	-	-	-	-	(1,474,573)	-	-	(1,474,573)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	352	82,225	82,577
Total comprehensive income (loss)	-	-	-	-	-	(1,474,573)	352	82,225	(1,391,996)
Issuance of common stock for cash	70,000	-	1,470,000	-	-	-	-	-	1,540,000
Shares issued under employee stock plans	12,339	(470)	27,536	-	-	-	-	-	39,405
Share-based payment transaction from issuance of common stock for cash	-	-	7,474	-	-	-	-	-	7,474
Share-based payment transaction	-	-	68,135	-	-	-	-	-	68,135
Issuance of convertible corporate bonds	-	-	89,930	-	-	-	-	-	89,930
Balance as of December 31, 2022	\$ 3,278,399	\$ 1,913	\$ 2,798,085	\$ 141,026	\$ 459	\$ (1,272,995)	\$ (107)	\$ 82,225	\$ 5,029,005
Balance as of January 1, 2023	\$ 3,278,399	\$ 1,913	\$ 2,798,085	\$ 141,026	\$ 459	\$ (1,272,995)	\$ (107)	\$ 82,225	\$ 5,029,005
Capital surplus used to cover accumulated deficits	-	-	(1,272,995)	-	-	1,272,995	-	-	-
Net loss for the year ended December 31, 2023	-	-	-	-	-	(1,159,835)	-	-	(1,159,835)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	2	(54,269)	(54,267)
Total comprehensive income (loss)	-	-	-	-	-	(1,159,835)	2	(54,269)	(1,214,102)
Shares issued under employee stock plans	7,682	(1,913)	7,602	-	-	-	-	-	13,371
Share-based payment transaction	-	-	18,305	-	-	-	-	-	18,305
Balance as of December 31, 2023	\$ 3,286,081	\$ -	\$ 1,550,997	\$ 141,026	\$ 459	\$ (1,159,835)	\$ (105)	\$ 27,956	\$ 3,846,579

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

MEDIGEN VACCINE BIOLOGICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2023	2022		2023	2022
Cash flows from operating activities :			Cash flows from investing activities :		
Net loss before tax	\$ (1,159,835)	\$ (1,474,573)	Proceeds of financial assets at fair value through other comprehensive income	-	54,000
Adjustments for:			Proceeds of financial assets at fair value through profit or loss	53,158	-
The profit or loss items which did not affect cash flows:			Acquisition of financial assets at amortized cost	(3,150,436)	(2,979,940)
Depreciation (including right-of-use assets)	121,842	119,105	Proceeds from redemption of financial assets at amortized cost	3,766,276	800,000
Amortization	9,329	8,787	Acquisition of investments accounted for using the equity method	(100,000)	-
Prepayments for equipment transferred to expenses	6,986	-	Acquisition of property, plant and equipment	(30,906)	(47,429)
Net loss on financial assets and liabilities at fair value through profit or loss	9,635	16,554	Acquisition of intangible assets	(2,265)	(1,170)
Interest income	(83,238)	(7,569)	Decrease in restricted assets	15,016	15,990
Interest expense	37,571	26,888	Decrease in refundable deposits (including other financial assets)	59,385	118,770
Share-based payment expense	18,305	75,609	Increase in prepayments for equipment	(7,780)	(91,744)
Share of loss of subsidiaries, associates and joint ventures accounted for using the equity method	367	157	Net cash provided by (used in) investing activities	602,448	(2,131,523)
Changes in operating assets and liabilities:					
Contract assets - current	-	339,148	Cash flows from financing activities:		
Trade receivables	45,293	106,641	Proceeds from corporate bonds issued	-	1,755,250
Other receivables	1,046	(1,101)	Cash payment for the principal portion of lease liabilities	(11,778)	(11,564)
Inventories	161,149	18,711	Proceeds from issuance of common stock for cash	-	1,540,000
Prepayments	425,597	(291,964)	Proceeds from exercise of employee stock options	13,371	39,405
Other current assets	(9,648)	(9,824)	Net cash provided by financing activities	1,593	3,323,091
Contract liabilities - current	-	(111,412)			
Notes payable	(581)	(1,149)	Net increase in cash and cash equivalents	126,076	5,717
Accounts payable	(82,635)	21,716	Cash and cash equivalents at the beginning of the period	1,182,334	1,176,617
Other payables	2,230	(27,932)	Cash and cash equivalents at the end of the period	\$ 1,308,410	\$ 1,182,334
Other current liabilities	(7,624)	6,354			
Cash used in operating activities	(504,211)	(1,185,854)			
Interest received	33,566	7,536			
Interest paid	(7,320)	(7,533)			
Net cash used in operating activities	(477,965)	(1,185,851)			

The accompanying notes are an integral part of the parent company only financial statements.

MEDIGEN VACCINE BIOLOGICS CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. HISTORY AND ORGANIZATION

Medigen Vaccine Biologics Corporation (“the Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 22, 2012. The Company is primarily engaged in the research, development and wholesale of vaccine and biopharmaceutical, medical devices wholesale and retail, etc. The Company’s ordinary shares were publicly listed on the Taipei Exchange on April 17, 2018. Medigen Biotechnology Corporation is the Company’s ultimate parent company.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The parent company only financial statements were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on March 8, 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 Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended, which are recognized by the Financial Supervisory Commission (“the FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Company.

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

<u>Standards or Interpretations Numbers</u>	<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Dates</u>
IAS 1 Amendment	Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16 Amendment	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1 Amendment	Non-current Liabilities with Covenants	January 1, 2024
IAS 7 and IFRS 7 Amendment	Supplier Finance Arrangements	January 1, 2024

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The abovementioned standards and interpretations issued by the IASB have been endorsed by the FSC, and become effective for annual periods beginning on or after January 1, 2024. The adoption of these new standards and amendments had no material impact on the Company.

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

<u>Standards or Interpretations Numbers</u>	<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Dates</u>
IFRS 10 and IAS 28	Amendments to Consolidated Financial Statements and Investments in Associates and Joint Ventures	To be determined by the IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 21 Amendment	Lack of Exchangeability	January 1, 2025

The abovementioned standards and interpretations issued by the IASB have not yet been endorsed by the FSC, and the local effective dates are to be determined by the FSC. The Company assessed that the adoption of these new standards and amendments had no material impact on the Company..

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “ Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

(3) Foreign Currency Transactions

The parent company only financial statements are presented in New Taiwan Dollars.

Transactions in foreign currencies are initially recorded by the Company’s entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated 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.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(4) Translation of Foreign Currency Financial Statements

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Current and Non-Current Distinction

An asset is classified as current when:

- A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. the Company holds the asset primarily for the purpose of trading.
- C. the Company 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 current when:

- A. the Company expects to settle the liability in its normal operating cycle.
- B. the Company holds the liability primarily for the purpose of trading.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. the liability is due to be settled within twelve months after the reporting period.

D. the Company 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 comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes 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 Company becomes a party to the contractual provisions of the instrument.

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

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) the Company’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 trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (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 Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) 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:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) 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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not being subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets are measured at amortized cost or measured at fair value through other comprehensive income only if they meet particular conditions. All other financial assets are 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.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial assets 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 does not reduce the carrying amount in the statement of financial position.

The Company 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; and
- (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.

The loss allowance is measures as follow:

- (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 Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been 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 Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) the Company 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.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company 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 to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company 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. Its 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”.

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 upon initial recognition as at fair value through profit or loss.

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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 short 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; or
- (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 (combine) 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) a 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 company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of financial 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.

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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.

(8) Derivative Instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(9) 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:

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 Company.

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 Company uses valuation techniques which 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.

(10) 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 – Purchase cost on weighted average.

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.

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 but not within the scoping of inventories.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(11) Investments accounted for using the equity method

A subsidiary is an entity over which the Company has control.

Under the equity method, the investment in the subsidiary is carried on the balance sheet at cost plus post acquisition changes in the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company's share of changes in subsidiaries' profit or loss and other comprehensive income is recognized directly in the Company's profit or loss and other comprehensive income. Distributions received from a subsidiary reduce the carrying amount of the investment.

Financial statements of subsidiaries are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When changes in the net assets of the subsidiary were not resulted from their profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentages, the Company recognizes its proportionate share of all related changes in equity. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment in the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method upon loss of control and significant influence over the subsidiary. Any difference between the carrying amount of the investment in a subsidiary upon loss of control and the fair value of the retained investment plus proceeds from disposal will be recognized in profit or loss. If an investment in a subsidiary becomes an investment in an associate or a joint venture or an investment in an associate or a joint venture becomes an investment in a subsidiary, the Company continues to apply the equity method and remeasures the retained interest.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. An impairment loss, being the difference between the recoverable amount of the subsidiary and its carrying amount, is recognized in profit or loss in the statement of comprehensive income and forms part of the carrying amount of the investments.

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(12) 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 are required to be replaced in intervals, the Company 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:

<u>Asset category</u>	<u>Years</u>
Buildings and facilities	3~50 years
Machinery and equipment	2~20 years
Testing equipment	3~15 years
Furniture and fixtures	5 years
Computers and communications equipment	2~10 years
Leasehold improvements	1~10 years

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.

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

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(13) Leases

The Company 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 Company assesses whether the contract, 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 Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

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

At the commencement date, the Company 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 Company 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;

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- 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 Company is reasonably certain to exercise that option; and
- 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 Company measures the lease liability on an amortized cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company 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; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company 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 Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Company 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.

(14) 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.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets 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 fiscal 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 is treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are recognized in profit and loss.

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

Vaccine patent

Vaccine patent is stated at cost and amortized on a straight-line basis over its estimated useful life of 15 years.

Professional techniques

Professional techniques are stated at cost and amortized on a straight-line basis over their estimated useful life of 12-20 years.

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Computer software

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

(15) Impairment of Non-Financial Assets

The Company 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 Company 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 Company 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.

A cash generating unit, or the 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.

(16) Revenue Recognition

The Company’s revenue arising from contracts with customers mainly include sale of goods and rendering of services. The accounting policies for the Company’s types of revenue are explained as follow:

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Sale of goods

The Company manufactures and sells vaccine-related products. Revenue is recognized when control of the products is transferred to customers. The delivery of goods is considered completed when the products are shipped to the specified location and the customer accepts the products in accordance with the sales contract, or there is objective evidence that all acceptance criteria have been met. Revenue is represented net of the estimated returns, quantity discounts, and allowances, with the contract price deducted. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, for which the estimation is updated at the end of each reporting period.

The credit period of the Company's sale of goods is from 60 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period of trade receivables is usually short and there is no significant financing component to the contract. For some contracts, the Company does not have a right to an amount of consideration that is unconditional upon the time the goods have been transferred to customers, these contracts are recorded as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Services

The Company provides testing services to its customers. Revenue is recognized when performance obligations are satisfied by transferring services to customers in accordance with the agreed scope of services in the contract.

(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.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(18) Post-Employment Benefits

All regular employees of the Company 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. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(19) Share-based Payment Transactions

The cost of equity-settled transactions between the Company and employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

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 Company'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 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 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.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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.

(20) Income Tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, 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 in other comprehensive income or directly in 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 tax

Deferred tax is provided on temporary differences at the reporting date 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 Company 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.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

In the process of asset impairment evaluation, the Company estimates the recoverable amount of specific asset groups based on industry characteristics and asset usage patterns. Since the estimates are uncertain, future changes in cash flow or discount rates will impact the value in use of, which may lead to additional impairment losses recognized by the Company or reversals of previously recognized impairment losses. Besides, due to the uncertainty of the development progress of vaccine, the estimated sales growth rate, gross profit margin, etc., are highly uncertain.

B. Valuation of inventories

Since inventories are measured at the lower of cost and net realizable value, the Company uses judgment and estimates to determine the net realizable value of the inventories at the balance sheet date. The Company estimates the net realizable value of inventories for normal inventory consumption, obsolescence and unmarketable items at the balance sheet date and then writes down the cost of inventories to the net realizable value. The net realizable value of the inventories is mainly determined based on assumptions of future sales amounts within a specific time period, and therefore material adjustments may occur. Please refer to Note 6(5).

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2023	2022
Cash on hand and revolving funds	\$102	\$102
Checking accounts and demand deposits	1,268,105	1,157,190
Time deposits	2,411,929	3,027,624
Subtotal	3,680,136	4,184,916
Classified as financial assets at amortized cost - current (Note 6(3))	(2,364,100)	(2,979,940)
Classified as other financial assets - restricted assets	-	(15,016)
Classified as refundable deposits - restricted assets	(7,626)	(7,626)
Total	<u>\$1,308,410</u>	<u>\$1,182,334</u>

For details of restricted cash classified as other financial assets and refundable deposits due to the security deposits for project and for lease, please refer to Note 8.

(2) Financial Assets (Liabilities) at Fair Value through Profit or Loss

	December 31,	
	2023	2022
<u>Assets items</u>		
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificates	\$-	\$53,100
Valuation adjustment	-	(107)
Total	<u>\$-</u>	<u>\$52,993</u>
Current	<u>\$-</u>	<u>\$52,993</u>
<u>Liabilities items</u>		
Embedded derivatives in convertible corporate bonds payable (Note 6(10)):		
Derivative instruments	\$2,800	\$2,800
Valuation adjustment	26,250	16,450
Total	<u>\$29,050</u>	<u>\$19,250</u>

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	December 31,	
	2023	2022
Current	\$29,050	\$-
Non - current	-	19,250
Total	<u>\$29,050</u>	<u>\$19,250</u>

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

(3) Financial Assets at Amortized Cost - Current

	December 31,	
	2023	2022
Time deposits (Contract period is more than three months)	\$2,364,100	\$2,979,940
Interest Rate (%)	<u>1.42%~5%</u>	<u>0.965%~4.15%</u>

The Company's financial assets at amortized cost are time deposits in financial institutions with good credit quality. The likelihood of default is low, and no pledge have been provided.

(4) Trade Receivables

	December 31,	
	2023	2022
Trade receivables	\$149,107	\$194,400
Less: allowance for doubtful accounts	-	-
Total	<u>\$149,107</u>	<u>\$194,400</u>

Trade receivables were not pledged.

The aging analysis of trade receivable is as follows:

	December 31,	
	2023	2022
Not past due	<u>\$149,107</u>	<u>\$194,400</u>

The Company applies the simplified approach using a provision matrix to estimate expected credit loss on trade receivables and contract assets. The total carrying amount of trade receivables as of December 31, 2023 and 2022 are NT\$149,107 thousand and NT\$194,400 thousand, respectively; and the allowance for doubtful accounts as of December 31, 2023 and 2022 were both nil. Please refer to Note 12 for more details on credit risk.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(5) Inventories

	December 31,	
	2023	2022
Raw materials and supplies	\$248,078	\$462,948
Work in process	56,705	80,362
Finished goods	78,852	1,474
Total	<u>\$383,635</u>	<u>\$544,784</u>

The cost of inventories recognized in expenses amounted to NT\$159,402 thousand and NT\$577,644 thousand for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, it included the reversal of write-down of inventories of NT\$90,507 thousand due to the disposal of the previous write-down of the inventories and the losses on abandonment of inventories of NT\$98,144 thousand. For the year ended December 31, 2022, the write-down of inventories of NT\$443,168 thousand. In addition, the Company transferred inventories for the use of research and development and recognized related expenses of NT\$432,623 thousand for the year ended December 31, 2023.

No inventories were pledged.

(6) Prepayments

	December 31,	
	2023	2022
Payment in advance	\$2,834	\$358,617
Other prepaid expenses	10,654	12,369
Total	<u>\$13,488</u>	<u>\$370,986</u>

(7) Investments Accounted for using the Equity Method

Investee companies	December 31,			
	2023		2022	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries :				
MVC BioPharma Ltd.	\$3,309	100.00%	\$3,510	100.00%
MVC Capital Corporation (Note A)	327,718	100.00%	282,151	100.00%
MVC Australia Pty Ltd. (Note B)	-	-	-	-
MVC Bio Supply Sdn. Bhd. (Note B)	-	-	-	-
Total	<u>\$ 331,027</u>		<u>\$285,661</u>	

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- A. On November 10, 2021, the board of directors of the Company resolved to invest NT\$200,000 thousand in MVC Capital Corporation which was approved to be incorporated on January 6, 2022 by the regulatory authorities. On May 3, 2023, MVC Capital Corporation has changed its Chinese company name, which was also approved by the regulatory authorities.
- B. The subsidiaries were incorporated and approved by the local regulatory authorities. However, the Company has not contributed capital to those subsidiaries as of December 31, 2023.

In April 2023, the Company increased investment in MVC Capital Corporation in amount of NT\$100,000 thousand.

The investments in subsidiaries are presented as “Investments accounted for using the equity method” in the parent company only financial statement with necessary adjustments.

No investments accounted for using the equity method held by the Company was pledged to others.

(8) Property, Plant and Equipment

	December 31,	
	2023	2022
Owner occupied property, plant and equipment	\$1,129,833	\$1,200,472

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MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Buildings and facilities	Machinery and equipment	Testing equipment	Furniture and fixtures	Computers and communications equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	Total
Cost:								
As of January 1, 2023	\$1,126,690	\$533,528	\$77,814	\$3,245	\$12,000	\$3,030	\$14,538	\$ 1,770,845
Additions	1,898	10,718	808	-	691	310	9,746	24,171
Reclassifications	1,380	11,839	-	-	-	-	(2,918)	10,301
As of December 31, 2023	<u>\$1,129,968</u>	<u>\$556,085</u>	<u>\$78,622</u>	<u>\$3,245</u>	<u>\$12,691</u>	<u>\$3,340</u>	<u>\$21,366</u>	<u>\$ 1,805,317</u>
As of January 1, 2022	\$1,121,436	\$487,174	\$68,701	\$3,245	\$11,782	\$2,551	\$4,695	\$1,699,584
Additions	4,931	35,682	6,446	-	218	479	14,425	62,181
Reclassifications	323	10,672	2,667	-	-	-	(4,582)	9,080
As of December 31, 2022	<u>\$1,126,690</u>	<u>\$533,528</u>	<u>\$77,814</u>	<u>\$3,245</u>	<u>\$12,000</u>	<u>\$3,030</u>	<u>\$14,538</u>	<u>\$1,770,845</u>
Depreciation and Impairment:								
As of January 1, 2023	\$313,747	\$184,820	\$55,379	\$3,245	\$11,067	\$2,115	\$-	\$570,373
Depreciation	55,150	44,846	6,675	-	590	226	-	107,487
Reclassifications	-	(2,376)	-	-	-	-	-	(2,376)
As of December 31, 2023	<u>\$368,897</u>	<u>\$227,290</u>	<u>\$62,054</u>	<u>\$3,245</u>	<u>\$11,657</u>	<u>\$2,341</u>	<u>\$-</u>	<u>\$675,484</u>
As of January 1, 2022	\$259,136	\$143,273	\$47,793	\$3,206	\$10,558	\$1,658	\$-	\$465,624
Depreciation	54,611	41,547	7,586	39	509	457	-	104,749
As of December 31, 2022	<u>\$313,747</u>	<u>\$184,820</u>	<u>\$55,379</u>	<u>\$3,245</u>	<u>\$11,067</u>	<u>\$2,115</u>	<u>\$-</u>	<u>\$570,373</u>
Net carrying amounts as of:								
December 31, 2023	<u>\$761,071</u>	<u>\$328,795</u>	<u>\$16,568</u>	<u>\$-</u>	<u>\$1,034</u>	<u>\$999</u>	<u>\$21,366</u>	<u>\$1,129,833</u>
December 31, 2022	<u>\$812,943</u>	<u>\$348,708</u>	<u>\$22,435</u>	<u>\$-</u>	<u>\$933</u>	<u>\$915</u>	<u>\$14,538</u>	<u>\$1,200,472</u>

The significant components of buildings and facilities include electromechanical air conditioning and fire protection engineering, which are depreciated over 3-15 years.

The property, plant and equipment were not pledged.

MEDIGEN VACCINE BIOLOGICS CORPORATION
 NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
 (Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Intangible Assets

	Professional techniques	Computer software	Vaccine patent	Total
Cost:				
As of January 1, 2023	\$25,870	\$4,105	\$94,575	\$124,550
Additions	-	2,265	-	2,265
As of December 31, 2023	<u>\$25,870</u>	<u>\$6,370</u>	<u>\$94,575</u>	<u>\$126,815</u>
As of January 1, 2022	\$25,870	\$2,935	\$94,575	\$123,380
Additions	-	1,170	-	1,170
As of December 31, 2022	<u>\$25,870</u>	<u>\$4,105</u>	<u>\$94,575</u>	<u>\$124,550</u>
Amortization and Impairment:				
As of January 1, 2023	\$12,768	\$2,320	\$64,101	\$79,189
Amortization	1,851	1,173	6,305	9,329
As of December 31, 2023	<u>\$14,619</u>	<u>\$3,493</u>	<u>\$70,406</u>	<u>\$88,518</u>
As of January 1, 2022	\$10,917	\$1,689	\$57,796	\$70,402
Amortization	1,851	631	6,305	8,787
As of December 31, 2022	<u>\$12,768</u>	<u>\$2,320</u>	<u>\$64,101</u>	<u>\$79,189</u>
Net carrying amount as of:				
December 31, 2023	<u>\$11,251</u>	<u>\$2,877</u>	<u>\$24,169</u>	<u>\$38,297</u>
December 31, 2022	<u>\$13,102</u>	<u>\$1,785</u>	<u>\$30,474</u>	<u>\$45,361</u>

Amortization expense of intangible assets:

	Years ended December 31,	
	2023	2022
Operating costs	\$253	\$-
General and administrative expenses	872	631
Research and development expenses	8,204	8,156
Total	<u>\$9,329</u>	<u>\$8,787</u>

MEDIGEN VACCINE BIOLOGICS CORPORATION
 NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
 (Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Corporate Bonds Payable

Domestic convertible corporate bonds payable

	December 31,	
	2023	2022
Liability component:		
Principal amount of domestic convertible corporate bonds payable	\$1,750,000	\$1,750,000
Discounts on domestic convertible corporate bonds payable	(41,899)	(72,150)
Subtotal	1,708,101	1,677,850
Less: current portion due within one year	(1,708,101)	-
Net	\$-	\$1,677,850
Embedded derivatives (Note6(2))	\$29,050	\$19,250

The Company issued NT\$1,750,000 thousand, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date on May 9, 2022 to May 9, 2025 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on May 9, 2022.

The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the increase in the number of ordinary shares issued (including private placement) by the Company occurs subsequently, including but not limited to issuance of common stock for cash, capital increase out of earnings or capital reserves, company merger, transfer of shares from other companies to issue new shares, stock splits and cash capital increase to participate in the issuance of overseas depositary receipts, etc. The conversion price was NT\$278 per share on the issue date. In response to the Company's capital increase out of cash and earnings, the conversion price was adjusted to NT\$277.5 and NT \$187.1 on July 1, 2022 and August 9, 2022, respectively.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value upon two years from the issue date.

The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

Regarding the issuance of convertible bonds, the equity conversion options amounting to NT\$89,930 thousand were separated from the liability component and were recognized in "capital surplus - share options" in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognized in "financial liabilities at fair value through profit or loss" in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.7882%.

(11) Post-Employment Benefits

Defined contribution plan

Pension expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$6,082 thousand and NT\$6,525 thousand, respectively.

(12) Equities

A. Common stock

The Company's authorized capital was both NT\$5,000,000 thousand as of December 31, 2023 and 2022 (including 10,000 thousand shares reserved for employee stock options), each at a par value of NT\$10. The Company's issued capital was NT\$3,286,081 thousand and NT\$3,278,399 thousand divided into 328,608 thousand shares and 327,840 thousand shares as of December 31, 2023 and 2022. Each share has one voting right and a right to receive dividends.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Board of Directors during its meeting on March 1, 2022 adopted a resolution for a cash capital increase of 7,000 thousand shares with a par value of \$10 (in dollars) per share, at a premium issuance price of \$220 (in dollars) per share. The total amount of shares is \$1,540,000 thousand, which was fully received on July 1, 2022. The capital increase base date was July 1, 2022. On July 8, 2022, the Company had completed the registration.

B. Capital surplus

	December 31,	
	2023	2022
Additional paid-in capital	\$1,298,564	\$2,554,559
Employee stock options	137,800	140,890
Stock options from convertible bonds (Note 6(10))	89,930	89,930
Other	24,703	12,706
Total	<u>\$1,550,997</u>	<u>\$2,798,085</u>

According to the Company Act, the capital reserve shall not be used except for covering losses 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 cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Articles of Incorporation, current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and the company shall set aside special reserve in accordance with the regulation or business requirements. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

The Company's dividend policy is to distribute dividends in the form of stock dividends (including surplus and capital reserve allotment) or cash dividends. The board of directors considers the Company's operating results, capital requirements and the current year's surplus (less the required reserve) in proposing a surplus distribution which shall be approved by shareholders. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 50% of the total dividends distributable. If there is a capital expenditure plan in the future, the dividends will be distributed as stock dividends which shall be approved by the shareholders.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

According to Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. If 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 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on June 30, 2022 as follows:

	Appropriation and distribution of earnings	Dividends per share (NT\$)
Legal reserve	\$141,026	
Special reserve	459	
Common stock - stock dividend	1,067,195	\$5

On June 29, 2023, the general shareholders' meeting adopted a resolution to offset capital surplus of NT\$1,272,995 thousand against the 2022 deficit.

On March 8, 2024, the Board of Directors proposed a resolution to offset capital surplus of NT\$1,159,835 thousand against the 2023 deficit.

Please refer to Note 6(16) for further details on employee compensation and remuneration to directors and supervisors.

(13) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remuneration; 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

The Company was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue employee share options. Each unit entitles an optionee to subscribe for one share of the Company's common shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. According to share-based payment plan, settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

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The relevant details of the aforementioned share-based payment plan are as follows:

Type of arrangement	Grant date	Options		
		Options granted (in thousands)	Contract period	Vesting conditions
Employee stock options (2017-1-1)	2017.07.19	2,135	6 years	2-4 years
Employee stock options (2017-1-2)	2018.04.18	365	6 years	2-4 years
Employee stock options (2018-1-1)	2018.11.05	3,035	6 years	2-4 years
Employee stock options (2018-1-2)	2019.08.13	465	6 years	2-4 years
Employee stock options (2021)	2021.03.23	2,500	6 years	2-4 years
Cash capital increase reserved for employee preemption (2022)	2022.05.31	508	0.074 years	Vested immediately

	Years ended December 31,			
	2023		2022	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	3,135	\$121.76	4,501	\$140.45
Exercised	(577)	23.18	(1,187)	33.20
Expired	(415)	144.39	(179)	118.55
Outstanding at end of period	<u>2,143</u>	143.91	<u>3,135</u>	121.76
Exercisable at end of period	<u>1,146</u>	136.18	<u>657</u>	24.03

The information on the outstanding share options is as follows:

Type of arrangement	December 31,			
	2023		2022	
	Shares (in thousands)	Exercise price (Note)	Shares (in thousands)	Exercise price (Note)
Employee stock options (2017-1-1)	-	\$-	17	\$19.90
Employee stock options (2017-1-2)	-	-	75	26.60
Employee stock options (2018-1-1)	144	24.80	475	24.80
Employee stock options (2018-1-2)	5	18.60	185	18.60
Employee stock options (2021)	1,994	152.80	2,383	152.80

MEDIGEN VACCINE BIOLOGICS CORPORATION
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Note: The price of employee stock option certificates issued has been adjusted in accordance with the terms and conditions of stock options on the Company's ex-rights base date of August 9, 2022.

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

Type of arrangement	Expected volatility (%) (Note)	Risk-free interest rate (%)	Expected options life (Years)
Employee stock options (2017-1-1)	40.77%	0.7128%	4
	42.35%	0.7383%	4.5
	42.40%	0.7643%	5
Employee stock options (2017-1-2)	40.05%	0.6595%	4
	39.65%	0.6909%	4.5
	40.14%	0.7242%	5
Employee stock options (2018-1-1)	40.55%	0.7180%	4
	40.60%	0.7530%	4.5
	40.16%	0.7939%	5
Employee stock options (2018-1-2)	39.13%	0.5253%	4
	39.15%	0.5308%	4.5
	39.16%	0.5395%	5
Employee stock options (2021)	41.05%	0.2921%	4
	39.74%	0.3055%	4.5
	39.65%	0.3172%	5
Cash capital increase reserved for employee preemption (2022)	53.63%	0.7326%	0.074

Note : The Company's expected price volatility rate was estimated based on the stock volatility of the same industry. The parent company's expected price volatility rate was estimated based on the volatility of the monthly average price announced by the Taipei Exchange.

The expected 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 life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No modification or cancellation of share-based payment plan has occurred.

MEDIGEN VACCINE BIOLOGICS CORPORATION
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B. Expenses recognized for employee service was as follow:

	Years ended December 31,	
	2023	2022
Equity-settled share -based payment transactions	\$18,305	\$75,609

(14) Net Sales

Analysis of revenue from contracts with customers is as follows:

A. Disaggregation of revenue

	Years ended December 31,	
	2023	2022
Contract revenue from customers		
Sale of goods	\$389,257	\$365,042
Services revenue	367	-
Total	\$389,624	\$365,042

Timing of revenue recognition:

At a point in time	\$384,163	\$313,585
Over time	5,461	51,457
Total	\$389,624	\$365,042

B. Contract balance

a. Contract assets - current

	December 31,		January 1,
	2023	2022	2022
Sale of goods	\$-	\$-	\$339,148

The significant changes in the Company's balances of contract assets are as follows:

	Years ended December 31,	
	2023	2022
The opening balance transferred to trade receivables	\$-	\$339,148

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

b. Contract liabilities - current

	December 31,		January 1,
	2023	2022	2022
Sale of goods	\$-	\$-	\$111,412

The significant changes in the Company's balances of contract liabilities are as follows:

	Years ended December 31,	
	2023	2022
The opening balance transferred to revenue	\$-	\$111,412

The contract assets and liabilities were mainly arising from the contract with the Centers for Disease Control, Ministry of Health and Welfare for the procurement of domestic COVID-19 vaccine. In addition, the liquidated damages related to the delay in the delivery of vaccines were considered as a deduction of revenue. Amount of recognized deduction of cash for the contract in 2022 was \$88,164 thousand.

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Cost of assets from acquisition or performance of customer contracts

None.

(15) Leases

The Company as lessee

The Company leases property including land and buildings. These leases have terms between 10 to 48 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

The effects that leases have on the financial position, financial performance and cash flows of the Company are as follows:

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A. Amounts recognized at the balance sheets

(a) Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2023	2022
Land	\$171,822	\$175,818
Buildings	82,876	93,235
Total	<u>\$254,698</u>	<u>\$269,053</u>

During the years ended December 31, 2023 and 2022, the additions to right-of-use assets of the Company amounted to NT\$0 thousand and NT\$103,840 thousand, respectively.

(b) Lease liability

	December 31,	
	2023	2022
Current	\$11,996	\$11,778
Non-current	254,356	266,352
Total	<u>\$266,352</u>	<u>\$278,130</u>

Please refer to Note 6(17)D. For the interest on lease liability recognized. Please refer to Note 12(5) for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	Years ended December 31	
	2023	2022
Land	\$3,996	\$3,996
Buildings	10,359	10,360
Total	<u>\$14,355</u>	<u>\$14,356</u>

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C. Income and costs relating to leasing activities

	Years ended December 31	
	2023	2022
The expense relating to short-term leases	\$680	\$687

D. Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounted to NT\$19,778 thousand and NT\$19,784 thousand, respectively.

(16) Summary Statement of Employee Benefits, Depreciation and Amortization Expenses by Function

Function Items	Years ended December 31					
	2023			2022		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits expense						
Salaries	\$40,182	\$112,139	\$153,321	\$28,088	\$203,677	\$231,765
Labor and health insurance	3,472	8,733	12,205	1,900	10,674	12,574
Pension	1,826	4,256	6,082	1,027	5,498	6,525
Other employee benefits expense	1,848	4,575	6,423	708	4,287	4,995
Depreciation	52,231	69,611	121,842	26,331	92,774	119,105
Amortization	253	9,076	9,329	-	8,787	8,787

According to the Articles of Incorporation, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered.

Information on the Board of Directors' resolution regarding the employees' deposits compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company incurred losses before income tax for both the years ended December 31, 2023 and 2022, thus no accrual was made for employees' compensation and director remuneration.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(17) Non-Operating Income and Expenses

A. Interest income

	Years ended December 31,	
	2023	2022
Financial assets at amortized cost interest income	\$77,452	\$2,100
Interest income from banks deposits	5,725	5,436
Other interest income	61	33
Total	\$83,238	\$7,569

B. Other income

	Years ended December 31,	
	2023	2022
Government grants	\$-	\$19,864
Other	18,243	48,807
Total	\$18,243	\$68,671

C. Other gains and losses

	Years ended December 31,	
	2023	2022
Foreign exchange (loss) gain, net	\$(325)	\$28,858
Net loss on financial assets (liabilities) at fair value through profit or loss	(9,635)	(16,554)
Total	\$(9,960)	\$12,304

D. Finance cost

	Years ended December 31,	
	2023	2022
Discount on bonds corporate payable	\$30,251	\$19,355
Interest expense on lease liabilities	7,320	7,533
Total	\$37,571	\$26,888

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(18) Components of Other Comprehensive Income

For the year ended December 31, 2023

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax income (expense)	Other comprehensive income, net of tax
	Arising during the period	during the period	income, before tax	income, net of tax
Not to be reclassified to profit or loss:				
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using the equity method	\$ (54,269)	\$ -	\$ (54,269)	\$ -
To be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	2	-	2	-
Total of other comprehensive income	<u>\$ (54,267)</u>	<u>\$ -</u>	<u>\$ (54,267)</u>	<u>\$ -</u>

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2022

	Reclassification adjustments Arising during the period	Other comprehensive income, before tax	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:				
Unrealized gain from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using the equity method	\$82,225	\$-	\$82,225	\$82,225
To be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	352	-	352	352
Total of other comprehensive income	<u>\$82,577</u>	<u>\$-</u>	<u>\$82,577</u>	<u>\$82,577</u>

(19) Income Tax

For the years ended December 31, 2023 and 2022, the Company had no recognition of income tax expense and deferred tax assets.

Reconciliation of income tax expense (benefits) and the accounting profit multiplied by applicable tax rates is as follows:

	Years ended December 31,	
	2023	2022
Accounting loss before tax from continuing operations	<u>\$(1,159,835)</u>	<u>\$(1,474,573)</u>
Tax calculated by statutory tax rate	(231,967)	(294,915)
Tax effect of revenues exempted from taxation	(12)	-
Tax effect of expenses not deductible for tax purposes	10,414	7,318
Tax effect of deferred tax assets/liabilities	221,565	287,597
Total income tax expense recognized in profit or loss	<u>\$-</u>	<u>\$-</u>

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The following table contains information of the unused tax losses of the Company:

Year	Accumulated loss	Unutilized accumulated loss as of		Expiration year
		December 31,		
		2023	2022	
2019	609,285	\$589,909	\$589,909	2029
2020	675,680	675,680	675,680	2030
2022	1,022,722	1,022,722	1,022,722	2032
2023	758,764	758,764	-	2033
		<u>\$3,047,075</u>	<u>\$2,288,311</u>	

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized amounted to NT\$609,415 thousand and NT\$457,505 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, the tax authorities have assessed and approved income tax returns of the Company through 2021.

(20) Loss Per Share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders by the weighted-average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss attributable to ordinary equity holders (after adjusting for interest on the convertible corporate bonds payable) 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.

	Years ended December 31,	
	2023	2022
Basic loss per share		
Loss attributable to ordinary shareholders (in thousand NT\$)	<u>\$(1,159,835)</u>	<u>\$(1,474,573)</u>
Weighted average number of ordinary shares outstanding for basic loss per share (in thousands) (Note)	<u>328,315</u>	<u>323,477</u>
Basic loss per share (NT\$)	<u>\$(3.53)</u>	<u>\$(4.56)</u>

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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Note: For the loss per share for the year ended December 31, 2022, the Company has retrospectively adjusted weighted average number of ordinary shares based on capital increase ratio on August 9, 2022.

The diluted loss per share is not calculated since the Company incurred net loss for the years ended December 31, 2023 and 2022 that the inclusion of the potential ordinary shares will have an anti-dilution effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date the financial statements were authorized for issue.

7. Related Party Transactions

Parent and ultimate controlling party

Medigen Biotechnology Corporation is the Company's ultimate parent company.

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Winston Medical Supply Co., Ltd.	The same ultimate parent of the Company
Taiwan Bio Therapeutics Co., Ltd. (Taiwan Bio Therapeutics)	Other related party
MVC Capital Corporation (MVC Capital)	Subsidiary

Significant transactions with related parties

Disposal of financial assets

<u>Counterparty</u>	<u>Accounts</u>	<u>Shares (In thousands)</u>	<u>Objects</u>	<u>Year ended December 31, 2022</u>	
				<u>Proceeds (in thousands of NT\$)</u>	<u>Gain/(loss)</u>
MVC Capital	Financial assets at fair value through other comprehensive income - noncurrent	3,600	Taiwan Bio Therapeutics	\$54,000	\$-

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Key Management Personnel Compensation

	Years ended December 31,	
	2023	2022
Short-term employee benefits	\$15,597	\$16,957
Post-employment benefits	216	216
Share-based payment	9,512	20,394
Total	\$25,325	\$37,567

8. Assets Pledged as Collateral

The following assets of the Company pledged as collateral:

Assets pledged as collateral	Carrying amount December 31,		Purpose of pledge
	2023	2022	
Time deposits - restricted assets (presented as “other financial assets - current”)	\$-	\$15,016	Security deposit for plan
Time deposits - restricted assets (presented as “refundable deposits”)	7,626	7,626	Security deposit of leases
Total	\$7,626	\$22,642	

9. Commitments and Contingencies

i. Contingencies

None.

ii. Commitments

A. The Company signed a three party technical license agreement with Centers for Disease Control, Department of Health, Executive Yuan (now Taiwan Centers for Disease Control, CDC) and National Health Research Institute (NHRI) on June 28, 2013 for the development of Enterovirus Vaccine 71 (EV71). Under the contract, the subsidiary shall pay milestone payments as the research progresses and net sales royalty when products are launched in the future. The final data from the Phase III multi-region clinical trial for EV71 vaccine were unblinded on June 20, 2022, and the results were as expected. Accordingly, the Company applied for a new drug application (NDA) for EV71 vaccine to the Food and Drug Administration on October 1, 2022. The Food and Drug Administration approved the application on April 12, 2023.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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- B. The Company signed the license agreement with NHRI for the H7N9 novel influenza vaccine. The contract period is from April 25, 2014 through April 24, 2029. The contract includes authorized H7N9 novel influenza virus strains, vaccine manufacturing process, pre-clinical animal trials and other intellectual properties, and the complete rights to manufacture and sell the vaccine products in Taiwan. The Company is required to pay fixed and running royalties as specified in the contract. The phase I and phase II clinical trials have passed the review by Taiwan CDC and have been approved for future reference.
- C. The Company contracted with United States National Institute of Health (NIH) on November 17, 2016 regarding the license agreement for the dengue fever vaccine, which granted the Company complete rights of R&D, manufacture, selling and re-licensing. There were 17 countries included in the original authorized region. On September 17, 2017, the rights for 9 additional countries were obtained, which has expanded the total licensed region to 26 countries. The Company is required to make a certain amount of fixed and running royalties and milestone payments under the contract. The subsidiary has completed phase II clinical trials and received clinical trial reports.
- D. The Company signed a global commercial COVID-19 vaccine license agreement with US NIH on May 5, 2020 in order to attain the complete rights for the R&D, manufacture, and sales of COVID-19 vaccine. Under the contract, the Company is required to pay a certain amount of fixed and running royalties and milestone payments.
- E. Capital expenditures contracted for but not yet incurred:

	December 31,	
	2023	2023
Property, plant and equipment	\$5,462	\$26,605

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Categories of Financial Instruments

Financial assets

	<u>December 31,</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	\$-	\$52,993
Financial assets at amortized cost (Note)	3,886,706	4,447,599
Total	<u>\$3,886,706</u>	<u>\$4,500,592</u>

Financial liabilities

Financial liabilities at fair value through profit or loss:

Mandatorily measured at fair value through profit or loss	\$29,050	\$19,250
Financial liabilities at amortized cost (Note)	1,950,055	2,013,070
Lease liabilities	266,352	278,130
Total	<u>\$2,245,457</u>	<u>\$2,310,450</u>

Note: Financial assets at amortized cost include cash and cash equivalent, time deposits (contract period is more than three months), trade receivables, other receivables, restricted assets, performance guarantee and refundable deposits; financial liabilities at amortized cost include notes and trade payables, other payables and corporate bonds payables.

(2) Financial Risk Management Objectives and Policies

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

The Company 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 Company complies with its financial risk management policies at all times.

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(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 instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$5,606 thousand and NT\$6,244 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. There is no significant interest risk for the fair value or future cash flows of a financial instrument.

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(4) Credit Risk Management

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

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

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

(5) Liquidity Risk Management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and corporate bonds payable. The table below summarizes the maturity profile of the Company'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 of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
As of December 31, 2023					
Accounts payables	\$241,954	\$-	\$-	\$-	\$241,954
Corporate bonds payable	1,750,000	-	-	-	1,750,000
Lease liabilities	19,098	38,195	38,195	330,872	426,360

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Less than 1				Total
	year	2 to 3 years	4 to 5 years	Over 5 years	
As of December 31, 2022					
Accounts payables	\$335,220	\$-	\$-	\$-	\$335,220
Corporate bonds payable	-	1,750,000	-	-	1,750,000
Lease liabilities	19,098	38,195	38,195	349,970	445,458

(6) Reconciliation of Liabilities Arising from Financing Activities:

Reconciliation of liabilities for the year ended December 31, 2023:

	Lease liabilities	Corporate bonds payable	Total liabilities from financing activities
As of January 1, 2023	\$278,130	\$1,677,850	\$1,955,980
Cash flows	(11,778)	-	(11,778)
Non-cash changes	-	30,251	30,251
As of December 31, 2023	\$266,352	\$1,708,101	\$1,974,453

Reconciliation of liabilities for the year December 31, 2022:

	Lease liabilities	Corporate bonds payable	Total liabilities from financing activities
As of January 1, 2022	\$185,854	\$-	\$185,854
Cash flows	(11,564)	1,755,250	1,743,686
Non-cash changes	103,840	(77,400)	26,440
As of December 31, 2022	\$278,130	\$1,677,850	\$1,955,980

(7) 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 Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables and accounts payables approximate their fair value due to their short maturities.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and beneficiary certificates etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including unquoted public company equity securities) are 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).
- (d) The fair value of derivatives which are fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities 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 Company.

(8) Derivative Instruments

The related information for derivative financial instruments that are not qualified for hedge accounting and not yet settled as of December 31, 2023 and 2022 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible corporate bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(10) for further information on this transaction.

MEDIGEN VACCINE BIOLOGICS CORPORATION
 NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
 (Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:				
Financial liabilities at fair value				
through profit or loss				
Embedded derivatives	\$-	\$19,250	\$-	\$19,250

Transfers between the Level 1 and Level 2 during the period

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

Change in reconciliation for 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:

	Assets	
	At fair value through other comprehensive income	
	Years ended December 31,	
	2023	2022
As of January 1	\$-	\$54,000
Disposal	-	(54,000)
As of December 31	\$-	\$-

The Company's policy to recognize the transfer into and out of fair value hierarchy levels is based on the event or changes in circumstances that caused the transfer.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed:

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	\$1,721,125	\$-	\$-	\$1,721,125

English Translation of a Report and Financial Statements Originally Issued in Chinese

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	\$1,582,875	\$-	\$-	\$1,582,875

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

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

	<u>December 31, 2023</u>		
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD thousand</u>
<u>Financial assets</u>			
Monetary item:			
USD	\$22,822	30.705	\$700,750
	<u>December 31, 2022</u>		
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD thousand</u>
<u>Financial assets</u>			
Monetary item:			
USD	\$25,417	30.71	\$780,556

The net foreign exchange (loss) gain was NT\$(325) thousand and NT\$28,858 thousand for years ended December 31, 2023 and 2022, respectively.

(11) Capital Management

The primary objective of the Company'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 shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates:

- A. Financing provided to others for the year ended December 31, 2023: None.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2023: None.
- C. Securities held as of December 31, 2023 (excluding subsidiaries, associates and joint venture): None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2023: None.
- I. Financial instruments and derivative transactions: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on Investees

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

(4) Investment in Mainland China

- A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: None.

MEDIGEN VACCINE BIOLOGICS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

(5) Information on major shareholders

Please refer to Attachment 2.

Medigen Vaccine Biologics Corporation
Notes to parent company only financial statements
Names, locations and related information of investee companies. (Not including investment in Mainland China)
For the year ended December 31, 2023

Attachment 1

Expressed in thousands of NTD

Investor Company	Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Cayman Islands	Investing	\$ 7,081	\$ 7,081	50,000	100.00	\$ 3,309	\$(203)	\$(203)	
Medigen Vaccine Biologics Corporation	MVC Capital Corporation	Taiwan	Investing	300,000	200,000	30,000,000	100.00	327,718	(164)	(164)	Note a
Medigen Vaccine Biologics Corporation	MVC Australia Pty Ltd.	Australia	To hold licenses and support local marketing	-	-	-	-	-	-	-	Note b
Medigen Vaccine Biologics Corporation	MVC Bio Supply Sdn. Bhd.	Malaysia	To hold licenses and support local marketing	-	-	-	-	-	-	-	Note b

Note a: On May 3, 2023, MVC Capital Corporation has changed its company name in Chinese, which has been approved by the governance authorities.

Note b: The establishment of subsidiaries were incorporated and approved by the local governance authorities; however the Company has not contributed capital to those subsidiaries as of December 31, 2023.

Medigen Vaccine Biologics Corporation
Notes to parent company only financial statements
The information of major shareholders
As of December 31, 2023

Attachment 2

Expressed in Shares		
Name	Number of shares	Percentage of ownership
Medigen Biotechnology Corporation	62,378,844	18.98%

Note: The major shareholders information is provided by Taiwan Depository & Clearing Corporation. Shareholders held more than 5% of the company's ordinary shares that have been delivered without physical registration



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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To Medigen Vaccine Biologics Corporation

Opinion

We have audited the accompanying consolidated balance sheet of Medigen Vaccine Biologics Corporation and its subsidiaries as of December 31, 2023, and the related consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2023, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medigen Vaccine Biologics Corporation and its subsidiaries as of December 31, 2023, and its consolidated financial performance and cash flows for the year ended December 31, 2023, 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 Medigen Vaccine Biologics Corporation and its subsidiaries 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.

Impairment assessment of non-financial assets

As of December 31, 2023, the carrying value of property, plant and equipment, right-of-use assets and intangible assets of Medigen Vaccine Biologics Corporation and its subsidiaries was NT\$1,422,828 thousand, representing approximately 24% of total assets. Due to recent operational losses of Medigen Vaccine Biologics Corporation and its subsidiaries, the management conducted impairment assessment test for the cash generating unit to which these assets belong. The impairment assessment was based on the recoverable amount estimated from the assets' value in use. Since the estimation of value in use involves significant judgement by the management, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls related to asset impairment; assessing the appropriateness of the accounting policy for asset impairment; evaluating key assumptions used by the management in the impairment testing, including sales growth rate, gross margin, and discount rate, and discussing with management to assess the reasonableness; recalculating the recoverable amount assessed by the management. We also assessed the adequacy of disclosures of property, plant and equipment, right-of-use assets and intangible assets. Please refer to Notes 5 and 6 to the consolidated financial statements.

Valuation for inventories

As of December 31, 2023, the net inventory balance of Medigen Vaccine Biologics Corporation and its subsidiaries was NT\$383,635 thousand. Given the fact that Medigen Vaccine Biologics Corporation and its subsidiaries mainly manufactures and sells vaccine-related products, these inventories might be affected by natural deterioration, obsolescence and unmarketable items. The management has to evaluate whether the product is out-of-date and if there is an inventory decline in value. As the carrying amount of the inventories is significant and the valuation for inventories involves significant judgments by the management, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls related to inventory obsolescence; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the consolidated financial statements.

Other Matter – Previous Period Audited by Other Auditors

The consolidated financial statements of Medigen Vaccine Biologics Corporation and its subsidiaries for the year ended December 31, 2022 were audited by other auditors and an unqualified opinion was issued on March 8, 2023.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 Medigen Vaccine Biologics Corporation and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Medigen Vaccine Biologics Corporation and its subsidiaries 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 Medigen Vaccine Biologics Corporation and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Medigen Vaccine Biologics Corporation and its subsidiaries.
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 Medigen Vaccine Biologics Corporation and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Medigen Vaccine Biologics Corporation and its subsidiaries 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 Medigen Vaccine Biologics Corporation and its subsidiaries 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Others

Medigen Vaccine Biologics Corporation has prepared the parent company only financial statements for the years ended December 31, 2023 and 2022. We have audited and expressed an unqualified audit opinion including other matter paragraph on the parent company only financial statements of Medigen Vaccine Biologics Corporation as of and for the year ended December 31, 2023.

Kuo, Shao-Pin

Huang, Chien-Che

Ernst & Young, Taiwan

March 8, 2024

Notice to Readers

The reader is advised that these 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.

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 R.O.C. 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 R.O.C

English Translation of Consolidated Financial Statements Originally Issued in Chinese
MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2023	%	December 31, 2022	%
Current assets					
Cash and cash equivalents	6(1)	\$ 1,393,120	23	\$ 1,204,255	16
Financial assets at fair value through profit or loss - current	6(2)	-	-	52,993	1
Financial assets at amortized cost - current	6(1), 6(4)	2,364,100	39	2,979,940	41
Trade receivables, net	6(5)	149,107	2	194,400	3
Other receivables		49,736	1	1,171	-
Inventories, net	6(6)	383,635	6	544,784	7
Prepayments	6(7)	13,491	-	370,986	5
Other current assets		48,136	1	38,427	-
Other financial assets - current	6(1), 8	-	-	75,466	1
Total current assets		4,401,325	72	5,462,422	74
Non-current assets					
Financial assets at fair value through other comprehensive income - noncurrent	6(3)	246,131	4	263,556	4
Property, plant and equipment, net	6(8)	1,129,833	19	1,200,472	16
Right-of-use assests	6(15)	254,698	4	269,053	4
Intangible assets	6(9)	38,297	1	45,361	1
Refundable deposits	6(1), 8	15,536	-	14,472	-
Other noncurrent assets		6,826	-	92,353	1
Total non-current assets		1,691,321	28	1,885,267	26
Total assets		\$ 6,092,646	100	\$ 7,347,689	100

(continued)

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	December 31, 2023	%	December 31, 2022	%
Current liabilities					
Financial liabilities at fair value through profit or loss - current	6(2), 6(10)	\$ 29,050	1	\$ -	-
Notes payable		-	-	581	-
Accounts payable		25,885	-	108,520	2
Other payables		216,069	4	226,119	3
Lease liabilities - current	6(15)	11,996	-	11,778	-
Other current liabilities		610	-	8,234	-
Corporate bonds payable - current portion	6(10)	1,708,101	28	-	-
Total current liabilities		1,991,711	33	355,232	5
Non-current liabilities					
Financial liabilities at fair value through profit or loss - noncurrent	6(2), 6(10)	-	-	19,250	-
Corporate bonds payable	6(10)	-	-	1,677,850	23
Lease liabilities - noncurrent	6(15)	254,356	4	266,352	4
Total non-current liabilities		254,356	4	1,963,452	27
Total liabilities		2,246,067	37	2,318,684	32
Equity attributable to owners of the parent	6(12)				
Share capital					
Common stock		3,286,081	54	3,278,399	44
Capital collected in advance		-	-	1,913	-
Capital surplus		1,550,997	26	2,798,085	38
Retained earnings					
Legal reserve		141,026	2	141,026	2
Special reserve		459	-	459	-
Accumulated deficits		(1,159,835)	(19)	(1,272,995)	(17)
Total retained earnings		(1,018,350)	(17)	(1,131,510)	(15)
Other equity		27,851	-	82,118	1
Total equity		3,846,579	63	5,029,005	68
Total liabilities and equity		\$ 6,092,646	100	\$ 7,347,689	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Note	For the year ended December 31		For the year ended December 31	
		2023	%	2022	%
Net sales	6(14)	\$ 389,624	100	\$ 365,042	100
Operating costs	6(6), 6(16)	(159,402)	(41)	(577,644)	(158)
Gross profit (loss)		230,222	59	(212,602)	(58)
Operating expenses	6(16)				
Selling expenses		(156,944)	(40)	(72,833)	(20)
General and administrative expenses		(86,493)	(22)	(110,841)	(31)
Research and development expenses		(1,200,614)	(308)	(1,139,989)	(312)
Total operating expenses		(1,444,051)	(370)	(1,323,663)	(363)
Operating loss		(1,213,829)	(311)	(1,536,265)	(421)
Non-operating income and expenses	6(17)				
Interest income		83,282	21	7,605	2
Other income		18,243	5	68,671	19
Other gains and losses		(9,960)	(3)	12,304	3
Finance costs		(37,571)	(10)	(26,888)	(7)
Total non-operating income and expenses		53,994	13	61,692	17
Loss before income tax		(1,159,835)	(298)	(1,474,573)	(404)
Income tax expense	6(19)	-	-	-	-
Net loss		(1,159,835)	(298)	(1,474,573)	(404)
Other comprehensive income	6(18)				
Items that will not be reclassified subsequently to profit or loss					
Unrealized (loss) gain from equity instrument investments measured at fair value through other comprehensive income		(54,269)	(14)	82,225	23
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		2	-	352	-
Other comprehensive (loss) income, net of tax		(54,267)	(14)	82,577	23
Total comprehensive loss		\$ (1,214,102)	(312)	\$ (1,391,996)	(381)
Net loss for the periods attributable to :					
Shareholders of the parent		\$ (1,159,835)		\$ (1,474,573)	
Total comprehensive loss for the periods attributable to :					
Shareholders of the parent		\$ (1,214,102)		\$ (1,391,996)	
Basic Loss Per Share (in New Taiwan Dollars)	6(20)	\$ (3.53)		\$ (4.56)	

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

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent								Total equity
	Capital		Capital surplus	Retained earnings			Other equity		
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Accumulated deficits	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income (loss)	
Balance as of January 1, 2022	\$ 2,128,865	\$ 2,383	\$ 1,135,010	\$ -	\$ -	\$ 1,410,258	\$ (459)	\$ -	\$ 4,676,057
Appropriation and distribution of 2021 earnings:									
Legal reserve	-	-	-	141,026	-	(141,026)	-	-	-
Special reserve	-	-	-	-	459	(459)	-	-	-
Stock dividend	1,067,195	-	-	-	-	(1,067,195)	-	-	-
Net loss for the year ended December 31, 2022	-	-	-	-	-	(1,474,573)	-	-	(1,474,573)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	352	82,225	82,577
Total comprehensive income (loss)	-	-	-	-	-	(1,474,573)	352	82,225	(1,391,996)
Issuance of common stock for cash	70,000	-	1,470,000	-	-	-	-	-	1,540,000
Shares issued under employee stock option plans	12,339	(470)	27,536	-	-	-	-	-	39,405
Share-based payment transaction from issuance of common stock for cash	-	-	7,474	-	-	-	-	-	7,474
Share-based payment transaction	-	-	68,135	-	-	-	-	-	68,135
Issuance of convertible corporate bonds	-	-	89,930	-	-	-	-	-	89,930
Balance as of December 31, 2022	\$ 3,278,399	\$ 1,913	\$ 2,798,085	\$ 141,026	\$ 459	\$ (1,272,995)	\$ (107)	\$ 82,225	\$ 5,029,005
Balance as of January 1, 2023	\$ 3,278,399	\$ 1,913	\$ 2,798,085	\$ 141,026	\$ 459	\$ (1,272,995)	\$ (107)	\$ 82,225	\$ 5,029,005
Capital surplus used to cover accumulated deficits	-	-	(1,272,995)	-	-	1,272,995	-	-	-
Net loss for the year ended December 31, 2023	-	-	-	-	-	(1,159,835)	-	-	(1,159,835)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	2	(54,269)	(54,267)
Total comprehensive income (loss)	-	-	-	-	-	(1,159,835)	2	(54,269)	(1,214,102)
Shares issued under employee stock option plans	7,682	(1,913)	7,602	-	-	-	-	-	13,371
Share-based payment transaction	-	-	18,305	-	-	-	-	-	18,305
Balance as of December 31, 2023	\$ 3,286,081	\$ -	\$ 1,550,997	\$ 141,026	\$ 459	\$ (1,159,835)	\$ (105)	\$ 27,956	\$ 3,846,579

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

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2023	2022		2023	2022
Cash flows from operating activities :			Cash flows from investing activities :		
Net loss before tax	\$ (1,159,835)	\$ (1,474,573)	Acquisition of financial assets at fair value through other comprehensive income	(36,844)	(99,536)
Adjustments for:			Proceeds from financial assets at fair value through profit or loss	53,158	-
The profit or loss items which did not affect cash flows:			Acquisition of financial assets at amortized cost	(3,146,212)	(2,979,940)
Depreciation (including right-of-use assets)	121,842	119,105	Proceeds from redemption of financial assets at amortized cost	3,766,276	800,000
Amortization	9,329	8,787	Acquisition of property, plant and equipment	(30,906)	(47,429)
Prepayments for equipment transferred to expenses	6,986	-	Acquisition of intangible assets	(2,265)	(1,170)
Net loss on financial assets and liabilities at fair value through profit or loss	9,635	16,554	Decrease in restricted assets	15,016	15,990
Interest income	(83,282)	(7,605)	Decrease in refundable deposits (including other financial assets)	59,386	118,752
Interest expense	37,571	26,888	Increase in prepayments for equipment	(7,780)	(91,744)
Share-based payment expense	18,305	75,609	Net cash provided by (used in) investing activities	669,829	(2,285,077)
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Contract assets - current	-	339,148	Proceeds from corporate bonds issued	-	1,755,250
Trade receivables	45,293	106,641	Cash payment for the principal portion of lease liabilities	(11,778)	(11,564)
Other receivables	1,046	(1,101)	Proceeds from issuance of common stock for cash	-	1,540,000
Inventories	161,149	18,711	Proceeds from exercise of employee stock options	13,371	39,405
Prepayments	425,594	(291,964)	Net cash provided by financing activities	1,593	3,323,091
Other current assets	(9,648)	(37,619)	Effect of exchange rate changes on cash and cash equivalents	(4,222)	352
Contract liabilities - current	-	(111,412)	Net increase (decrease) in cash and cash equivalents	188,865	(175,437)
Notes payable	(581)	(1,149)	Cash and cash equivalents at the beginning of the period	1,204,255	1,379,692
Accounts payable	(82,635)	21,716	Cash and cash equivalents at the end of the period	\$ 1,393,120	\$ 1,204,255
Other payables	2,230	(27,932)			
Other current liabilities	(7,624)	6,354			
Cash used in operating activities	(504,625)	(1,213,842)			
Interest received	33,610	7,572			
Interest paid	(7,320)	(7,533)			
Net cash used in operating activities	(478,335)	(1,213,803)			

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

English Translation of Financial Statements Originally Issued in Chinese
MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. HISTORY AND ORGANIZATION

Medigen Vaccine Biologics Corporation (“the Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 22, 2012. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development and wholesale of vaccine and biopharmaceutical, medical devices wholesale and retail, etc. The Company’s ordinary shares were publicly listed on the Taipei Exchange on April 17, 2018. Medigen Biotechnology Corporation is the Group’s ultimate parent company.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on March 8, 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 the Financial Supervisory Commission (“the FSC”) and become effective for annual periods beginning on or after January 1, 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 the International Accounting Standards Board (“the IASB”) which are endorsed by the FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective Dates
IAS 1 Amendment	Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16 Amendment	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1 Amendment	Non-current Liabilities with Covenants	January 1, 2024
IAS 7 and IFRS 7 Amendment	Supplier Finance Arrangements	January 1, 2024

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The abovementioned standards and interpretations issued by the IASB have been endorsed by the FSC, and become effective for annual periods beginning on or after January 1, 2024. The adoption of these new standards and amendments had no material impact on the Group.

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

<u>Standards or Interpretations Numbers</u>	<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Dates</u>
IFRS 10 and IAS 28	Amendments to Consolidated Financial Statements and Investments in Associates and Joint Ventures	To be determined by the IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 21 Amendment	Lack of Exchangeability	January 1, 2025

The abovementioned standards and interpretations issued by the IASB have not yet been endorsed by the FSC, and the local effective dates are to be determined by the FSC. The Group assessed that the adoption of these new standards and amendments had no material impact on the Group.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 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 or the former Standing Interpretations Committee as endorsed and became effective by the FSC.

(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.

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) General Description of Reporting Entity

Preparation principle of the consolidated financial statements

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.

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 continue 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.

English Translation of Financial Statements Originally Issued in Chinese

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required; and
- (f) recognizes any resulting difference in profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2023	2022
The Company	MVC BioPharma Ltd. MVC Capital Corporation	Investment	100%	100%
The Company	(Note A)	Investment	100%	100%
The Company	MVC Australia Pty Ltd.	To hold licenses and support local marketing	(Note B)	-
The Company	MVC Bio Supply Sdn. Bhd.	To hold licenses and support local marketing	(Note B)	-

A. On November 10, 2021, the board of directors of the Company resolved to invest NT\$200,000 thousand in MVC Capital Corporation which was approved to be incorporated on January 6, 2022 by the regulatory authorities. On May 3, 2023, MVC Capital Corporation has changed its Chinese company name, which was also approved by the regulatory authorities.

B. The subsidiaries were incorporated and approved by the local regulatory authorities. However, the Company has not contributed capital to those subsidiaries as of December 31, 2023.

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars, which is also the Group'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.

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 translated 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.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) 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 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.

(7) Cash and Cash Equivalents

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

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(8) Financial Instruments

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

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 classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (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 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:

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (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.
- (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 other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) 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:
 - (i) 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.
 - (ii) 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.

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Besides, at initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not being subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets are measured at amortized cost or measured at fair value through other comprehensive income only if they meet particular conditions. All other financial assets are 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 are 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 assets 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 does not reduce the carrying amount in the statement of financial position.

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; and
- (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.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition 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 been 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.

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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 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. Its 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”.

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.

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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 upon initial recognition 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 short 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; or
- (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 (combine) 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) a 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.

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

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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.

(9) Derivative Instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

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When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(10) 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 which 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.

(11) 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 – Purchase cost on weighted average.

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.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 but not within the scoping of inventories.

(12) 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 are 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:

<u>Asset category</u>	<u>Years</u>
Buildings and facilities	3~50 years
Machinery and equipment	2~20 years
Testing equipment	3~15 years
Furniture and fixtures	5 years
Computers and communications equipment	2~10 years
Leasehold improvements	1~10 years

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.

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

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(13) 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 the contract, 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.

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:

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- 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; and
- 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 is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing 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; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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 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.

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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 leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the consolidated income statement.

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.

(14) 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.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets 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 fiscal 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 is treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are recognized in profit and loss.

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

Vaccine patent

Vaccine patent is stated at cost and amortized on a straight-line basis over its estimated useful life of 15 years.

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Professional techniques

Professional techniques are stated at cost and amortized on a straight-line basis over their estimated useful life of 12-20 years.

Computer software

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

(15) 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.

A cash generating unit, or the 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.

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

(16) Revenue Recognition

The Group's revenue arising from contracts with customers mainly include sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group manufactures and sells vaccine-related products. Revenue is recognized when control of the products is transferred to customers. The delivery of goods is considered completed when the products are shipped to the specified location and the customer accepts the products in accordance with the sales contract, or there is objective evidence that all acceptance criteria have been met. Revenue is represented net of the estimated returns, quantity discounts, and allowances, with the contract price deducted. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, for which the estimation is updated at the end of each reporting period.

The credit period of the Group's sale of goods is from 60 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period of trade receivables is usually short and there is no significant financing component to the contract. For some contracts, the Group does not have a right to an amount of consideration that is unconditional upon the time the goods have been transferred to customers, these contracts are recorded as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Services

The Group provides testing services to its customers. Revenue is recognized when performance obligations are satisfied by transferring services to customers in accordance with the agreed scope of services in the contract.

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(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.

(18) Post-Employment Benefits

All regular 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. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company and its domestic subsidiaries recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(19) Share-based Payment Transactions

The cost of equity-settled transactions between the Group and employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

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 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.

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Where the terms of an equity-settled 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.

(20) Income Tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, 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 in other comprehensive income or directly in 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 tax

Deferred tax is provided on temporary differences at the reporting date 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:

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- 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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.

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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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, 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, the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

In the process of asset impairment evaluation, the Group estimates the recoverable amount of specific asset groups based on industry characteristics and asset usage patterns. Since the estimates are uncertain, future changes in cash flow or discount rates will impact the value in use of, which may lead to additional impairment losses recognized by the Group or reversals of previously recognized impairment losses. Besides, due to the uncertainty of the development progress of vaccine, the estimated sales growth rate, gross profit margin, etc., are highly uncertain.

B. Valuation on inventories

Since inventories are measured at the lower of cost and net realizable value, the Group uses judgment and estimates to determine the net realizable value of the inventories at the balance sheet date. The Group estimates the net realizable value of inventories for normal inventory consumption obsolescence and unmarketable items at the balance sheet date and then writes down the cost of inventories to the net realizable value. The net realizable value of the inventories is mainly determined based on assumptions of future sales amounts within a specific time period, and therefore material adjustments may occur. Please refer to Note 6(6).

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2023	2022
Cash on hand and revolving funds	\$102	\$102
Checking accounts and demand deposits	1,352,815	1,179,111
Time deposits	2,411,929	3,027,624
Subtotal	3,764,846	4,206,837
Classified as financial assets at amortized cost - current (Note 6(4))	(2,364,100)	(2,979,940)
Classified as other financial assets - restricted assets	-	(15,016)
Classified as refundable deposits - restricted assets	(7,626)	(7,626)
Total	\$1,393,120	\$1,204,255

For details of restricted cash classified as other financial assets and refundable deposits due to the security deposits for project and for lease, please refer to Note 8.

(2) Financial Assets (Liabilities) at Fair Value through Profit or Loss

	December 31,	
	2023	2022
Assets items		
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificates	\$-	\$53,100
Valuation adjustment	-	(107)
Total	\$-	\$52,993
Current	\$-	\$52,993
Liabilities items		
Embedded derivatives in convertible corporate bonds payable (Note 6(10)):		
Derivative instruments	\$2,800	\$2,800
Valuation adjustment	26,250	16,450
Total	\$29,050	\$19,250

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	December 31,	
	2023	2022
Current	\$29,050	\$-
Non - current	-	19,250
Total	\$29,050	\$19,250

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

(3) Financial Assets at Fair Value through Other Comprehensive Income

	December 31,	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income - noncurrent		
Listed stocks	\$120,435	\$93,409
Unlisted stocks	97,740	87,922
Valuation adjustment	27,956	82,225
Total	\$246,131	\$263,556

Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial Assets at Amortized Cost - Current

	December 31,	
	2023	2022
Time deposits (contract period is more than three months)	\$2,364,100	\$2,979,940
Interest Rate (%)	1.42%~5%	0.965%~4.15%

The Group's financial assets at amortized cost are time deposits in financial institutions with good credit quality. The likelihood of default is low, and no pledge have been provided.

(5) Trade Receivables

	December 31,	
	2023	2022
Trade receivables	\$149,107	\$194,400
Less: allowance for doubtful accounts	-	-
Total	\$149,107	\$194,400

Trade receivables were not pledged.

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	December 31,	
	2023	2022
Current	\$29,050	\$-
Non - current	-	19,250
Total	\$29,050	\$19,250

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

(3) Financial Assets at Fair Value through Other Comprehensive Income

	December 31,	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income - noncurrent		
Listed stocks	\$120,435	\$93,409
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Valuation adjustment	27,956	82,225
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Financial assets at fair value through other comprehensive income were not pledged.

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	December 31,	
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Time deposits (contract period is more than three months)	\$2,364,100	\$2,979,940
Interest Rate (%)	1.42%~5%	0.965%~4.15%

The Group's financial assets at amortized cost are time deposits in financial institutions with good credit quality. The likelihood of default is low, and no pledge have been provided.

(5) Trade Receivables

	December 31,	
	2023	2022
Trade receivables	\$149,107	\$194,400
Less: allowance for doubtful accounts	-	-
Total	\$149,107	\$194,400

Trade receivables were not pledged.

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The aging analysis of trade receivable is as follows:

	December 31,	
	2023	2022
Not past due	\$149,107	\$194,400

The Group applies the simplified approach using a provision matrix to estimate expected credit loss on trade receivables and contract assets. The total carrying amount of trade receivables as of December 31, 2023 and 2022 are NT\$149,107 thousand and NT\$194,400 thousand, respectively; and the allowance for doubtful accounts as of December 31, 2023 and 2022 were both nil. Please refer to Note 12 for more details on credit risk.

(6) Inventories

	December 31,	
	2023	2022
Raw materials and supplies	\$248,078	\$462,948
Work in process	56,705	80,362
Finished goods	78,852	1,474
Total	\$383,635	\$544,784

The cost of inventories recognized in expenses amounted to NT\$159,402 thousand and NT\$577,644 thousand for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, it included the reversal of write-down of inventories of NT\$90,507 thousand due to the disposal of the previous write-down of the inventories and the losses on abandonment of inventories of NT\$98,144 thousand. For the year ended December 31, 2022, the write-down of inventories of NT\$443,168 thousand. In addition, the Group transferred inventories for the use of research and development and recognized related expenses of NT\$432,623 thousand for the year ended December 31, 2023.

No inventories were pledged.

(7) Prepayments

	December 31,	
	2023	2022
Payment in advance	\$2,834	\$358,617
Other prepaid expenses	10,657	12,369
Total	\$13,491	\$370,986

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(8) Property, Plant and Equipment

	December 31,							Total
	2023			2022				
Owner occupied property, plant and equipment	\$1,129,833							\$1,200,472
	Buildings and facilities	Machinery and equipment	Testing equipment	Furniture and fixtures	Computers and communications equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	
Cost:								
As of January 1, 2023	\$1,126,690	\$533,528	\$77,814	\$3,245	\$12,000	\$3,030	\$14,538	\$ 1,770,845
Additions	1,898	10,718	808	-	691	310	9,746	24,171
Reclassifications	1,380	11,839	-	-	-	-	(2,918)	10,301
As of December 31, 2023	<u>\$1,129,968</u>	<u>\$556,085</u>	<u>\$78,622</u>	<u>\$3,245</u>	<u>\$12,691</u>	<u>\$3,340</u>	<u>\$21,366</u>	<u>\$ 1,805,317</u>
As of January 1, 2022	\$1,121,436	\$487,174	\$68,701	\$3,245	\$11,782	\$2,551	\$4,695	\$1,699,584
Additions	4,931	35,682	6,446	-	218	479	14,425	62,181
Reclassifications	323	10,672	2,667	-	-	-	(4,582)	9,080
As of December 31, 2022	<u>\$1,126,690</u>	<u>\$533,528</u>	<u>\$77,814</u>	<u>\$3,245</u>	<u>\$12,000</u>	<u>\$3,030</u>	<u>\$14,538</u>	<u>\$1,770,845</u>
Depreciation and Impairment:								
As of January 1, 2023	\$313,747	\$184,820	\$55,379	\$3,245	\$11,067	\$2,115	\$-	\$570,373
Depreciation	55,150	44,846	6,675	-	590	226	-	107,487
Reclassifications	-	(2,376)	-	-	-	-	-	(2,376)
As of December 31, 2023	<u>\$368,897</u>	<u>\$227,290</u>	<u>\$62,054</u>	<u>\$3,245</u>	<u>\$11,657</u>	<u>\$2,341</u>	<u>\$-</u>	<u>\$675,484</u>
As of January 1, 2022	\$259,136	\$143,273	\$47,793	\$3,206	\$10,558	\$1,658	\$-	\$465,624
Depreciation	54,611	41,547	7,586	39	509	457	-	104,749
As of December 31, 2022	<u>\$313,747</u>	<u>\$184,820</u>	<u>\$55,379</u>	<u>\$3,245</u>	<u>\$11,067</u>	<u>\$2,115</u>	<u>\$-</u>	<u>\$570,373</u>
Net carrying amounts as of:								
December 31, 2023	<u>\$761,071</u>	<u>\$328,795</u>	<u>\$16,568</u>	<u>\$-</u>	<u>\$1,034</u>	<u>\$999</u>	<u>\$21,366</u>	<u>\$1,129,833</u>
December 31, 2022	<u>\$812,943</u>	<u>\$348,708</u>	<u>\$22,435</u>	<u>\$-</u>	<u>\$933</u>	<u>\$915</u>	<u>\$14,538</u>	<u>\$1,200,472</u>

The significant components of buildings and facilities include electromechanical air conditioning and fire protection engineering, which are depreciated over 3-15 years.

The property, plant and equipment were not pledged.

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(9) Intangible Assets

	Professional techniques	Computer software	Vaccine patent	Total
Cost:				
As of January 1, 2023	\$25,870	\$4,105	\$94,575	\$124,550
Additions	-	2,265	-	2,265
As of December 31, 2023	<u>\$25,870</u>	<u>\$6,370</u>	<u>\$94,575</u>	<u>\$126,815</u>
As of January 1, 2022	\$25,870	\$2,935	\$94,575	\$123,380
Additions	-	1,170	-	1,170
As of December 31, 2022	<u>\$25,870</u>	<u>\$4,105</u>	<u>\$94,575</u>	<u>\$124,550</u>
Amortization and Impairment:				
As of January 1, 2023	\$12,768	\$2,320	\$64,101	\$79,189
Amortization	1,851	1,173	6,305	9,329
As of December 31, 2023	<u>\$14,619</u>	<u>\$3,493</u>	<u>\$70,406</u>	<u>\$88,518</u>
As of January 1, 2022	\$10,917	\$1,689	\$57,796	\$70,402
Amortization	1,851	631	6,305	8,787
As of December 31, 2022	<u>\$12,768</u>	<u>\$2,320</u>	<u>\$64,101</u>	<u>\$79,189</u>
Net carrying amount as of:				
December 31, 2023	<u>\$11,251</u>	<u>\$2,877</u>	<u>\$24,169</u>	<u>\$38,297</u>
December 31, 2022	<u>\$13,102</u>	<u>\$1,785</u>	<u>\$30,474</u>	<u>\$45,361</u>

Amortization expense of intangible assets:

	Years ended December 31,	
	2023	2022
Operating costs	\$253	\$-
General and administrative expenses	872	631
Research and development expenses	8,204	8,156
Total	<u>\$9,329</u>	<u>\$8,787</u>

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(10) Corporate Bonds Payable

Domestic convertible bonds payable

	December 31,	
	2023	2022
Liability component:		
Principal amount of domestic convertible corporate bonds payable	\$1,750,000	\$1,750,000
Discounts on domestic convertible corporate bonds payable	(41,899)	(72,150)
Subtotal	1,708,101	1,677,850
Less: current portion due within one year	(1,708,101)	-
Net	\$-	\$1,677,850
Embedded derivatives (Note6(2))	\$29,050	\$19,250

The Company issued NT\$1,750,000 thousand, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date on May 9, 2022 to May 9, 2025 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on May 9, 2022.

The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the increase in the number of ordinary shares issued (including private placement) by the Company occurs subsequently, including but not limited to issuance of common stock for cash, capital increase out of earnings or capital reserves, company merger, transfer of shares from other companies to issue new shares, stock splits and cash capital increase to participate in the issuance of overseas depositary receipts, etc. The conversion price was NT\$278 per share on the issue date. In response to the Company's capital increase out of cash and earnings, the conversion price was adjusted to NT\$277.5 and NT\$187.1 on July 1, 2022 and August 9, 2022, respectively.

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The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value upon two years from the issue date.

The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

Regarding the issuance of convertible bonds, the equity conversion options amounting to NT\$89,930 thousand were separated from the liability component and were recognized in "capital surplus - share options" in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognized in "financial liabilities at fair value through profit or loss" in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.7882%.

(11) Post-Employment Benefits

Defined contribution plan

Pension expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$6,082 thousand and NT\$6,525 thousand, respectively.

(12) Equities

A. Common stock

The Company's authorized capital was both NT\$5,000,000 thousand as of December 31, 2023 and 2022 (including 10,000 thousand shares reserved for employee stock options), each at a par value of NT\$10. The Company's issued capital was NT\$3,286,081 thousand and NT\$3,278,399 thousand divided into 328,608 thousand shares and 327,840 thousand shares as of December 31, 2023 and 2022. Each share has one voting right and a right to receive dividends.

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The Board of Directors during its meeting on March 1, 2022 adopted a resolution for a cash capital increase of 7,000 thousand shares with a par value of \$10 (in dollars) per share, at a premium issuance price of \$220 (in dollars) per share. The total amount of shares is \$1,540,000 thousand, which was fully received on July 1, 2022. The capital increase base date was July 1, 2022. On July 8, 2022, the Company had completed the registration.

B. Capital surplus

	December 31,	
	2023	2022
Additional paid-in capital	\$1,298,564	\$2,554,559
Employee stock options	137,800	140,890
Stock options from convertible bonds (Note 6(10))	89,930	89,930
Other	24,703	12,706
Total	<u>\$1,550,997</u>	<u>\$2,798,085</u>

According to the Company Act, the capital reserve shall not be used except for covering losses 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 cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Articles of Incorporation, current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and the company shall set aside special reserve in accordance with the regulation or business requirements. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

The Company's dividend policy is to distribute dividends in the form of stock dividends (including surplus and capital reserve allotment) or cash dividends. The board of directors considers the Company's operating results, capital requirements and the current year's surplus (less the required reserve) in proposing a surplus distribution which shall be approved by shareholders. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 50% of the total dividends distributable. If there is a capital expenditure plan in the future, the dividends will be distributed as stock dividends which shall be approved by the shareholders.

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According to Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. If 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 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on June 30, 2022 as follows:

	Appropriation and distribution of earnings	Dividends per share (NT\$)
Legal reserve	\$141,026	
Special reserve	459	
Common stock - stock dividend	1,067,195	\$5

On June 29, 2023, the general shareholders' meeting adopted a resolution to offset capital surplus of NT\$1,272,995 thousand against the 2022 deficit.

On March 8, 2024, the Board of Directors proposed a resolution to offset capital surplus of NT\$1,159,835 thousand against the 2023 deficit.

Please refer to Note 6(16) for further details on employee compensation and remuneration to directors and supervisors.

(13) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remuneration; 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

The Company was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue employee share options. Each unit entitles an optionee to subscribe for one share of the Company's common shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. According to Share-based payment plan, settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

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The relevant details of the aforementioned share-based payment plan are as follows:

Type of arrangement	Grant date	Options		
		Options granted (in thousands)	Contract period	Vesting conditions
Employee stock options (2017-1-1)	2017.07.19	2,135	6 years	2-4 years
Employee stock options (2017-1-2)	2018.04.18	365	6 years	2-4 years
Employee stock options (2018-1-1)	2018.11.05	3,035	6 years	2-4 years
Employee stock options (2018-1-2)	2019.08.13	465	6 years	2-4 years
Employee stock options (2021)	2021.03.23	2,500	6 years	2-4 years
Cash capital increase reserved for employee preemption (2022)	2022.05.31	508	0.074 years	Vested immediately

	Years ended December 31,			
	2023		2022	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	3,135	\$121.76	4,501	\$140.45
Exercised	(577)	23.18	(1,187)	33.20
Expired	(415)	144.39	(179)	118.55
Outstanding at end of period	<u>2,143</u>	143.91	<u>3,135</u>	121.76
Exercisable at end of period	<u>1,146</u>	136.18	<u>657</u>	24.03

The information on the outstanding share options is as follows:

Type of arrangement	December 31,			
	2023		2022	
	Shares (in thousands)	Exercise price (Note)	Shares (in thousands)	Exercise price (Note)
Employee stock options (2017-1-1)	-	\$-	17	\$19.90
Employee stock options (2017-1-2)	-	-	75	26.60
Employee stock options (2018-1-1)	144	24.80	475	24.80
Employee stock options (2018-1-2)	5	18.60	185	18.60
Employee stock options (2021)	1,994	152.80	2,383	152.80

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Note: The price of employee stock option certificates issued has been adjusted in accordance with the terms and conditions of stock options on the Company's ex-rights base date of August 9, 2022.

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

Type of arrangement	Expected volatility (%) (Note)	Risk-free interest rate (%)	Expected options life (Years)
Employee stock options (2017-1-1)	40.77%	0.7128%	4
	42.35%	0.7383%	4.5
	42.40%	0.7643%	5
Employee stock options (2017-1-2)	40.05%	0.6595%	4
	39.65%	0.6909%	4.5
	40.14%	0.7242%	5
Employee stock options (2018-1-1)	40.55%	0.7180%	4
	40.60%	0.7530%	4.5
	40.16%	0.7939%	5
Employee stock options (2018-1-2)	39.13%	0.5253%	4
	39.15%	0.5308%	4.5
	39.16%	0.5395%	5
Employee stock options (2021)	41.05%	0.2921%	4
	39.74%	0.3055%	4.5
	39.65%	0.3172%	5
Cash capital increase reserved for employee preemption (2022)	53.63%	0.7326%	0.074

Note : The Company's expected price volatility rate was estimated based on the stock volatility of the same industry. The parent company's expected price volatility rate was estimated based on the volatility of the monthly average price announced by the Taipei Exchange.

The expected 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 life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No modification or cancellation of share-based payment plan has occurred.

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B. Expenses recognized for employee service was as follow:

	Years ended December 31,	
	2023	2022
Equity-settled share-based payment transactions	\$18,305	\$75,609

(14) Net Sales

Analysis of revenue from contracts with customers is as follows:

A. Disaggregation of revenue

	Years ended December 31,	
	2023	2022
Contract revenue from customers		
Sale of goods	\$389,257	\$365,042
Services revenue	367	-
Total	\$389,624	\$365,042

Timing of revenue recognition:

At a point in time	\$384,163	\$313,585
Over time	5,461	51,457
Total	\$389,624	\$365,042

B. Contract balance

a. Contract assets - current

	December 31,		January 1,
	2023	2022	2022
Sale of goods	\$-	\$-	\$339,148

The significant changes in the Group's balances of contract assets are as follows:

	Years ended December 31,	
	2023	2022
The opening balance transferred to trade receivables	\$-	\$339,148

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b. Contract liabilities - current

	December 31,		January 1,
	2023	2022	2022
Sale of goods	\$-	\$-	\$111,412

The significant changes in the Group's balances of contract liabilities are as follows:

	Years ended December 31,	
	2023	2022
The opening balance transferred to revenue	\$-	\$111,412

The contract assets and liabilities were mainly arising from the contract with the Centers for Disease Control, Ministry of Health and Welfare for the procurement of domestic COVID-19 vaccine. In addition, the liquidated damages related to the delay in the delivery of vaccines were considered as a deduction of revenue. Amount of recognized deduction of cash for the contract in 2022 was \$88,164 thousand.

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Cost of assets from acquisition or performance of customer contracts

None.

(15) Leases

The Group as lessee

The Group leases property including land and buildings. These leases have terms between 10 to 48 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

The effects that leases have on the financial position, financial performance and cash flows of the Group are as follows:

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A. Amounts recognized at the balance sheets

(a) Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2023	2022
Land	\$171,822	\$175,818
Buildings	82,876	93,235
Total	<u>\$254,698</u>	<u>\$269,053</u>

During the years ended December 31, 2023 and 2022, the additions to right-of-use assets of the Group amounted to NT\$0 thousand and NT\$103,840 thousand, respectively.

(b) Lease liability

	December 31,	
	2023	2022
Current	\$11,996	\$11,778
Non-current	254,356	266,352
Total	<u>\$266,352</u>	<u>\$278,130</u>

Please refer to Note 6(17)D. For the interest on lease liability recognized. Please refer to Note 12(5) for the maturity analysis for lease liabilities. Amounts recognized in the statement of comprehensive income

B. Depreciation charge for right-of-use assets

	Years ended December 31	
	2023	2022
Land	\$3,996	\$3,996
Buildings	10,359	10,360
Total	<u>\$14,355</u>	<u>\$14,356</u>

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C. Income and costs relating to leasing activities

	Years ended December 31	
	2023	2022
The expense relating to short-term leases	\$680	\$687

D. Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounted to NT\$19,778 thousand and NT\$19,784 thousand, respectively.

(16) Summary Statement of Employee Benefits, Depreciation and Amortization Expenses by Function

Function Items	Years ended December 31					
	2023			2022		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits expense						
Salaries	\$40,182	\$112,139	\$153,321	\$28,088	\$203,677	\$231,765
Labor and health insurance	3,472	8,733	12,205	1,900	10,674	12,574
Pension	1,826	4,256	6,082	1,027	5,498	6,525
Other employee benefits expense	1,848	4,575	6,423	708	4,287	4,995
Depreciation	52,231	69,611	121,842	26,331	92,774	119,105
Amortization	253	9,076	9,329	-	8,787	8,787

According to the Articles of Incorporation, no lower than 1% of profit of the current year is distributable as employee compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered.

Information on the Board of Directors' resolution regarding the employees' deposits compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company incurred losses before income tax for both the years ended December 31, 2023 and 2022, thus no accrual was made for employees' compensation and director remuneration.

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(17) Non-Operating Income and Expenses

A. Interest income

	Years ended December 31,	
	2023	2022
Financial assets at amortized cost interest income	\$77,452	\$2,100
Interest income from bank deposits	5,769	5,472
Other interest income	61	33
Total	\$83,282	\$7,605

B. Other income

	Years ended December 31,	
	2023	2022
Government grants	\$-	\$19,864
Other	18,243	48,807
Total	\$18,243	\$68,671

C. Other gains and losses

	Years ended December 31,	
	2023	2022
Foreign exchange (loss) gain, net	\$(325)	\$28,858
Net loss on financial assets (liabilities) at fair value through profit or loss	(9,635)	(16,554)
Total	\$(9,960)	\$12,304

D. Finance cost

	Years ended December 31,	
	2023	2022
Discount on corporate bonds payable	\$30,251	\$19,355
Interest expense on lease liabilities	7,320	7,533
Total	\$37,571	\$26,888

(18) Components of Other Comprehensive Income

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	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	\$(54,269)	\$-	\$(54,269)	\$-	\$(54,269)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	2	-	2	-	2
Total of other comprehensive income	<u>\$(54,267)</u>	<u>\$-</u>	<u>\$(54,267)</u>	<u>\$-</u>	<u>\$(54,267)</u>

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Unrealized gain from equity instrument investments measured at fair value through other comprehensive income	\$82,225	\$-	\$82,225	\$-	\$82,225
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	352	-	352	-	352
Total of other comprehensive income	<u>\$82,577</u>	<u>\$-</u>	<u>\$82,577</u>	<u>\$-</u>	<u>\$82,577</u>

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(19) Income Tax

For the years ended December 31, 2023 and 2022, the Group had no recognition of income tax expense and deferred tax assets.

Reconciliation of income tax expense (benefits) and the accounting profit multiplied by applicable tax rates is as follows:

	Years ended December 31,	
	2023	2022
Accounting loss before tax from continuing operations	\$(1,159,835)	\$(1,474,573)
Tax calculated by statutory tax rate	(231,967)	(294,915)
Tax effect of revenues exempted from taxation	(12)	-
Tax effect of expenses not deductible for tax purposes	10,414	7,318
Tax effect of deferred tax assets/liabilities	221,565	287,597
Total income tax expense recognized in profit or loss	\$-	\$-

The following table contains information of the unused tax losses of the Company and its subsidiaries:

Year	Accumulated loss	Unutilized accumulated loss as of		Expiration year
		December 31,		
		2023	2022	
2019	609,285	\$589,909	\$589,909	2029
2020	675,680	675,680	675,680	2030
2022	1,022,722	1,022,722	1,022,722	2032
2023	758,764	758,764	-	2033
		\$3,047,075	\$2,288,311	

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized amounted to NT\$609,415 thousand and NT\$457,505 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

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7. Related Party Transactions

Parent and ultimate controlling party

Medigen Biotechnology Corporation is the Company's ultimate parent company.

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Winston Medical Supply Co., Ltd.	The same ultimate parent of the Company
Taiwan Bio Therapeutics Co., Ltd. (Taiwan Bio Therapeutics)	Other related party
U-GEN Biotechnology Inc. (U-GEN)	Other related party

Significant transactions with related parties

- (1) For the years ended December 31, 2023 and 2022, the Group participated in the capital increase of Taiwan Bio Therapeutics in the amount of NT\$27,026 thousand and NT\$39,409 thousand, respectively
- (2) For the year ended December 31, 2022, the Group participated in the capital increase of U-GEN in the amount of NT\$30,127 thousand.

Key Management Personnel Compensation

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$15,597	\$16,957
Post-employment benefits	216	216
Share-based payment	9,512	20,394
Total	<u>\$25,325</u>	<u>\$37,567</u>

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8. Assets Pledged as Collateral

The following assets of the Group pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31,		
	2023	2022	
Time deposits - restricted assets (presented as “other financial assets - current”)	\$-	\$15,016	Security deposit for project
Time deposits - restricted assets (presented as “refundable deposits”)	7,626	7,626	Security deposit of leases
Total	<u>\$7,626</u>	<u>\$22,642</u>	

9. Commitments and Contingencies

i. Contingencies

None.

ii. Commitments

A. The Company signed a three party technical license agreement with Centers for Disease Control, Department of Health, Executive Yuan (now Taiwan Centers for Disease Control, CDC) and National Health Research Institute (NHRI) on June 28, 2013 for the development of Enterovirus Vaccine 71 (EV71). Under the contract, the Company shall pay milestone payments as the research progresses and net sales royalty when products are launched in the future. The final data from the Phase III multi-region clinical trial for EV71 vaccine were unblinded on June 20, 2022, and the results were as expected. Accordingly, the Company applied for a new drug application (NDA) for EV71 vaccine to the Food and Drug Administration on October 1, 2022. The Food and Drug Administration approved the application on April 12, 2023.

B. The Company signed the license agreement with NHRI for the H7N9 novel influenza vaccine. The contract period is from April 25, 2014 through April 24, 2029. The contract includes authorized H7N9 novel influenza virus strains, vaccine manufacturing process, pre-clinical animal trials and other intellectual properties, and the complete rights to manufacture and sell the vaccine products in Taiwan. The Company is required to pay fixed and running royalties as specified in the contract. The phase I and phase II clinical trials have passed the review by Taiwan CDC and have been approved for future reference.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. The Company contracted with United States National Institute of Health (NIH) on November 17, 2016 regarding the license agreement for the dengue fever vaccine, which granted the Company complete rights of R&D, manufacture, selling and re-licensing. There were 17 countries included in the original authorized region. On September 17, 2017, the rights for 9 additional countries were obtained, which has expanded the total licensed region to 26 countries. The Company is required to make a certain amount of fixed and running royalties and milestone payments under the contract. The Company has completed phase II clinical trials and received clinical trial reports.

D. The Company signed a global commercial COVID-19 vaccine license agreement with US NIH on May 5, 2020 in order to attain the complete rights for the R&D, manufacture, and sales of COVID-19 vaccine. Under the contract, the Company is required to pay a certain amount of fixed and running royalties and milestone payments.

E. Capital expenditures contracted for but not yet incurred:

	December 31,	
	2023	2022
Property, plant and equipment	\$5,462	\$26,605

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of Financial Instruments

Financial assets

	December 31,	
	2023	2022
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$-	\$52,993
Financial assets at fair value through other comprehensive income	246,131	263,556
Financial assets at amortized cost (Note)	3,971,599	4,469,704
Total	\$4,217,730	\$4,786,253

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$29,050	\$19,250
Financial liabilities at amortized cost (Note)	1,950,055	2,013,070
Lease liabilities	266,352	278,130
Total	<u>\$2,245,457</u>	<u>\$2,310,450</u>

Note: Financial assets at amortized cost include cash and cash equivalent, time deposits (contract period is more than three months), trade receivables, other receivables, restricted assets, performance guarantee and refundable deposits; financial liabilities at amortized cost include notes and trade payables, other payables and corporate bonds payables.

(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 activities. 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 instruments).

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

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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 expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

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. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

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 US dollar (USD). The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$5,606 thousand and NT\$6,244 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. There is no significant interest risk for the fair value or future cash flows of a financial instrument.

Equity price risk

The fair value of the Group's equity securities to market price risk arising from uncertainties about future values of the investment securities. The Group's equity securities are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing 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 reviews and approves all equity investment decisions.

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the years ended December 31, 2023 and 2022, an increase/decrease of 1% in the price of the unlisted equity securities classified as equity instruments at fair value through other comprehensive income could increase/decrease by NT\$2,454 thousand and NT\$2,519 thousand on the equity attributable to the Group, respectively.

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

(4) Credit Risk Management

Credit risk is the risk that 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 contract assets) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, 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.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group'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 and with no significant default risk. 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, highly liquid equity investments and bond payables. 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 of the end of the reporting period.

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MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Non-derivative financial liabilities

	Less than 1				Total
	year	2 to 3 years	4 to 5 years	Over 5 years	
As of December 31, 2023					
Accounts payables	\$241,954	\$-	\$-	\$-	\$241,954
Corporate bonds payable	1,750,000	-	-	-	1,750,000
Lease liabilities	19,098	38,195	38,195	330,872	426,360
As of December 31, 2022					
Accounts payables	\$335,220	\$-	\$-	\$-	\$335,220
Corporate bonds payable	-	1,750,000	-	-	1,750,000
Lease liabilities	19,098	38,195	38,195	349,970	445,458

(6) Reconciliation of Liabilities Arising from Financing Activities:

Reconciliation of liabilities for the year ended December 31, 2023:

	Lease liabilities	Corporate bonds payable	Total liabilities from financing activities
	As of January 1, 2023	\$278,130	\$1,677,850
Cash flows	(11,778)	-	(11,778)
Non-cash changes	-	30,251	30,251
As of December 31, 2023	<u>\$266,352</u>	<u>\$1,708,101</u>	<u>\$1,974,453</u>

Reconciliation of liabilities for the year December 31, 2022:

	Lease liabilities	Corporate bonds payable	Total liabilities from financing activities
	As of January 1, 2022	\$185,854	\$-
Cash flows	(11,564)	1,755,250	1,743,686
Non-cash changes	103,840	(77,400)	26,440
As of December 31, 2022	<u>\$278,130</u>	<u>\$1,677,850</u>	<u>\$1,955,980</u>

(7) Fair Value of Financial Instruments

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

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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, trade receivables and accounts payables approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and beneficiary certificates etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including unquoted public company equity securities) are 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).
- (d) The fair value of derivatives which are fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities 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

The related information for derivative financial instruments that were not qualified for hedge accounting and not yet settled as of December 31, 2023 and 2022 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible corporate bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(10) for further information on this transaction.

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Fair Value Measurement Hierarchy

A. Fair value measurement hierarchy

All assets 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

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:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	\$207,112	\$-	\$39,019	\$246,131
Liabilities measured at fair value:				
Financial liabilities at fair value				
through profit or loss				
Embedded derivatives	\$-	\$29,050	\$-	\$29,050

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$52,993	\$-	\$-	\$52,993
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	-	-	263,556	263,556
Total	\$52,993	\$-	\$263,556	\$316,549
Liabilities measured at fair value:				
Financial liabilities at fair value				
through profit or loss				
Embedded derivatives	\$-	\$19,250	\$-	\$19,250

Transfers between the Level 1 and Level 2 during the period

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

Change in reconciliation for 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:

	Assets	
	At fair value through other comprehensive income	
	Years ended December 31,	
	2023	2022
As of January 1	\$263,556	\$54,000
Amount recognized in other comprehensive income	(26,679)	82,225
Acquisition	9,818	127,331
Transfer out of Level 3	(207,676)	-
As of December 31	\$39,019	\$263,556

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MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Group's policy to recognize the transfer into and out of fair value hierarchy levels is based on the event or changes in circumstances that caused the transfer.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2023

Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:				
At fair value				
through other comprehensive income				
Unlisted stocks	Market comparable companies	Price-to-book Ratio multiple	3.20	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value of the stocks
		Discount for lack of marketability	30%	1% increase (decrease) in the price-to-book ratio multiple would result in increase/decrease in the Group's other comprehensive income by NT\$355 thousand
Net assets value		Discount for lack of marketability	10%	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's other comprehensive income by NT\$152 thousand
				1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's other comprehensive income by NT\$4 thousand

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**MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value					
through other comprehensive income					
Unlisted stocks	Market comparable companies	Price-to-book ratio multiple	4.38	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the price-to-book ratio multiple would result in increase/decrease in the Group's other comprehensive income by NT\$1,756 thousand
		Discount for lack of marketability	30%		1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's other comprehensive income by NT\$753 thousand
	Recent non-active market price	Not applicable	Not applicable	Not applicable	Not applicable

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed:

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payables	\$1,721,125	\$-	\$-	\$1,721,125

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payables	\$1,582,875	\$-	\$-	\$1,582,875

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

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

	December 31, 2023		
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$22,822	30.705	\$700,750

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MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	December 31, 2022		
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$25,417	30.71	\$780,556

The net foreign exchange (loss) gain was NT\$(325) thousand and NT\$28,858 thousand for years ended December 31, 2023 and 2022, 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 shareholder 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. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates:

- A. Financing provided to others for the year ended December 31, 2023: None.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2023: None.
- C. Securities held as of December 31, 2023 (excluding subsidiaries, associates and joint venture): Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2023: None.

MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

I. Financial instruments and derivative transactions: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on Investees

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

(3) Investment in Mainland China

A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: None.

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

(4) Information on major shareholders

Please refer to Attachment 3.

14. Segment information

General Information

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

The Group evaluates the performance of the operating segments based on operating profit and income/loss before tax, which serves as the basis for performance evaluation. In addition, the accounting policies and accounting estimates of the operating segments are the same as described in Notes 4 and 5.

Geographical information

The main external customer income of the Group is mainly generated in Taiwan.

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MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Major customers information

For the years ended December 31, 2023 and 2022, major customers representing at least 10% of net revenue:

	Years ended December 31,	
	2023	2022
Customer A	\$136,525	\$365,042

Medigen Vaccine Biologics Corporation and Subsidiaries
Notes to consolidated financial statements
Securities held (excluding investments in subsidiaries, affiliates and joint venture)
As of December 31, 2023

Attachment 1

Expressed in thousands of NTD

Held company name	Marketable securities type and name	Relationship with the company	Financial statement account	Shares	Carrying amount	Percentage of ownership	Fair value	Note
MVC Capital Corporation	Taiwan Bio Therapeutics Co., Ltd.	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	6,077,230	\$207,112	9.78%	\$207,112	-
MVC Capital Corporation	U-GEN Biotechnology Inc.	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	1,727,893	3,535	0.93%	3,535	-
MVC Capital Corporation	Thermolysis Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	2,545,454	35,484	5.91%	35,484	-

Medigen Vaccine Biologics Corporation and Subsidiaries

Notes to consolidated financial statements

Names, locations and related information of investee companies. (not including investment in Mainland China)

For the year ended December 31, 2023

Attachment 2

Expressed in thousands of NTD

Investor Company	Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Medigen Vaccine Biologics Corporation	MVC BioPharma Ltd.	Cayman Islands	Investing	\$ 7,081	\$ 7,081	50,000	100.00	\$ 3,309	\$(203)	\$(203)	
Medigen Vaccine Biologics Corporation	MVC Capital Corporation	Taiwan	Investing	300,000	200,000	30,000,000	100.00	327,718	(164)	(164)	Note a
Medigen Vaccine Biologics Corporation	MVC Australia Pty Ltd.	Australia	To hold licenses and support local marketing	-	-	-	-	-	-	-	Note b
Medigen Vaccine Biologics Corporation	MVC Bio Supply Sdn. Bhd.	Malaysia	To hold licenses and support local marketing	-	-	-	-	-	-	-	Note b

Note a: On May 3, 2023, MVC Capital Corporation has changed its company name in Chinese ,which was also approved by the governance authorities.

Note b: The establishment of subsidiaries were incorporated and approved by the local governance authorities; however the Company has not contributed capital to those subsidiaries as of December 31, 2023.

Medigen Vaccine Biologics Corporation and Subsidiaries

Notes to consolidated financial statements

The information of major shareholde

As of December 31, 2023

Attachment 3

Expressed in shares

Name	Number of shares	Percentage of ownership
Medigen Biotechnology Corporation	62,378,844	18.98%

Note: The major shareholders information is provided by Taiwan Depository & Clearing Corporation. Shareholders held more than 5% of the company's ordinary shares that have been delivered without physical registration.

Medigen Vaccine Biologics Corp.



Chairman: Ming-Cheng, Chang

